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D.M. Wenceslao & Associates, Incorporated

(Incorporated with limited liability in the Republic of the Philippines)

**Primary Offer of 679,172,800 Common Shares
With an Over-allotment Option of up to 101,876,000 Common Shares
Offer Price of ₱12.00 per Offer Share**

To be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Joint Global Coordinators and Bookrunners



International Lead Manager and Underwriter



Domestic Lead Managers and Underwriters



The date of this Prospectus is June 8, 2018

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

D.M. Wenceslao & Associates, Incorporated
3rd Floor Aseana Powerstation Building
Aseana Business Park
D. Macapagal Blvd Cor. Bradco Ave.
Parañaque City, Philippines
+632.854.5711
www.dmwai.com

This Prospectus relates to the offer and sale on a primary basis of 679,172,800 common shares (the “Firm Offer”, and such shares, the “Firm Shares”), with a par value of ₱1.00 per share (the “Shares”), of D.M. Wenceslao & Associates, Incorporated, a corporation organized under Philippine law (the “Company”). An application is made for the listing of the Offer Shares (as defined below), together with the rest of the Shares of our Company, on the Main Board of The Philippine Stock Exchange, Inc. (the “PSE”). The Offer Shares will be listed and traded on the Main Board of the PSE under the trading symbol “DMW”.

The Firm Shares will be offered at a price of ₱12.00 per Firm Share (the “Offer Price”). A total of 3,395,864,100 Shares will be outstanding after the Firm Offer. The Firm Shares will represent approximately 20% of the issued and outstanding capital stock of our Company after completion of the Offer.

Subject to the terms of the approval of the Philippine SEC given on May 15, 2018, Wendel Holdings Co., Inc. (the “Selling Shareholder”) and our Company have granted Maybank ATR Kim Eng Capital Partners, Inc., or its relevant affiliate, in its role as stabilizing agent (the “Stabilizing Agent”), an option exercisable in whole or in part from and including the date of listing and when trading of the Shares commences on the PSE (the “Listing Date”) and ending 30 calendar days from and including the Listing Date to purchase up to 101,876,000 additional Shares at the Offer Price (the “Optional Shares”), on the same terms and conditions as the Firm Shares as set forth in this Prospectus, solely to cover over-allotments, if any (the “Over-allotment Option”). The Over-allotment Option, to the extent not fully exercised by the Stabilizing Agent, shall be deemed cancelled and the relevant Optional Shares shall be re-delivered to the Selling Shareholder. The Firm Shares and the Optional Shares are referred to as the “Offer Shares”, and the offer of the Offer Shares is referred to as the “Offer”. The Optional Shares will be sold as part of the Institutional Offer (as defined below). See “Plan of Distribution” on page 230 of this Prospectus.

Our Company has an authorized capital stock of ₱4,000,000,000 divided into 4,000,000,000 common shares with a par value of ₱1.00 per Share, of which 2,716,691,300 Shares are outstanding as of the date of this Prospectus.

The total proceeds to be raised by our Company from the sale of the Firm Shares will be approximately ₱8,150.1 million. The net proceeds to be raised by our Company from the sale of the Firm Shares (after deduction of estimated fees and expenses) will be approximately ₱7,599.2 million. Our Company intends to use the net proceeds from the Firm Offer to fund the development of our pipeline projects, obtain land assets through potential share acquisitions, develop infrastructure within Aseana City and for other general corporate purposes. For a more detailed discussion of our Company’s proposed use of proceeds, see “Use of Proceeds” on page 59 of this Prospectus. The Selling Shareholder will receive net proceeds of approximately ₱1,222.5 million from the sale of the Optional Shares, assuming full exercise of the Over-allotment Option (after deducting fees and expenses payable by the Selling Shareholder), while our Company will not receive any of such proceeds.

The International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters will receive a transaction fee from our Company of 2% of the gross proceeds from the sale of the Offer Shares. This transaction fee is inclusive of the amounts to be paid to other participating underwriters and selling agents such as PSE Trading Participants (as defined below), where applicable. Any Firm Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. For a more detailed discussion on the fees to be received by the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters, see “Plan of Distribution” on page 230 of this Prospectus.

At least 475,272,800 Firm Shares (or 70% of the Firm Shares) (the “Institutional Offer Shares”) are being offered and sold (i) outside the Philippines and outside the United States in offshore transactions in reliance on Regulation S (“Regulation S”) under the United States Securities Act of 1933, as amended (the “US Securities Act”) and (ii) to domestic qualified institutional buyers and other domestic institutional investors (the “Domestic QIBs”) in the Philippines (the “Institutional Offer”).

203,900,000 Firm Shares (or 30% of the Firm Shares) (the “Trading Participants and Retail Offer Shares”) are being offered in the Philippines to all of the trading participants of the PSE (the “PSE Trading Participants”) and to local small investors (the “LSIs”) under the Local Small Investors Program in the Philippines (the “Trading Participants and Retail Offer”). The amount of Offer Shares to be made available to the PSE Trading Participants and LSIs will be up to 135,900,000 and 68,000,000 Firm Shares, or 20% and 10%, respectively, of the Firm Shares.

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as may be agreed between the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application in both the Trading Participants and Retail Offer and the Institutional Offer.

Each holder of Shares will be entitled to such dividends as may be declared by our Company’s Board of Directors (the “Board”), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of our Company’s total outstanding capital stock. The Corporation Code of the Philippines, Batas Pambansa Bilang 68 (the “Philippine Corporation Code”), has defined “outstanding capital stock” as the total shares of stock issued, whether paid in full or not, except treasury shares. As of the date of this Prospectus, our Company has adopted through its manual of corporate governance (the “Manual”) a dividend policy pursuant to which shareholders may be entitled to receive, upon declaration by our Company’s Board and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year’s net income after tax based on our Company’s audited financial statements as of such year, except when (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when our Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in our Company, such as when there is a need for special reserve for probable contingencies. There can be no guarantee that our Company will pay any dividends in the future. See a more detailed discussion of our Company’s dividend policy under the section entitled “Dividends and Dividend Policy” on page 63 of this Prospectus.

All of the Shares issued and to be issued pursuant to the Offer have, or will have, identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. For more information relating to restrictions on ownerships of the Shares, please see sections entitled “Risk Factors,” “Regulatory and Environmental Matters – Nationality Restriction” and “Description of the Shares – Limitations on Foreign Ownership” on pages 32, 185 and 210 of this Prospectus, respectively.

On March 6, 2018, our Company filed a Registration Statement covering the Shares with the Philippine Securities and Exchange Commission (“Philippine SEC”), in accordance with the provisions of the Securities Regulation Code.

The listing of the Offer Shares is subject to the approval of the PSE. An application to list the Offer Shares as well as the rest of the Shares was approved on May 23, 2018 by the board of directors of the PSE, subject to fulfillment of certain listing conditions by our Company. However, such an approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE or the Philippine SEC of the Shares. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Offer Shares are offered subject to the receipt and acceptance of any order by our Company and subject to our Company's right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the "PDTTC").

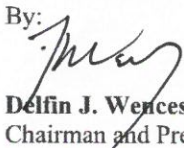
Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. These risks include:

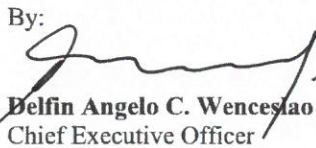
- ♦ risks relating to our business;
- ♦ risks relating to the Philippines;
- ♦ risks relating to the Offer Shares; and
- ♦ risks relating to presentation of information in this Prospectus.

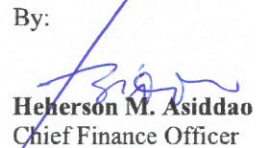
See the section entitled "Risk Factors" on page 32 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

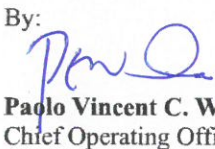
ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

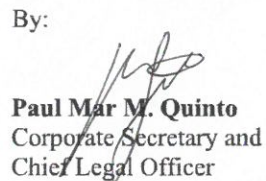
D.M. WENCESLAO & ASSOCIATES, INCORPORATED

By: 
Delfin J. Wenceslao, Jr.
Chairman and President

By: 
Delfin Angelo C. Wenceslao
Chief Executive Officer

By: 
Heherson M. Asiddao
Chief Finance Officer

By: 
Paolo Vincent C. Wenceslao
Chief Operating Officer

By: 
Paul Mar M. Quinto
Corporate Secretary and
Chief Legal Officer

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) SS.

SUBSCRIBED AND SWORN to before me this JUN 08, 2018 day of PASIG CITY, 2018 in PASIG CITY, Philippines, affiant exhibiting to me the following as competent evidence of identity:

NAME	COMPETENT EVIDENCE OF IDENTITY	VALIDITY
Delfin J. Wenceslao, Jr.	PRC No. 0010014	Valid until July 4, 2020
Delfin Angelo C. Wenceslao	Passport No. P5710494A	Valid until January 21, 2028
Paolo Vincent C. Wenceslao	Passport No. P4638589A	Valid until October 5, 2022
Heherson M. Asiddao	Passport No. P55773311A	Valid until January 9, 2028
Paul Mar M. Quinto	Driver's License No N0195186071	Valid until January 1, 2019

Doc. No. 301;
Page No. 74;
Book No. I;
Series of 2018.

ATTY. JEMIMAH ESTELLE T. BARTOLOME
Notary Public
PTR No. 3862288/01.10.18/Pasig City
IBP No. 024673/01.09.18/Makati City
Roll No. 62902
MCLE Compliance Cert. No. V-0020498/04.20.16
Address: 15th Floor Strata 2000 F. Ortigas Jr.
Ortigas Center, Pasig City
Appointment No. 145 (2017- 2018) Pasig City
Expiring on 31 December 2018

Unless otherwise stated, all information contained in this Prospectus relating to our Company and its consolidated subsidiaries (collectively, the “Group”) and our Group’s joint ventures and affiliates identified in “Business – Corporate and Shareholding Structure” and their respective operations have been supplied by our Company. Each of our Company, BPI Capital Corporation and Maybank ATR Kim Eng Capital Partners have exercised diligence to the effect that, and, our Company confirms that to the best of its knowledge and belief after having taken reasonable care to ensure that such is the case, the information contained in this Prospectus relating to our Group and its operations (and that of its subsidiaries and affiliates) is true and there is no material misstatement or omission of fact that would make any statement in this Prospectus misleading in any material respect and our Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. The International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters assume no liability for information supplied by our Company in relation to this Prospectus.

No representation or warranty, express or implied, is made by our Company, the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

The Offer Shares have not been and will not be registered under the US Securities Act and are not being offered or sold in the United States. The Offer Shares may be subject to certain transfer restrictions as described herein.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by our Company, the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The operating information used throughout this Prospectus has been calculated by our Company on the basis of certain assumptions made by it. As a result, this operating information might not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Our Company, the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters require persons into whose possession this Prospectus comes to inform them about, and to observe, any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares, or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of our Company, the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters shall have any responsibility therefor.

In connection with the Offer, the Stabilizing Agent may over-allot Offer Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no assurance that the Stabilizing Agent will undertake stabilization activities. Any stabilization activities may begin on or after the Listing Date and, if begun, may be ended at any time, but must end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, regulations and rules. The total number of Offer Shares which the Stabilizing Agent or any of its agents may buy to undertake any stabilization activities shall not exceed 15% of the aggregate number of the Firm Shares.

Our Company reserves the right to withdraw the offer and sale of Offer Shares at any time, and the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, our Company shall subsequently notify the Philippine SEC and the PSE. The International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

CONVENTIONS THAT APPLY TO THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the “Company” are to D.M. Wenceslao & Associates, Incorporated, and where the context otherwise requires, all of its consolidated subsidiaries. All references to the “Group”, “we”, “us” and “our” are to our Company and its consolidated subsidiaries. All references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” or the “National Government” are to the national Government of the Philippines. All references to the “BSP” are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to “United States” or “US” are to the United States of America. All references to “Philippine peso”, “Pesos” and “P” are to the lawful currency of the Philippines, all references to “US dollars” and “US\$” are to the lawful currency of the United States. Our Company publishes its financial statements in Pesos.

This Prospectus contains translations of certain Peso amounts into US dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Peso amounts represent such US dollar amounts or could be, or could have been, converted into US dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Pesos to US dollars have been made at a rate of ₱49.923 = US\$1.00, the exchange rate for the purchase of US dollars for Pesos as quoted by the BSP for December 29, 2017. See “Exchange Rates” on page 62 of this Prospectus for further information regarding the rates of exchange between the Peso and the US dollar.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate Government agencies or regulations from time to time, or by conventional or industry usage.

BASIS FOR CERTAIN MARKET DATA

Certain statistical information and forecasts in this Prospectus relating to the Philippines and other data used in this Prospectus were obtained or derived from internal surveys, market research, Governmental data, publicly available information and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. This Prospectus also contains industry information that was prepared from available public sources and independent market research conducted by Colliers to provide an overview of the real estate and construction industries in which our Company’s businesses operate. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts, market research, Governmental data, publicly available information and/or industry publications have not been independently verified by our Company, the International Lead Manager and Underwriter or the Domestic Lead Managers and Underwriters and might not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines.

PRESENTATION OF FINANCIAL INFORMATION

Our Group's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards, and Philippine Interpretations of International Financial Reporting Interpretations Committee interpretations issued by the Financial Reporting Standards Council.

In this Prospectus, references to "2015" refer to the year ended December 31, 2015, references to "2016" refer to the year ended December 31, 2016, references to "2017" refer to the year ended December 31, 2017 and references to "2018" refer to the year ended December 31, 2018.

Our Company's calendar year begins on January 1 and ends on December 31 of each year. Punongbayan & Araullo ("Punongbayan & Araullo"), a member firm of Grant Thornton International Ltd., has examined the consolidated financial statements of our Group as of and for the years ended December 31, 2015, 2016 and 2017. Our Group's consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017, included in this Prospectus, were derived from audited financial statements of our Group as audited by Punongbayan & Araullo.

In this Prospectus, references to "EBITDA" are to net income after adding back interest expense, depreciation and amortization, and provision for income tax, references to "EBITDA Margin" are to EBITDA divided by total revenue, and references to "EBIT" are to net income after adding back interest expense and provision for income tax. EBITDA, EBITDA Margin and EBIT are not measures of performance under PFRS, and investors should not consider EBITDA, EBITDA Margin or EBIT in isolation or as an alternative to net income as an indicator of our operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any of the measures of performance under PFRS. Because there are various EBITDA, EBITDA Margin and EBIT calculation methods, our presentation of these measures may not be comparable to similarly titled measures used by other companies.

Unless otherwise indicated, the description of our Group's business activities in this Prospectus is presented on a consolidated basis. For further information on our Group's corporate structure, see "Business – Corporate and Shareholding Structure" on page 114 of this Prospectus. Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures that are totals may not be an arithmetic aggregate of their components.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our Company's actual results, performance or achievements to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and the environment in which our Company will operate in the future. Important factors that can cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- our Company's ability to successfully implement its strategies;
- our Company's ability to anticipate and respond to market trends;
- our Company's ability to successfully manage its growth;
- the condition of and changes in, the Philippine, Asian or global economies;
- any future political instability in the Philippines;
- our Company's ability to secure additional financing;
- changes in interest rates, inflation rates and the value of the Peso against the US dollar and other currencies;
- changes in laws, rules and regulations, including tax laws and licensing requirements, in the Philippines; and
- natural disasters and other unforeseen events.

Additional factors that can cause our Company's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. Our Company, the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our Company's expectations and projections for future operating performance and business prospects. The words "aim", "anticipate", "believe", "consider", "continue", "estimate", "expect", "going forward", "intend", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "may", "might", "can", "could", "will", "would", "shall", "should", "is/are likely to", the negative form of these words and other similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in the Prospectus as to the opinions, beliefs and intentions of our Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although our Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that can cause actual results to differ materially from our Company's expectations. All subsequent

written and oral forward-looking statements attributable to our Company or persons acting on behalf of our Company are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

ABCC	Alphaland Bay City Corporation, a joint venture entity established pursuant to the joint venture arrangements among our Company, WHI and ADI.
ABCC Land Commitment	Two parcels of land with an aggregate area of 96,751.0 sq.m. owned by us, which we have committed to contribute to ABCC under the ABCC joint venture agreements.
ABPEA	Aseana Business Park Estate Association, Inc.
ADI	Alphaland Development, Inc.
Affiliate	A corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under the common control of, another corporation.
AHI	Aseana Holdings, Inc., a company incorporated in the Philippines and a subsidiary of our Company, of which we own a 100% shareholding interest.
Applicant	A person, whether natural or juridical, who seeks to subscribe for the Offer Shares.
Application	An application to subscribe for Offer Shares pursuant to the Offer.
ARHC	Aseana Residential Holdings Corp., a company incorporated in the Philippines and a subsidiary of our Company, of which we own a 100% shareholding interest. It was formerly known as Bowood Holdings, Inc. prior to a name change effected on March 22, 2016.
Aseana City	Development project with an approximate total land area of 1,074,714.0 sq.m., including our existing land holdings, located along the coastal waters of Manila Bay bordering the City of Pasay and the City of Parañaque.
Ayala Land	Ayala Land, Inc.
BAHI	Bay Area Holdings, Inc., a company incorporated in the Philippines and an associate of our Company, which is owned 60% by Fabricom.
BIR	Philippine Bureau of Internal Revenue.
Board	The board of directors of our Company.
BPO	Business processing outsourcing.
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines.
CAGR	Compound annual growth rate.
CBD	Central business district.
CBP-BC	Central Business Park – Islands B and C, with an approximate total area of 2,040,000.0 sq.m. of land (including Aseana City)

reclaimed by R-1 Consortium pursuant to the 1989 Memorandum of Agreement and Reclamation Agreement with the PRA.

Colliers	Colliers International Philippines, Inc.
the “Company”	D.M. Wenceslao & Associates, Incorporated, a corporation organized under the laws of the Philippines, and, where the context otherwise requires, all of its consolidated subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries.
CUSA	Common use service area.
DENR	Department of Environment and Natural Resources of the Philippines.
Directors	Directors of our Company.
Domestic Lead Managers and Underwriters	BPI Capital Corporation and Maybank ATR Kim Eng Capital Partners, Inc.
Domestic QIBs	Domestic qualified institutional buyers and other domestic institutional investors.
Domestic Underwriting Agreement.....	The underwriting agreement dated June 8, 2018 between our Company, the Selling Shareholder and the Domestic Lead Managers and Underwriters.
EBITDA	Earnings before interest, provisions for income tax, depreciation and amortization.
our “economic interest”	economic interest ultimately attributable to our Company in our Group’s pipeline projects or land reserves.
Fabricom.....	Fabricom Inc. (formerly Fabricom-XCMG Philippines Inc.), a company incorporated in the Philippines and a wholly owned subsidiary of our Company (inclusive of qualifying shares held by nominee directors).
Firm Offer.....	The offer and sale on a primary basis of the Firm Shares.
Firm Shares.....	679,172,800 new Shares to be issued and offered by our Company pursuant to the Firm Offer.
First Closing Date.....	Delivery of the Firm Shares, which is expected to occur in Manila on or about June 29, 2018 or such other date as the Joint Global Coordinators and Bookrunners and our Company shall agree in writing.
floor area.....	For the purposes of this Prospectus, in respect of a building, the usable area and common areas.
GDP	Gross domestic product, or the monetary value of all the finished goods and services produced within a country’s borders, calculated on an annual basis.
Government	The government of the Republic of the Philippines.
“our Group”, “our”, “we” and “us”	Our Company and its consolidated subsidiaries.

Institutional Offer	The offer for sale of the Institutional Offer Shares outside the Philippines and the United States in offshore transactions in reliance on Regulation S under the US Securities Act and to Domestic QIBs in the Philippines.
Institutional Offer Settlement Date.....	The date on which final allocation of the Institutional Offer Shares is to be made, expected to be on or about June 29, 2018.
Institutional Offer Shares.....	At least 475,272,800 or 70% of the Firm Shares being offered for sale pursuant to the Institutional Offer.
International Underwriting Agreement..	The underwriting agreement dated June 8, 2018 between our Company and the International Lead Manager and Underwriter.
International Lead Manager and Underwriter.....	Maybank Kim Eng Securities Pte. Ltd.
Joint Global Coordinators.....	BPI Capital Corporation and Maybank Kim Eng Securities Pte. Ltd.
Jumbo Certificate.....	A certificate covering all the securities lodged with the PDTC and issued in the name of the PCD Nominee.
our “land holdings”	Total land area of 777,550.8 sq.m. owned by our Group as of December 31, 2017, and comprising (i) land leased to third parties or developed by us, (ii) land allocated for our real estate development pipeline, (iii) land allocated for future sales or leasing, (iv) roads and rights of way, and (v) unallocated land. Please see “Business – Our Land Holdings” on page 120 of this Prospectus.
our “land reserves”	Total land area of 327,034.5 sq.m. owned by our Group as of December 31, 2017, and comprising (i) land allocated for future sales or leasing, and (ii) unallocated land. Please see “Business – Our Land Holdings” on page 120 of this Prospectus.
leasable floor area.....	For the purposes of this Prospectus, in respect of a building, the usable area allocated to or occupied by a tenant plus the proportionate share of such tenant in the common areas.
Listing Date	The date on which trading of the Shares on the PSE begins, expected to be on or about June 29, 2018.
LRT	Light Rail Transit, a metropolitan rail system serving Metro Manila.
LSIs	Local small investors.
LSI Guidelines.....	The Application and Settlement Procedures for Local Small Investors Under the Small Investors Program of the Securities and Exchange Commission and The Philippine Stock Exchange, Inc.
Manual.....	The manual of corporate governance of our Group prepared to ensure our compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by the Board on May 20, 2015 and made effective from August 1, 2015.
Metro Manila	The metropolitan area comprising the city of Manila, the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon City, San Juan, Taguig and Valenzuela and the municipality of Pateros.

NAIA	Ninoy Aquino International Airport, also known as Manila International Airport, the airport serving Metro Manila.
NSCB.....	National Statistical Coordination Board of the Philippine Statistics Authority.
occupancy rate	In respect of a building and at a specified time, the total leased floor area as compared to the total leasable floor area made available, expressed in a percentage; and for the purposes of this Prospectus, leasable floor area shall be considered rented out upon signing of a binding contract between the owner and the tenant in respect of such leasable floor area to the exclusion of any other potential tenant.
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein.
Offer Price	₱12.00 per Offer Share.
Offer Shares.....	The Firm Shares and the Optional Shares.
OFW	Overseas Filipino workers.
Optional Shares	Up to 101,876,000 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allotment Option.
Over-allotment Option.....	An option granted by the Selling Shareholder and our Company to the Stabilizing Agent, exercisable within 30 days from and including the Listing Date, to purchase Optional Shares.
PAGCOR.....	Philippine Amusement and Gaming Corporation, the Philippine regulatory body with jurisdiction over substantially all gaming activities, with well-defined exceptions.
PCA	The Philippine Constructors Association.
PCAB.....	The Philippine Contractors Accreditation Board.
PCD	The Philippine Central Depository.
PCD Nominee.....	The PCD Nominee Corporation, a corporation wholly owned by the PDTC.
PDS.....	The Philippine Dealing System.
PDS Rate	The average rate on any particular date for the purchase of US dollars for Pesos, which is quoted by the PDS.
PDTC.....	The Philippine Depository and Trust Corporation.
PEA Amari Decision	The Supreme Court of the Philippines decision <i>Chavez v. Public Estates Authority</i> , G.R. No. 133250, July 9, 2002, regarding reclaimed foreshore land (reconsideration denied on May 6, 2003 and November 11, 2003).
Permit to Sell	The permit issued by the Philippine SEC granting the effectiveness of the registration statement filed in relation to the Offer Shares.

Pesos or ₱	The lawful currency of the Philippines.
PEZA	The Philippine Economic Zone Authority.
PFRS.....	Philippine Financial Reporting Standards.
PHI.....	Portal Holdings, Inc., a company incorporated in the Philippines and a subsidiary of our Company, of which we own a 40% shareholding interest.
Philippines	Republic of the Philippines.
Philippine Corporation Code	Batas Pambansa Bilang 68 otherwise known as the Corporation Code of the Philippines.
Philippine National	As defined under the Foreign Investments Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and the entitlement to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a Securities and Exchange Commission registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national. Pursuant to Philippine SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.
Philippine SEC	The Philippine Securities and Exchange Commission.
POGO	Philippine Offshore Gaming Operator, a company licensed by PAGCOR to operate offshore online gambling platforms in the Philippines.
PRA	The Philippine Reclamation Authority (formerly known as the “Public Estates Authority” or “PEA”).
PSE	The Philippine Stock Exchange, Inc.

PSE Main Board	One of the two boards of the PSE.
PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE.
R-1 Consortium	The consortium formed by our Company, Jan De Nul N.V. (a Belgium-based dredging and marine construction company), TOA Corporation, Inc. (a Japanese construction company), and Royal Asia Development Co., Inc. (a Philippine real estate developer) to undertake the reclamation project, CBP-BC.
Receiving Agent	Rizal Commercial Banking Corporation – through its Trust and Investments Group
Reclamation Agreement	Implementing Agreement No. 2 dated April 5, 1991 that R-1 Consortium entered into with the PEA (now known as the PRA) to reclaim CBP-BC, pursuant to the 1989 Memorandum of Agreement entered into by the same parties.
Regulation S	Regulation S under the US Securities Act.
SEC.....	The Securities and Exchange Commission of the Philippines
Selling Shareholder.....	Wendel Holdings Co., Inc.
Shares	The common shares of par value ₱1.00 each of our Company.
sq.m.	Square meters.
SRC	Securities Regulation Code of the Philippines (Republic Act No. 8799) and its implementing rules, as amended.
Stabilizing Agent	Maybank ATR Kim Eng Capital Partners, Inc. or its relevant affiliate, in its role as stabilizing agent, whereby it may engage in stabilization activities relating to any over-allotment of Shares from the Selling Shareholder for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date.
State	The State of the Republic of the Philippines.
TCT	Transfer Certificate of Title.
TP Guidelines	The Implementing Guidelines for the Reservation and Allocation of the Firm Shares.
Trading Participants and Retail Offer....	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines.
Trading Participants and Retail Offer.... Settlement Date	The date on which domestic subscriptions under the Trading Participants and Retail Offer are paid, expected to be on or about June 22, 2018.
Trading Participants and Retail Offer..... Shares	203,900,000 of the Offer Shares being offered pursuant to the Trading Participants and Retail Offer.
United States or US	The United States of America.
US dollars or US\$.....	The lawful currency of the United States of America.

US Securities Act.....	The United States Securities Act of 1933, as amended.
Wenceslao Family	Means all of the following persons: (i) Delfin J. Wenceslao, Jr.; Sylvia C. Wenceslao; Delfin Angelo C. Wenceslao; Carlos Delfin C. Wenceslao; Edwin Michael C. Wenceslao; Paolo Vincent C. Wenceslao; and (ii) A relative up to the third degree of consanguinity of any person named in clause (i) above.
WHI.....	Wendel Holdings Co., Inc.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the consolidated financial statements, including notes thereto, appearing elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the “Glossary of Terms,” “Risk Factors,” “Business,” or elsewhere in this Prospectus.

OVERVIEW

We are an integrated property developer with an established track record and market-leading capabilities in land reclamation, construction and real estate development. We possess, in the aggregate, one of the largest land holdings in Metro Manila with a total area of 571,863.8 sq.m. Aseana City, the geographic area that holds the majority of our land holdings, is strategically located next to Entertainment City and the Mall of Asia complex in the Manila Bay area, and is positioned as the next major mixed-use CBD within Metro Manila, comprising recreational and entertainment outlets, commercial and retail developments, prime office space and residential condominiums. With the strategic location of our land holdings, we are a direct beneficiary of certain fast-growing sectors within the Philippines, including BPOs, POGOs, gaming and tourism. Aseana City is well-connected with key transport linkages such as the NAIA Expressway and the Southwest Integrated Bus Terminal Exchange (“SWITex”) station. Further, the upcoming LRT 1 extension will improve urban connectivity and access to Aseana City from major transport hubs and rapidly growing population centers outside of Metro Manila, which will facilitate the development of Aseana City.

As one of the country’s foremost experts on land reclamation, we assisted the Government to reclaim the land underlying Aseana City. Pursuant to the Reclamation Agreement with the PRA, we and our majority shareholder, WHI, obtained title to a portion of the total reclaimed lands of 2,040,000.0 sq.m., comprising approximately 1,074,714.0 sq.m., including our existing land holdings in Aseana City of 569,121.2 sq.m. As an early land owner of substantial land holdings prior to the escalation of land prices in Metro Manila, our land costs are relatively low compared to current market prices, which have appreciated substantially from the time we reclaimed such land during 1993 to 2008. Out of our existing land holdings in Aseana City of 569,121.2 sq.m., 292,034.5 sq.m. of land reserves is unallocated and available for development, distinguishing us from other property developers, who have to rely on locating and acquiring suitable land for their developments at significantly higher costs, thereby providing us a premium margin advantage over our competitors. We intend to further increase our land holdings opportunistically, applying the same cost advantage, through continuous participation in land reclamation projects and strategic acquisitions.

Grounded in the firm foundation of our more than 50-year heritage, we are one of the dominant players in land reclamation and infrastructure construction in the Philippines. As an AAAA platinum contractor, our proven track record and expertise in land reclamation and construction projects have facilitated our access to the large pipeline of infrastructure projects being awarded or undergoing construction in the Philippines. As of December 31, 2017, we had completed more than 100 construction and infrastructure projects throughout the country, including ports, bridges and expressways. We offer a full range of construction-related services, including survey and planning, condition works, engineering, architectural and project management services. This scope of offerings enables us to provide integrated one-stop solutions to our customers and to compete effectively in large-scale and complex projects. Our land reclamation and construction businesses create significant synergies with our real estate development business, enabling us to optimize our execution efficiency while maintaining effective cost control over the entire real estate development process.

Our real estate business comprises of land sales and leasing, commercial building leasing, property development, and residential unit sales. Our leasing of prime land and commercial buildings provides us with a stable and recurring income source, whereas our sales of non-core land plots and residential units allow us to maximize the value of such land and developments. As of December 31, 2017, we had seven investment properties, six of which are located in Aseana City, namely Aseana One, Aseana Two, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R, with a total land area of 42,464.6 sq.m. and total leasable floor area of approximately 59,000.1 sq.m. Our pipeline of nine real estate projects, all to be completed within the next five years, consists of three residential developments and six commercial developments, which represent a total gross saleable floor area of approximately 88,315.6 sq.m. and a total gross leasable floor area of approximately 264,574.6 sq.m., respectively. Further, our first residential development, Pixel Residences, which is expected to be completed in October 2019, was 100% pre-sold as of June 2017.

For the years ended December 31, 2015, 2016 and 2017 our revenues amounted to ₱1,641.3 million, ₱2,180.3 million and ₱3,011.2 million, respectively. We have grown steadily in recent years, with net income increasing from ₱871.7 million in 2015 to ₱1,559.8 million in 2017, representing a CAGR of 34% during that period.

COMPETITIVE STRENGTHS

A strategic and sizeable land bank in Aseana City that is well positioned for future growth

We currently hold one of the largest land banks in Metro Manila and believe that our land holdings will be sufficient to meet our development needs for at least the next 10 years. As of December 31, 2017, our land holdings, existing properties and current developments in Aseana City totaled approximately 569,121.2 sq.m. and are valued at around ₱132.8 billion, according to Colliers.

Aseana City is part of the larger 2,040,000.0 sq.m. CBP-BC project, which we reclaimed. Aseana City is positioned to become the next major mixed-use or “Next Generation” CBD in Metro Manila, anchored by tourism, recreational developments and retail malls. These sectors have and continue to attract large investments into the Philippines, and we expect revenues from these sectors to increase correspondingly. Our master plan for Aseana City is designed to create a self-contained community and to specifically attract the middle-class working families and middle-income executives who work in these sectors.

Aseana City is situated close to two of the most significant recreational and entertainment districts in Metro Manila – PAGCOR’s Entertainment City and the SM Group’s Mall of Asia development. PAGCOR’s Entertainment City is a gaming and entertainment complex featuring high-end integrated casinos and tourism resorts, such as City of Dreams Manila, Solaire Resort & Casino, and Okada Manila, which attract leisure and tourist traffic to the entire area. The SM Group’s Mall of Asia is one of the largest shopping malls in the world, attracting roughly 200,000 visitors every day. We also anticipate that additional developments, including the new Westside City Resorts World casino (expected to be completed in 2021), will increase visitor traffic and drive economic growth in the area. For example, PAGCOR’s gross gaming revenues reached ₱57.3 billion in 2017, a 7.6% increase from ₱53.3 billion in 2016.

Aseana City’s strategic location is evident from its proximity and connectivity to major transportation links, including all terminals of Manila’s Ninoy Aquino International Airport (“NAIA”) as well as the NAIA Expressway, which was completed in 2016, the Southwest Integrated Bus Terminal Exchange (“SWITex”) station currently under construction and expected to be completed in April 2018, and the LRT Line 1 extension project targeted for completion in 2021. These road, bus and rail options have and will continue to improve access to Aseana City from multiple significant localities, including Metro Manila’s existing business districts and the rapidly growing population centers south of Metro Manila, such as Alabang, Cavite and Laguna. We believe all of these drivers will facilitate the development of Aseana City into a commercial and residential area of choice for those seeking a new, viable alternative to Metro Manila’s existing business districts.

In addition, the presence of some of the top regional and national recreational and property development players, such as Ayala Land, Melco Crown Entertainment, Bloomberry Resorts Corporation, Travellers International Hotel Group, Inc. (a collaboration of the AGI and Genting groups of companies), Tiger Resort Leisure & Entertainment, Inc. and Belle Corporation have further enhanced the prospects of Aseana City, facilitated its overall growth and benefited our real estate development business. In September 2014, Ayala Land entered into a 45-year land lease with us for a parcel of land of approximately 92,317.0 sq.m. for the development of the Ayala Curtis Mall, its flagship mall and hotel complex in the area. Phase 1 of the complex is expected to open by the end of 2018, with the remaining portion of the development expected to open in 2019. In 2017, we entered into additional agreements with Ayala Land to lease an additional 9,980 sq.m. - and with a lease period of over 40 years.

Favorable acquisition costs for our land holdings provide a solid foundation for value appreciation and profitability

Our land holdings form part of the 1,074,714.0 sq.m. of land that we obtained in consideration for our land reclamation services in respect of the CBP-BC project, and as a result we believe our land costs are relatively low compared to other property developers. Substantially all of our pipeline projects will also be constructed on plots from our existing land holdings, saving us additional land acquisition costs. Furthermore,

due to the lack of new developable prime commercial land within Metro Manila, the availability of a substantial new land bank in Aseana City has resulted in a significant appreciation in the value of our land, which achieved a CAGR of 19.4% from ₱31,500 per sq.m. of reclaimed land in 2006 to approximately ₱228,814 per sq.m. as of the end of 2017. The price per sq.m. is expected to reach approximately ₱249,800 in 2018, according to Colliers. We believe our well-conceived and comprehensive master plan of Aseana City that contemplates the development of homes, offices, malls, hotels, entertainment venues, as well as BPO, POGO and other commercial spaces, will further enhance the value of our land holdings going forward.

An integrated master developer with competitive advantages across business lines

We are an integrated master developer offering a wide range of services and products, covering the entire project cycle from pre-construction planning, construction and development, to post-completion property management. With a track record of more than 50 years in construction and land reclamation, our business focuses on complementary business segments which result in significant synergies:

- Land Reclamation – Our land reclamation business allows us to create and increase our land holdings, as well as achieve substantial land acquisition cost savings. We are also able to opportunistically increase our land holdings through participation in land reclamation projects, pursuant to which we have the option to obtain title to part of the reclaimed lands under applicable terms and conditions as consideration for our contracted services.
- Construction – Our Company is a certified AAAA contractor, one of less than 20 in the country as of January 4, 2018 based on statistics from the Construction Industry Authority of the Philippines (“CIAP”). Our AAAA certification allows us to undertake government and private projects of any contract value nationwide and thus capitalize on growth in both public and private sector construction in the country. We believe that this ability to bid for the largest projects, as well as our established track record and proven capabilities, leave our construction business well-positioned to capture business opportunities from the expected increase in spending on national government infrastructure projects. Moreover, our construction business equips us with ready-to-use, easily deployed construction capabilities and expertise, as well as in-house resources and personnel, such as experienced architects and engineers, for our own real estate projects (as the main contractor) and our implementation of Aseana City's master plan, which enables us to achieve substantial execution and cost efficiencies. In a number of our land sales agreements and land lease agreements, we have successfully negotiated a right to match the lowest bid for, or a right of first refusal to undertake, certain construction works required by purchasers and lessees of our land. This right, in turn, creates opportunities to generate additional revenue for our construction business.
- Real Estate Development – We are an integrated property developer and have successfully completed each stage, from planning, construction, development and management, of a growing number of real estate development projects, including our Aseana 1, Aseana 2, Aseana Powerstation and Aseana Square buildings. Moreover, for each of these projects, we were able to achieve a 100% occupancy rate within a short time after completion, as well as maintain a high occupancy rate over time. Our next commercial building, Aseana 3, expected to be completed in 2018, was 100% leased out as of the end of 2017. Our first residential building, Pixel Residences, expected to be completed in October 2019, was 100% pre-sold as of June 2017. For more information on our development properties, please see the section entitled “Business – Real Estate Developments” on page 131 of this Prospectus. Capitalizing on our role as the master planner of Aseana City, we are able to obtain the most up-to-date market intelligence and industry information, including future national development plans and focus areas, and large-scale infrastructure projects across the country, including those that could impact the prospects of Aseana City, and information relating to the supply, demand and prices of land and property developments in, and the future landscape of, Aseana City and its nearby areas.
- Provision of Ancillary Citywide Services – We also secure captive opportunities for the provision of ancillary citywide services in Aseana City such as public security surveillance

and public transport, which support the overall development of Aseana City and enhance the value of our land and property developments.

A diversified earnings base with substantial and recurring revenue streams

We have a diversified earnings base comprising of rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts. Our recurring income equaled ₱1,229.2 million, ₱1,326.6 million and ₱1,507.0 million as of December 31, 2015, 2016 and 2017, respectively. We expect to derive a significant majority of our revenues from the following recurring income streams going forward:

- Leasing of Land Holdings – An aggregate of 150,520.7 sq.m. of our land holdings was leased out as of December 31, 2017. In particular, our recurring income from leasing of land has grown rapidly from ₱325 million in 2014 to ₱919 million in 2017, which represented 31% of our total revenues for 2017. We typically enter into long-term land leases of 10 to 20 years and pursue suitable opportunities to grant longer term leases to high-quality tenants who can enhance the “Next Generation” element of our projects and developments. For example, our initial land lease with Ayala Land is for a 45-year term. Our land lease agreements generally stipulate fixed annual escalation rates ranging from 5% to 10% for land areas and, in some cases, provide for additional or variable rent based upon the tenant’s revenues. In addition, upon the expiry or early termination of our land leases, we generally obtain ownership of all permanent and fixed improvements made to the leased land from our tenants, including constructed buildings and structures. Such buildings can then be added to our investment properties portfolio for recurring income streams.
- Leasing of Commercial Space – As of December 31, 2017, we own a portfolio of seven investment properties with a total leasable floor area of approximately 59,000.1 sq.m., and our development pipeline consists of six commercial developments for leasing, all to be completed within the next five years and expected to add an aggregate gross leasable floor area of 264,574.6 sq.m. We typically enter into mid-term commercial space leases, ranging from five to 10 years. In addition to fixed lease rates, we may also charge our retail tenants an additional variable payment, ranging from 3% to 5%, subject to certain conditions, of a percentage of their monthly gross product sales. Our lease agreements generally stipulate fixed annual escalation rates ranging from 3% to 10% for commercial space.
- Complementary and Captive Sub-businesses Within Aseana City – We currently charge tenants and other users fees for the ancillary citywide services we provide such as gas and public transport.
- Common Use Service Area, or CUSA, Payments – We currently charge tenants a fee for their usage of certain common areas and standardized services, such as parks and security services. As we increase our number of leasable properties, we expect revenue from this source to increase correspondingly.

A proven management track record

Our Chairman, Mr. Delfin J. Wenceslao, Jr. is an influential figure in the Philippine construction and real estate industry with over 50 years of experience and expertise. As the former President of the PCA and a board member of the International Federation of Asian and Western Pacific Contractors’ Association, he has been recognized as a driving force in fostering and solidifying our success and leadership in the land reclamation and construction industry. Our senior management team comprises highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry. In particular, our Chief Executive Officer, Mr. Delfin Angelo C. Wenceslao has more than 17 years of experience in property development, property management, financial analysis and leasing and brokerage. Our Chief Finance Officer, Atty. Heherson M. Asiddao, is a lawyer and a Certified Public Accountant with more than 10 years’ experience as an auditor with Punongbayan & Araullo in the Philippines, has held executive positions in a major national construction company and a locally based real estate development company, and has a wide range of expertise in both the financial and operational aspects of the entire development process. Several members of our management team, including Mr. Delfin Angelo C. Wenceslao, are also licensed real estate brokers and possess in-depth knowledge of the Philippine property sales and leasing markets.

In addition, our management team has a deep understanding of the regulations and strong expertise in the complex approval processes associated with each project, providing us with additional competitive advantages. This expertise is evident from our track record in working seamlessly with national and local governmental and regulatory authorities and maintaining good relationships with them. Our regulatory knowledge and industry credibility enhance our ability to expedite the time needed to obtain the relevant permits and clearances, and therefore facilitate the on-time development and delivery of the completed project. In the past seven years, we have consistently met project completion and delivery timetables and have not been assessed penalties for failing to complete our projects on time.

A strong financial position based on prudent financial management

We maintain strict financial and risk management policies in order to minimize our net borrowings to equity ratio and our financial and operational risks. Benefiting from our prudent financial policy, we have been able to maintain a strong cash position and a healthy borrowing profile. As of December 31, 2017, our consolidated balance of cash and cash equivalents was ₱1.43 billion, while our interest-bearing loans and borrowings amounted to ₱2.48 billion. Our debt to equity ratio for the years ended December 31, 2015, 2016 and 2017 was 42%, 33% and 26%, respectively. Further, more than 70% of our total existing credit facilities remain undrawn as of December 31, 2017, and we adopt a conservative approach to increasing our indebtedness. We also have relatively low borrowing rates, which ranged from 3.00% to 3.25% in 2017. Our completed construction projects and real estate developments are generally funded through a combination of existing cash balances and cash flow from our operations. Our assets are generally held at cost. Such prudent capital management has allowed us to avoid mid-construction stoppages or delays and enabled us to pursue expansion strategies and opportunities without substantial concerns regarding sources of financing.

Considering that revenue from our land sales is a key source of internal funds to finance our real estate development efforts and our external construction project costs, we have successfully negotiated with our land buyers to pay the consideration in full upon the signing of the purchase agreement. This payment policy enables us to avoid the risks of delayed payments and long time lapses between cash collections, and gives us the ability to better manage our own project expenditures. Furthermore, we carefully review the background and credibility of our new customers and suppliers. Conservative financial management has also helped us historically to sustain profitability.

Well-positioned to benefit from strong macroeconomic fundamentals and attractive industry growth trends

The growth potential of both our business operations and Aseana City is driven to a significant extent by the prospects and development of the Philippine economy. According to the Philippine National Statistical Coordination Board, or NSCB, the Philippine GDP grew 6.7% in 2017, continuing a steady trend of 6.3% average GDP growth from 2010 to 2017. The country has also earned investment grade ratings from the three major credit rating agencies, Fitch Ratings, Moody's Investor Service and Standard & Poor's, as a result of strong macroeconomic fundamentals characterized by sustained growth, low and stable inflation, and sound fiscal management.

Three important growth drivers for the Philippine economy are the significant steady flows of remittances from OFWs, the BPO sector that remains a top driver for investment in the country and the growing POGO sector. Based on data from Colliers, OFW personal remittances (including cash and in-kind transfers) amounted to US\$31.3 billion at the end of 2017 (with cash remittances of US\$28.1 billion), representing about 10% of the country's GDP. This represented an average growth of 9.5% annually since 2005. According to Colliers, revenues from the BPO sector have grown significantly, from approximately US\$11 billion in 2011 to approximately US\$22.9 billion in 2016, and the sector is expected to grow 9.2% annually over the next six years, reaching an estimated US\$38.9 billion in 2022. Similarly, about 1.8 million full-time employees are estimated to be engaged in the Offshoring and Outsourcing Industry by 2022, representing an 8% CAGR from 2016, according to Colliers.

The Philippines was also one of the first countries in Asia to legalize offshore online gambling, which has led to the recent strong growth in the POGO sector. As of the end of 2017, PAGCOR had issued 51 POGO licenses with the expectation of issuing many more due to strong demand. With the rise in the number of POGO licenses, PAGCOR expects to more than double the 2017 net revenues generated from POGO licensees in 2018. According to Colliers, it is estimated that approximately 35% of 870,000 sq.m. in office space transactions in

Metro Manila in 2017 arose from offshore gaming. The POGO market took up 312,000 sq.m. of office space, a significant increase from 80,000 sq.m. in 2016. In addition, the rapid growth in the tourism and gaming industries is expected to generate more traffic in the Manila Bay area and contribute to an increase in the demand for commercial space and residential units, particularly by gaming-related companies and individuals employed at the resorts and other recreational developments.

Colliers has predicted that demand for office space in Metro Manila will remain strong in 2018 with the vacancy rate expected to be 7.6%. According to Colliers, the Manila Bay area is expected to outperform Metro Manila in terms of take-up and occupancy rates, as companies are investing in office spaces in existing and upcoming office buildings in the Manila Bay area as an alternative to Makati and Bonifacio Global City because of Manila Bay's relatively lower lease rates. In addition, as supply in other CBDs remains tight, Colliers expects rental rates in the Manila Bay area to grow by approximately 5% from ₱733 per sq.m. per month in 2017 to ₱770 per sq.m. per month in 2018, which is still lower than the 2017 lease rates of Makati CBD Premium and Grade A office buildings, which ranged between ₱997 and ₱1,427 per sq.m. per month, and Bonifacio Global City Grade A office buildings, which averaged ₱1,032 per sq.m. per month.

According to Colliers, demand for residential property in the Manila Bay area also remains high with the average selling price of actively selling mid-income, upscale and luxury projects increasing at an annual rate of 14.4% from ₱120,671 per sq.m. in 4Q15 to ₱157,981 per sq.m. in 4Q17. Colliers reports that the Manila Bay area ranked third in Metro Manila behind Makati CBD and Bonifacio Global City in terms of average residential selling prices. The average rental rate for residential property in the Manila Bay area reached ₱842 per sq.m. per month in 2017, which according to Colliers was higher than that of the Makati CBD area and Bonifacio Global City at ₱803 per sq.m. per month and ₱810 per sq.m. per month, respectively. In addition, the Manila Bay area had the highest percentage of residential units sold at 93.7% in 2017, compared to Makati CBD and Bonifacio Global City at 89.5% and 86.6%, respectively.

BUSINESS STRATEGIES

Our overall goals are to (1) become a leading property developer with complete capabilities and expertise in real estate development, land reclamation and construction, and (2) ensure the smooth development of Aseana City consistent with its master concept and planning guidelines in order to realize the full revenue potential of our business investments. We plan to implement the following future business strategies to achieve our stated growth objectives:

Grow Aseana City into a "Next Generation" CBD within Metro Manila

We believe many Filipinos have accepted the self-contained community paradigm as the basis of a new lifestyle and preferred standard of living. The development and success of Bonifacio Global City exemplifies this new paradigm. As such, we expect more middle-class working families, middle-income executives and BPO and POGO workers to seek out self-contained communities where residences, office buildings and facilities, retail outlets and even schools are located in close proximity to one another to facilitate access by residents and workers. Hence, we will continue to develop Aseana City into a vibrant, "Next Generation" district.

To achieve this, we aim to spearhead future development efforts in Aseana City, taking a holistic approach to our master plan, and to facilitate and implement key infrastructure and promote investment opportunities. Aseana City's master plan was conceived in 2010. We review it regularly to ensure broad long-term strategies are appropriately adjusted in view of macroeconomic developments, market conditions and commuter trends, which we translate into detailed plans to guide the development of land and property in the area. Based on the current master plan, we intend to capitalize on the anticipated growth in office, retail tourism, entertainment and hospitality outlets in the neighboring Entertainment City and Mall of Asia developments, and focus on developing a balanced mix of commercial and residential buildings. Our pipeline of real estate projects and our selection of tenants for our land and buildings are geared toward achieving our primary objective of developing Aseana City into the next "Next Generation" CBD of Metro Manila.

The master plan for Aseana City contemplates an attractive CBD of residential condominiums, offices, malls or other retail establishments, hotels, entertainment venues and recreational resorts within a well-developed setting of parks, common spaces and connected walkways. As such, we will continue to pursue our strategy of (i) selling non-core plots to suitable purchasers with planned developments that will contribute to the

overall growth of Aseana City and generate internal cash flow for our own real estate projects, and (ii) leasing prime locations on a long-term basis to select tenants engaged in specialty businesses or with planned uses of the land, such as Ayala Land and its mall and hotel development scheduled for initial completion in 2018, that will generate and increase traffic within Aseana City. We intend to continue to implement and build common infrastructure and vibrant public spaces, such as our planned Aseana Main Street development, which will consist of two to three story retail buildings that are adjacent to a greenway, and to provide standardized citywide services such as public transport and public surveillance within Aseana City, to drive its development into a green, safe and walkable district for quality living.

We also intend to carry out an interim land use strategy with respect to certain land areas not slated for development in the next five years as part of our real estate pipeline. We intend to make such land available for lease for a variety of purposes, which could include concert grounds, weekend assemblies, sports venues, open parking lots or a golf driving range. The period of such usage may range from a short duration of a month or two months to a longer term of years. We believe such a strategy will help increase the brand awareness of Aseana City, and also add another revenue source to our Group.

Develop a portfolio of high quality real estate projects

We aim to continue developing real estate projects that capitalize on the existing development and future potential of Aseana City, while maintaining the optimal revenue portfolio of leases and sales of both land and self-developed buildings, to achieve increased recurring income and profitability. As of December 31, 2017, our pipeline consisted of nine developments, all to be completed within the next five years, of which six are commercial buildings and three are residential complexes. Our first residential development, Pixel Residences, began pre-selling activities in July 2016, sold out its units in June 2017, commenced construction in November 2017 and is expected to be completed in October 2019.

For our commercial developments, we will continue to focus on the demand of BPOs, POGOs, logistics companies and companies in businesses relating to gaming, recreational activities, tourism, entertainment and hospitality. We believe Aseana City offers an attractive proposition to this group due to its proximity to existing retail, gaming and hotel developments, particularly in PAGCOR's Entertainment City. Further, the sites of these projects are strategically situated in close proximity to the structures constructed or being planned by our land lessees. For example, our pipeline office buildings are located near Ayala Land's Ayala Curtis Mall development, which we expect to benefit from the anticipated increase in traffic within the area. We also intend to continue developing commercial space that is highly flexible in terms of specifications, including divisibility into smaller units, large floor plates and a high efficiency ratio, i.e., the ratio of usable floor area to the gross floor area, of more than 85% - features that are able to accommodate and appeal to a wide range of tenants.

As BPOs are specific customer targets, we have obtained and will continue to strive to obtain, PEZA accreditation for our office buildings, as this allows BPOs to enjoy tax incentives for a certain number of years, thereby making our properties more attractive to them. To ensure our buildings are PEZA-compliant, we will continue to construct office properties that feature high-speed fiber-optic or data telecommunication systems, clean and uninterrupted power supply with backup generators, and computer security and building monitoring and maintenance systems, such as computer firewalls, encryption technology and fluctuation controls. Furthermore, in each aspect of the development process, we will keep refining the integration of our capabilities with our centralized resources to foster our project execution efficiency. For example, we are generally able to complete construction of a commercial project within 12 to 15 months and achieve full occupancy levels within a year post-construction for our developments.

For our residential developments, we intend to target the higher mid-end of the consumer market, including middle-class working families, executives, expatriates working at the recreational and casino developments, and foreigners looking to invest in Aseana City. For example, Pixel Residences, which is already sold out, will comprise upscale larger format apartment units, ranging in size from 36.0 sq.m. to 88.0 sq.m., in comparison to the current mass of smaller studios and compact one-bedroom options available in the area. We believe, based on our operational experience and understanding of the market landscape, that demand will increase from the targeted buyer demographics with the growth of Aseana City into a major tourism and business area. In line with our target customer segments, we intend to work closely with real estate brokers and consultancies that handle a large number of high net worth individuals seeking attractive real estate investment opportunities. For Pixel Residences, we implemented a sales model that allowed us to fully pre-sell the project within 12 months with an expected construction period of approximately 36 months.

Multi-pronged approach to growing our land bank

In order to increase our land holdings, we may pursue strategic acquisitions of land assets or purchase land from our majority shareholder, WHI, with whom we have a right of first refusal, see “Intergroup Agreement with our Majority Shareholder, WHI,” in the section “Principal and Selling Shareholders” on page 203 of this Prospectus. In addition, we intend to seek out opportunities on anticipated large-scale and complex Government and Public-Private Partnership projects that involve a land reclamation component. As the market leader and industry expert in the Philippines in this specialized and highly technical field, we believe that we are well-positioned to capitalize on, and intend to pursue, such opportunities to increase our land holding for our future real estate developments.

We may also pursue strategic and opportunistic acquisition of land and other properties outside Aseana City. In 2016, we acquired a certain property located in the business district of Makati City. We believe that such acquisitions enhance the total value and quality of our property holdings for future growth.

Enhance our earnings base and grow our recurring income streams

Our pipeline of real estate projects was designed with the objective of capitalizing on the development of Aseana City and increasing our recurring income from the leasing of land and commercial space. We aim to allocate at least 5,000.0 sq.m. of prime land for long-term leasing and 2,000.0 sq.m. of non-core land for sale each year, to enable the balanced development of Aseana City. In this regard, we will focus on suitable lessees and purchasers that not only contribute to the continuous growth of Aseana City, but also complement and maximize the revenue potential of our real estate portfolio, allowing us to cross-sell our real estate offerings and realize further income growth. The six planned commercial developments are primarily office buildings targeted at BPOs, POGOs, logistics companies and gaming and tourism-related companies, demographic groups that are expected to experience an increase in demand for commercial space within the vicinity.

In addition, we will continue to enhance our diversified revenue base by maintaining our leading positions in the land reclamation and construction business and optimizing synergies with our real estate development capabilities. According to the Development Budget Coordination Committee of the Philippines, the Government aims to invest around 5.8% of national GDP on infrastructure construction projects in 2018, and we intend to continue to pursue suitable contracting opportunities. We also believe that there will be an increase in construction activity in the Manila Bay area. With the continuous depletion of commercial land supply in Metro Manila, developers need to seek alternative options and new growth areas, one of which we believe is Aseana City. As such, we will continue to strive to become the contractor of choice for projects in Aseana City. We have introduced in a number of our contracts a right to match the lowest contractor bid, or a right of first refusal for the piling, concreting and foundation works to be undertaken on our leased or sold land, commencing with our lease agreement with Ayala Land. These provisions in our land leases and land sales contracts going forward will help to generate more revenue opportunities for our construction business.

We will continue to develop our existing investments and pursue future opportunities in strategic captive sub-businesses, such as the provision of gas and security services, which provide complementary services to the tenants and businesses in Aseana City, while supporting the overall development of Aseana City. The synergies generated from such captive sub-businesses have allowed us to enhance our income from sales and leasing of our land and buildings, as we have and will continue to require tenants, pursuant to our contractual arrangements with them, to source certain services such as gas and security exclusively from our affiliates in which we have invested. For example, we intend to continue to enhance our investment in our subsidiary, U-City Technology Philippines, Inc., in collaboration with CISCO for smart city services and solutions, and to constantly refine our technologies and equipment to provide effective city-wide public surveillance and safety services. Other complementary captive services and products that we are currently exploring or intend to explore include centralized gas supply, standardized road navigation and commercial advertising signage, and construction of skywalks linking buildings to encourage “walkability”.

Adhere to prudent financial management

We intend to continue our prudent approach to financial management and cost control with emphasis on close monitoring of our capital and cash positions, and maintaining discipline in our capital commitments. This includes the continued use of financial leverage to enhance our return on equity, and to enable us to lower risk exposure yet remain poised to capture strategic market opportunities as they arise. We will continue to

carefully manage key measures, such as land development costs, construction costs, cash flows, indebtedness and capital expenditures and will also continue to emphasize good management of our sales and leasing of land and buildings, and consequently, our income streams, to ensure adequate cash flow for our ongoing capital requirements. To ensure proper checks and balances on our finances, we have implemented an internal control and audit system and will continue our efforts to ensure this system is well-integrated into our organizational structure. Through our ISO 9001:2015 certification process, we have established good controls for the maintenance of documents, books and records, which processes will be subject to continuous certification. Finally, we seek to maintain our long-standing working relationships with existing banking partners to ensure ready and available sources of financing for our future growth. We believe that our financial leverage is at a manageable level to provide us with funding headroom and financing flexibility. Following the Offer, we expect our net borrowings-to-equity ratio to decrease due to our enlarged equity base.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- Risks relating to our business (including specific risks related to our construction, land and real estate development businesses);
- Risks relating to our organization and structure;
- Risks relating to the Philippines;
- Risks relating to the Offer Shares; and
- Risks relating to the presentation of information in this Prospectus.

CORPORATE INFORMATION

Our Company is a Philippine corporation with registered office and principal executive offices located at 3rd Floor Aseana Powerstation Building, Aseana Business Park, President Diosdado Macapagal Blvd corner Bradco Ave., Parañaque City, Philippines. Our Company's telephone number is +632-854-5711 and its fax number is +632-853-5711. Our corporate website is www.dmwai.com. The information on our website is not incorporated by reference into, and does not constitute part of this Prospectus.

Investor Relations Office and Compliance Office

Our Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to our Company's shareholders as well as to the broader investor community.

Rachelle C. Paunlagui, our Investor Relations Officer ("IRO"), will serve as our designated investor relations manager and head our Investor Relations Office. The IRO will also be responsible for ensuring that our shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to us. As our officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of our shareholder meetings, press conferences, investor briefings, management of the investor relations portion of our website and the preparation of our annual reports. The IRO will also be responsible for conveying information such as our policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance.

Atty. Jorge Vincent G. Manalili will serve as our Compliance Officer to ensure that we comply with, and file on a timely basis, all required disclosures and continuing requirements of the Philippine SEC and the PSE.

Our Investor Relations Office is located at 3rd Floor, Aseana Powerstation Building, Aseana Business Park, President Diosdado Macapagal Blvd corner Bradco Ave., Parañaque City, Philippines.

SUMMARY OF THE OFFER

Issuer	D.M. Wenceslao & Associates, Incorporated, a corporation organized under Philippine law. The trading symbol shall be “DMW”.
Selling Shareholder.....	Wendel Holdings Co., Inc.
Joint Global Coordinators and Bookrunners.....	BPI Capital Corporation and Maybank Kim Eng Securities Pte. Ltd.
International Lead Manager and Underwriter.....	Maybank Kim Eng Securities Pte. Ltd.
Domestic Lead Managers and Underwriters.....	BPI Capital Corporation and Maybank ATR Kim Eng Capital Partners, Inc.
Stabilizing Agent	Maybank ATR Kim Eng Capital Partners, Inc. or its relevant affiliate, in its role as stabilizing agent, whereby it may engage in stabilization activities relating to any over-allotment of Shares from the Selling Shareholder for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date.
Stock Transfer Agent.....	Rizal Commercial Banking Corporation – Stock Transfer Processing Section
Receiving Agent	Rizal Commercial Banking Corporation – through its Trust and Investments Group
Escrow Agent	Rizal Commercial Banking Corporation – through its Trust and Investments Group
Philippines Counsel for the Issuer	Gorriceta Africa Cauton & Saavedra
International Counsel for the Issuer.....	Jones Day
Philippines Counsel for the Underwriters.....	SyCip Salazar Hernandez & Gatmaitan
International Counsel for the Underwriters	Milbank Tweed Hadley & McCloy
Firm Shares.....	679,172,800 new Shares to be issued and offered by our Company pursuant to the Firm Offer.
Optional Shares	Up to 101,876,000 Shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allotment Option.
Offer Shares.....	The Firm Shares and the Optional Shares.
The Offer	Offer of 679,172,800 Firm Shares and an offer of up to 101,876,000 Optional Shares pursuant to the Over-allotment Option (as described below).
Institutional Offer	At least 475,272,800 Firm Shares, or 70% of the Firm Shares, are being offered and sold (i) outside the Philippines and the United States in offshore transactions in reliance on Regulation S under the US Securities Act and (ii) to Domestic QIBs in the Philippines. The Optional Shares will

form part of the Institutional Offer.

Trading Participants and Retail Offer	203,900,000 Firm Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price. Out of the Trading Participants and Retail Offer, 135,900,000 Firm Shares (or 20% of the Firm Shares) are being allocated to all of the PSE Trading Participants at the Offer Price and 68,000,000 Firm Shares (or 10% of the Firm Shares) are being allocated at the Offer Price to LSIs. Each PSE Trading Participant shall initially be allocated 1,029,500 Firm Shares, subject to reallocation as may be determined by the Domestic Lead Managers and Underwriters. Based on the initial allocation for each trading participant, there will be a total of 6,000 residual Firm Shares to be allocated as may be determined by the Domestic Lead Managers and Underwriters. Each LSI Applicant may subscribe up to a maximum of 8,300 Firm Shares at the Offer Price. Subject to any reallocation to the Institutional Offer, the Domestic Lead Managers and Underwriters shall purchase the Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or clients of the Domestic Lead Managers and Underwriters or the general public in the Philippines pursuant to the terms and conditions of the Domestic Underwriting Agreement.
Eligible Investors	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age residing in the Philippines regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines, regardless of nationality, subject to the Restrictions on Ownership, as described below, and our right to reject an Application or reduce the number of our Firm Shares applied for subscription. The Institutional Offer Shares are initially being offered and sold to persons (i) outside the Philippines and the United States in offshore transactions in reliance on Regulation S and (ii) to Domestic QIBs in the Philippines. Subscription to, and purchase of, the Institutional Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in subscribing or purchasing the Institutional Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, must warrant and represent that their purchase of the Institutional Offer Shares will not violate the laws of their respective jurisdictions and that they are allowed to acquire, purchase and hold the Institutional Offer Shares.
Restriction on Ownership	The Offer Shares may be subscribed by any individual of legal age, or by any corporation, association, partnership or trust, regardless of citizenship or nationality. However, as our Company owns land and may engage in or enter into certain types of infrastructure contracts (among other reasons), Philippine laws limit the foreign shareholdings in our Company to a certain percentage. The Philippine

Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in nationalized or partly nationalized activities, including land ownership. As of the date of this Prospectus, our Company owns land and is therefore required by the Philippine Constitution and related statutes to be a Philippine National by limiting foreign ownership in our Company to a maximum of 40% of our outstanding capital stock.

Republic Act No. 4566, as amended by Presidential Decree No. 1746, requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license from PCAB. A regular license is issued by PCAB to a domestic construction firm, which is a Filipino sole proprietorship, a partnership or a corporation with at least 60% Filipino equity. PCAB subsequently allowed foreign construction firms with more than 40% foreign equity to qualify for a regular AAAA license, provided such firms comply with (among others) a ₱1.0 billion market capitalization requirement. On March 27, 2017, PCAB issued Resolution No. 079, Series of 2017 which categorizes a regular AAAA license into two types: (i) AAAA Platinum, which may be granted to locally-owned contractors with at least ₱1.0 billion minimum capitalization; and (ii) AAAA Gold, which may be granted to foreign-owned domestic corporations with at least a ₱1.0 billion minimum capitalization, provided it complies with a ₱1.0 billion market capitalization requirement and other conditions for its issuance and limits its participation to projects of at least ₱1.0 billion. Our Company holds a AAAA Platinum PCAB license and is therefore required to limit foreign ownership to a maximum of 40% of our outstanding capital stock.

The Implementing Rules and Regulations of the Government Procurement Reform Act also provides that only Philippine corporations, the shareholding interests of which are at least 75% owned by citizens of the Philippines, shall be allowed to participate in bidding for infrastructure projects. Accordingly, to the extent that we are currently participating or will participate in bidding for infrastructure projects, the higher Filipino equity requirement of 75% will apply.

Moreover, under the Tenth Regular Foreign Investment Negative List, contracts for the construction and repair of locally funded public works shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 75% owned by citizens of the Philippines, except (a) infrastructure or development projects covered in R.A. No. 7718 (which amended R.A. No. 6957 or the Build-Operate-Transfer (BOT) Law), and (b) projects that are foreign funded or assisted and required to undergo international competitive bidding (Section 2(a) of R.A. No. 7718)). Accordingly, to the extent that we are currently engaged or will engage in the construction and repair of locally funded public works that do not fall under any of the relevant exceptions, the higher Filipino equity requirement of 75% will apply.

For more information relating to restrictions on the

ownership of the Shares, please see the sections entitled “Risk Factors” and “Regulatory and Environmental Matters” on pages 32 and 183 of this Prospectus, respectively.

Any subsequent transfer of our Shares by Philippine Nationals to non-Philippine Nationals will be subject to the limitation that any such transfers will not cause foreign shareholdings in our Company to exceed the maximum percentage allowed under applicable laws. In the event that foreign ownership of our Company’s outstanding capital stock will exceed such allowable maximum percentage, our Company has the right to reject a transfer request by a stockholder to persons other than Philippine Nationals and has the right not to record such purchases in the books of our Company.

Moreover, if any share is inadvertently issued and/or transferred in violation of the said restriction, the shares issued and/or transferred in excess of the allowable maximum percentage shall be null and void and our Company may immediately proceed to cancel and demand the surrender of the certificate of stock covering such shares. Should any stockholder acquire shares in excess of the foregoing restriction, such stockholder shall not be considered a stockholder and shall have no right with respect to such shares except to demand payment therefrom from our Company or transferor, as the case may be, or to dispose of the same to qualified shareholders within 30 days of receipt of notice from our Company.

Offer Price	₱12.00 per Offer Share.
Over-allotment Option.....	Subject to the approval of the SEC, the Selling Shareholder and our Company have granted the Stabilizing Agent an option, exercisable in whole or in part, to purchase the Optional Shares to be sold by the Selling Shareholder at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this Prospectus, to cover over-allotments, if any. The Over-allotment Option is exercisable for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date. See “Plan of Distribution – The Over-allotment Option” on page 232 of this Prospectus.
Offer Period.....	The Offer Period shall begin at 9:00 a.m. (Manila time) on June 18, 2018 and end at 12:00 p.m. (Manila time) on June 22, 2018. Our Company and the Domestic Lead Managers and Underwriters reserve the right to extend or shorten the Offer Period, subject to the approval of the PSE. Applications must be received by the Receiving Agent not later than 12:00 noon, Manila Time on June 22, 2018, whether filed through a participating PSE Trading Participant or the Domestic Lead Managers and Underwriters or filed directly with the Receiving Agent. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the Application.

	The actual subscription and/or purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE.
Minimum Subscription	Each application must be for a minimum of 100 Firm Shares, and thereafter, in multiples of 100 Firm Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at our Company’s discretion.
Transfer Restrictions.....	The Institutional Offer Shares are initially being offered and sold (i) outside the Philippines and the United States in offshore transactions in reliance on Regulation S and (ii) to Domestic QIBs in the Philippines. The Offer Shares have not been and will not be registered under the US Securities Act and are not being offered or sold in the United States. The Offer Shares may be subject to certain transfer restrictions as described herein. See “Plan of Distribution – The Institutional Offer” on page 231 for further details.
Use of Proceeds	We intend to use a majority of our net proceeds from the Firm Offer to fund the development of our pipeline projects, obtain land assets through potential share acquisitions or otherwise, develop infrastructure within Aseana City and for other general corporate purposes. See “Use of Proceeds” on page 59 for further details.
Reallocation.....	The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Firm Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Firm Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer.
Lock-up.....	The PSE rules require an applicant company to cause its existing shareholders owning at least 10% of the issued and outstanding shares of our Company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. If the Over-allotment Option is not exercised, 2,136,554,780 Shares held by WHI and 578,808,847 Shares held by Delfin J. Wenceslao, Jr. are subject to such 180-day lock-up. If the Over-allotment Option is exercised, 2,034,678,780 Shares held by WHI and 578,808,847 Shares held by Delfin J. Wenceslao Jr. are subject to such 180-day lock-up. See “Plan of Distribution – Lock-Up” on page 233 of this Prospectus. In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap or a similar transaction or instruments which would lead to the issuance of shares or securities such as convertible bonds, warrants or similar instruments, in transactions that are

completed within 180 days prior to the start of the Offer Period, and the transaction price is lower than the Offer Price, all such shares or securities shall be subject to a lock-up period of at least 365 days from full payment of the shares. The 100 Shares held by Alberto P. Fenix, Jr. are subject to such 365-day lock up. See “Plan of Distribution – Lock-Up” on page 233 of this Prospectus.

To implement this lock-up requirement, the PSE requires the applicant either to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

In addition, our Company and the Selling Shareholder have agreed with the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters that, except in connection with the Offer and the Over-allotment Option, none of our Company, any of its affiliates, nor any person acting on their behalf, will, without the prior written consent of the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares owned as of the Listing Date or securities owned as of the Listing Date convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options, for a period of 180 days after the First Closing Date.

Registration, Listing and Trading

Our Company has filed an application with the Philippine SEC for the registration and an application with the PSE for the listing of all its outstanding capital stock (including the Offer Shares). The Order of Effectivity and Permit to Sell was issued by the Philippine SEC on June 13, 2018, and the PSE Board approved the listing application on May 23, 2018, subject to compliance with certain listing conditions.

The Offer Shares are expected to be listed on the PSE Main Board under the symbol “DMW”, on or about June 29, 2018. See “Description of the Shares” on page 209 of this Prospectus. Trading of our Company’s issued and outstanding Shares that are not subject to lock-up is expected to commence on the same date.

In the event the Shares are not listed on the PSE Main Board for any reason, our Company will (and is required by the PSE to) refund all subscription payments for the Offer Shares within 10 banking days from the lapse of the listing date deadline. Any such refund shall be without any interest to the respective Applicants. The Listing Date deadline shall be within 10 calendar days from the end of the Offer Period, unless extended for justifiable reasons with the approval by the PSE.

Dividends.....

Our Company is authorized to declare dividends. A cash

dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of our Company's outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings. As of the date of this Prospectus, we have adopted through our Manual a dividend policy pursuant to which shareholders may be entitled to receive, upon declaration by our Board and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on our audited financial statements as of such year, except (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when our Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies. We can give no assurance that we will pay any dividends in the future. See the section entitled "Dividends and Dividend Policy" on page 63 of this Prospectus for further details.

Procedure for Application for the Trading
Participants and Retail Offer

Application forms and signature cards may be obtained from the Domestic Lead Managers and Underwriters, from the Receiving Agent, or from any participating PSE Trading Participant. Applicants shall complete the application form, indicating all pertinent information such as the Applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information as may be required in the application form and shall provide all the required documents. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application.

If the Applicant is a corporation, partnership or trust account, the Application must be accompanied by the following documents:

- A certified true copy of the Applicant's latest articles of incorporation and by-laws and other constitutive documents (each as amended to date) duly certified by its corporate secretary;
- A certified true copy of the Applicant's Philippine SEC certificate of registration duly certified by its corporate secretary; and
- A duly notarized corporate secretary's certificate setting forth the resolution of the Applicant's board of directors or equivalent body authorizing the purchase of the Firm Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the Applicant's capital or capital stock held by Philippine Nationals.

Foreign corporate and institutional Applicants who qualify

as Eligible Investors, in addition to the documents listed above as applicable, are required to submit in quadruplicate, a representation and warranty stating that their Application will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed to acquire, purchase and hold the Firm Shares.

If the Applicant is an individual, the Application must be accompanied by the following documents:

- Two duly executed signature cards of the Applicant;
- Photocopies of two valid and current government-issued identification cards of the Applicant (or each of the Applicants for joint applications (i.e., multiple subscribers or investors in one application)); and
- Such other documents as may be reasonably required by the Domestic Lead Managers and Underwriters in implementation of their internal “know your client” and anti-money laundering policies.

Payment Terms for the Trading Participants
and Retail Offer

The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments.

Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; (ii) a manager’s or cashier’s check issued by an authorized bank; or (iii) a debit-credit instruction via Real Time Gross Settlement or direct bank fund transfer in favor of the relevant underwriter accepting the Application. For Trading Participants and LSI Applicants, only Cashier’s/Manager’s, personal or corporate checks will be acceptable as valid mode of payment. Checks subject to clearing periods of over three banking days shall not be accepted.

All checks should be made payable to “DMW IPO” crossed “Payee’s Account Only”, and dated the same date as the application.

The applications and the related payments will be received at any of the designated locations as specified in the TP Guidelines and the LSI Guidelines, to be published by the PSE prior to the start of the Offer Period.

Acceptance or Rejection of Applications for
the Trading Participants and Retail Offer

“Application to Subscribe” forms are subject to confirmation by the Domestic Lead Managers and Underwriters and the final approval of our Company. Our Company and the Domestic Lead Managers and Underwriters reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any Application. Our Company, the Domestic Lead Managers and Underwriters, and the International Lead Manager and Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as our Company, the Domestic Lead Managers and Underwriters, and the International Lead Manager and Underwriter may,

in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and “Application to Subscribe” forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any “Application to Subscribe” forms, the actual subscription of the Offer Shares by the Applicant will be effective only upon the listing of the Offer Shares on the PSE.

Refunds for the Trading Participants and
Retail Offer

In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Domestic Lead Managers and Underwriters, is less than the number covered by its Application, or if an Application is rejected by our Company, then the Receiving Agent shall refund, without interest, within five banking days from the end of the Offer Period or on June 29, 2018, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent.

Registration and Lodgment of Shares with
PDTC

The Offer Shares will be in scripless form and are required to be lodged with the PDTC. The Applicant may request to receive stock certificates evidencing such Applicant’s investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.

Registration of Foreign Investments

The BSP requires that investments in shares of stock funded by inward remittances of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the relevant investor. See “Philippine Foreign Exchange Controls” on page 223 for more details.

Tax Considerations

See “Philippine Taxation” on page 224 of this Prospectus for information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Expected Timetable

The timetable of the Offer is expected to be as follows:

Roadshow and Bookbuilding	June 4 – 8, 2018
Pricing and allocation of the Institutional Offer Shares	June 8, 2018
Release of Listing Notice on Final Offer Price	June 8, 2018
Submission of Firm Order and Commitments by PSE Trading Participants	June 20, 2018
Offer Period	June 18 to 22, 2018
Listing Date and commencement of trading on the PSE	June 29, 2018

The dates included above are subject to the approval of the PSE and the Philippine SEC, market and other conditions, and may be changed.

Risks of Investing

Before making an investment decision, prospective

investors should carefully consider the risks associated with an investment in the Offer Shares. These risks are discussed in the section entitled “Risk Factors” on page 32 of this Prospectus and include: risks relating to our business, risks relating to our organization and structure, risks relating to the Philippines, risks relating to the Offer Shares and risks relating to the presentation of information in this Prospectus.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following tables present summary consolidated financial information of our Company. This summary should be read in conjunction with the independent auditors' report and with the consolidated financial statements of our Group and notes thereto contained in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 73. Our Company's summary consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 was derived from the audited consolidated financial statements of our Group prepared in accordance with PFRS. Our summary consolidated financial information below should not be considered indicative of the results of future operations. Furthermore, the translation of Peso amounts into US dollars as of and for the year ended December 31, 2017 is provided for convenience only and is unaudited. For readers' convenience only, amounts in Pesos were converted to US dollars using the foreign exchange rate reported by the BSP as of December 29, 2017 of ₱49.923 = US\$1.00.

Consolidated Statements of Comprehensive Income

	2015	For the year ended December 31,		2017
		2016	2017	2017
		(Audited)		(Unaudited)
		(₱ million)		(US\$ million)
NET PROFIT	871.7	1,202.5	1,559.8	31.2
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	(30.4)	(23.9)	14.3	0.3
Tax income (expense)	9.1	7.2	(4.3)	(0.1)
	(21.3)	(16.7)	10.0	0.2
Item that will be reclassified subsequently to profit or loss				
Fair valuation of available-for-sale financial assets	0.2	(0.1)	0.1	-
Other Comprehensive Income (Loss) – net of tax	(21.1)	(16.8)	10.1	0.2
TOTAL COMPREHENSIVE INCOME	850.6	1,185.7	1,569.9	31.4
Total comprehensive income attributable to:				
Equity holders of the parent company	853.3	1,183.4	1,570.6	31.5
Non-controlling interest	(2.7)	2.3	(0.7)	-
	850.6	1,185.7	1,569.9	31.4

Consolidated Statements of Financial Position

	As of December 31,			
	2015	2016 (Audited) (P million)	2017	2017 (Unaudited) (US\$ million)
CURRENT ASSETS				
Cash and cash equivalents	640.5	815.2	1,431.4	28.7
Receivables - net	2,932.4	2,140.6	2,330.7	46.7
Land and land development costs	3,946.5	3,519.8	3,323.6	66.6
Property development costs	-	24.3	593.0	11.9
Other current assets	251.2	263.2	533.4	10.7
Total Current Assets	7,770.7	6,763.1	8,212.1	164.6
NON-CURRENT ASSETS				
Receivables	-	1,754.9	1,916.9	38.4
Advances to and investments in associates, joint ventures and other related parties	3,057.8	3,037.2	3,035.3	60.8
Property and equipment - net	140.6	166.8	143.9	2.9
Investment properties - net	15,040.2	14,998.3	15,622.7	312.9
Other non-current assets	73.7	77.9	119.6	2.4
Total Non-current Assets	18,312.3	20,035.1	20,838.5	417.4
TOTAL ASSETS	26,083.0	26,798.2	29,050.6	582.0
CURRENT LIABILITIES				
Loans and borrowings	2,093.0	2,148.6	1,656.6	33.2
Trade and other payables	584.1	531.3	1,093.1	21.9
Advances from co-joint venturer	1,000.0	1,000.0	1,000.0	20.0
Advances from related parties	323.9	320.2	312.5	6.3
Estimated liability for land development costs	269.8	477.5	570.7	11.4
Deposits and advances	247.8	314.4	540.6	10.8
Reserved for property development	-	4.6	101.1	2.0
Deferred gross profit on real estate sales	-	0.8	30.5	0.6
Total Current Liabilities	4,518.5	4,797.4	5,305.1	106.3
NON-CURRENT LIABILITIES				
Loans and borrowings	786.6	514.8	820.3	16.4
Due to a related party	4,343.6	4,343.6	4,343.6	87.0
Estimated liability for land development costs	7,846.8	7,270.9	7,035.7	140.9
Deposits and advances	845.0	702.9	574.0	11.5
Reserved for property development	-	13.6	42.7	0.9
Deferred gross profit on real estate sales	-	2.3	17.8	0.4
Deferred tax liabilities - net	188.7	390.7	588.8	11.8
Retirement benefit obligation	47.0	75.0	65.7	1.3
Other non-current liabilities	5.5	-	-	-
Total Noncurrent Liabilities	14,063.2	13,313.8	13,488.6	270.2
TOTAL LIABILITIES	18,581.7	18,111.2	18,793.7	376.5
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	1,716.7	1,716.7	2,716.7	54.4
Revaluation reserves - net	(4.2)	(21.1)	(10.9)	(0.2)
Other reserves	(276.0)	(276.0)	(276.0)	(5.5)
Retained earnings	5,407.5	6,607.7	7,168.2	143.6
Total equity attributable to owners of the parent company	6,844.0	8,027.3	9,597.9	192.3
Non-controlling interest	657.3	659.6	659.0	13.2
Total Equity	7,501.3	8,687.0	10,256.9	205.5
TOTAL LIABILITIES AND EQUITY	26,083.0	26,798.2	29,050.6	581.9

Consolidated Statements of Profit or Loss

	For the year ended December 31,			
	2015	2016	2017	2017
		(Audited)		(Unaudited)
		(P million)		(US\$ million)
REVENUES				
Rentals:				
Land	803.2	860.5	919.4	18.4
Building	311.6	344.6	429.7	8.6
Other revenues	114.4	121.5	157.9	3.2
Rentals Total	1,229.2	1,326.6	1,507.0	30.2
Land sales	329.8	600.7	1,088.3	21.8
Construction contracts	82.3	231.2	202.1	4.0
Sale of condominium units	—	21.9	213.8	4.3
Total Revenues	1,641.3	2,180.3	3,011.2	60.3
COST OF SERVICES AND SALES				
Rentals	189.0	185.6	202.0	4.0
Land sales	73.3	120.4	141.5	2.8
Construction contracts	59.4	202.0	132.2	2.6
Sale of condominium units	—	21.8	203.0	4.1
Total costs of services and sales	321.7	529.8	678.8	13.5
GROSS PROFIT	1,319.5	1,650.5	2,332.5	46.8
OTHER OPERATING EXPENSES				
General and administrative expenses	268.2	283.2	461.8	9.2
Selling expenses	1.9	10.5	3.6	0.1
Total other operating expenses	270.1	293.7	465.4	9.3
OPERATING PROFIT (LOSS)	1,049.4	1,356.8	1,867.1	37.4
OTHER INCOME (CHARGES)				
Gain on sale of investment property	247.3	312.5	257.7	5.2
Finance costs	(107.7)	(83.8)	(72.1)	(1.4)
Share in net losses of associates and joint ventures - net	(0.7)	(5.3)	(1.0)	-
Finance income	6.8	4.1	15.8	0.3
Other income	18.5	55.6	25.8	0.5
Total other income (charges)	164.2	283.1	226.1	4.6
PROFIT BEFORE TAX	1,213.6	1,639.9	2,093.2	41.9
TAX EXPENSE	342.0	437.4	533.4	10.7
NET PROFIT	871.7	1,202.5	1,559.8	31.2
Net profit (loss) attributable to:				
Equity holders of the parent company	874.4	1,200.2	1,560.5	31.2
Non-controlling interest	(2.7)	2.3	(0.7)	—
	871.7	1,202.5	1,559.8	31.2
Earnings Per Share – Basic and Diluted	0.94	0.70	0.57	0.0

Notes:

- (1) Earnings per Share represented as Peso per Share.
- (2) Earnings per Share represented as US cents per Share.

Consolidated Statements of Cash Flows

	For the year ended December 31,			
	2015	2016 (Audited) (P million)	2017	2017 (Unaudited) (US\$ million)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,213.6	1,639.9	2,093.2	41.9
Adjustments for:				
Gain on sale of investment property	(247.3)	(312.5)	(257.7)	(5.2)
Depreciation and amortization	91.5	100.3	110.7	2.2
Finance costs	107.7	83.8	72.1	1.4
Finance income	(2.6)	(3.2)	(15.8)	(0.3)
Share in net losses of associates and joint ventures	0.7	5.3	1.0	-
Unrealized foreign currency gains – net	(4.2)	(1.0)	-	-
Operating profit before working capital changes	1,159.5	1,512.8	2,003.5	40.00
Increase in receivables	(1,040.3)	(671.3)	(423.2)	(8.5)
Decrease (increase) in cost and estimated earnings in excess of billings on uncompleted contracts	0.3	-	-	-
Decrease in land and land development costs	73.3	120.4	141.5	2.8
Increase in property development costs	-	(24.3)	(568.7)	(11.4)
Increase in other assets	(75.3)	(145.8)	(577.5)	(11.6)
Increase (decrease) in trade and other payables	(95.4)	(113.0)	561.8	11.3
Decrease in estimated liability for land development costs	(265.4)	(90.1)	(142.0)	(2.8)
Increase (decrease) in deposits and advances	157.4	(76.4)	95.8	1.9
Increase in reserve for property development	-	18.2	125.6	2.5
Increase in deferred gross profit on real estate sales	-	3.1	45.3	0.9
Increase in retirement benefit obligation	0.8	1.7	1.0	-
Cash generated from (used in) operations	(85.1)	535.4	1,263.0	25.1
Cash paid for final and capital gains taxes	(29.9)	(42.9)	(25.0)	(0.5)
Interest Received	2.6	3.0	7.2	0.1
Net cash From (Used in) Operating Activities	(112.5)	495.4	1,245.2	24.70
CASH FLOWS FROM INVESTING ACTIVITIES				
Construction in progress and development costs of investment properties	(96.1)	(392.8)	(746.4)	(15.0)
Proceeds from sale of investment properties	434.7	465.5	448.8	9.0
Net collection from (additional advances to) and investments in associates, joint venture and other related parties	73.6	(28.6)	13.6	0.3
Acquisition of available-for-sale financial assets	(23.6)	(1.3)	(48.8)	(1.0)
Acquisitions of property and equipment	(108.6)	(62.8)	(18.9)	(0.4)
Net Cash From (Used in) Investing Activities	280.0	(20.0)	(351.8)	(7.1)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of advances from related parties	(2,610.5)	(637.3)	(545.5)	(10.9)
Additional interest-bearing loans and borrowing	2,209.1	421.2	359.0	7.2
Finance costs paid	(106.2)	(81.9)	(83.0)	(1.7)
Repayments of advances from related parties	(227.3)	(4.3)	(9.0)	(0.2)
Advances received from related parties	0.8	0.6	1.2	-
Net Cash From (Used in) Financing Activities	(734.1)	(301.7)	(277.2)	(5.6)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents	4.2	1.0	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(562.4)	174.7	616.2	12.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,202.8	640.5	815.2	16.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	640.5	815.2	1,431.4	28.3

Key Financial and Operating Data

Key Financial Ratios	As of and for the year ended December 31,		
	2015	2016	2017
Recurring Income Contribution ⁽¹⁾	74.9%	60.8%	50.0%
Current Ratio ⁽²⁾	1.72	1.41	1.55
Debt to Equity ⁽³⁾	42.0%	33.0%	26.0%
Return on Equity ⁽⁴⁾	16.0%	16.0%	18.0%
Asset to Equity ⁽⁵⁾	3.81	3.34	3.03

Key Operating Data	As of the year ended December 31,		
	2015	2016	2017
Total leased land area (sq.m.)	138,900.2	140,540.2	150,520.7
Total leasable floor area (sq.m.)	45,432.3	56,863.4	59,000.1
Total occupancy rate (leased buildings) (%) ⁽⁶⁾	86.6%	97.6%	94.1%

Notes:

- (1) Our recurring income contribution is derived by dividing revenue from rentals by total revenue. Recurring income contribution measures the stability of our income source, and as we generally obtained our land holdings years ago at prices significantly lower than current market prices, a higher recurring income contribution also represent higher margin.
- (2) Our current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.
- (3) Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage.
- (4) Our return on equity is derived by dividing net profit by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.
- (5) Our asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.
- (6) Calculated based on the ratio of total leased floor area to total leasable floor area made available.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities may fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on our business, financial condition, results of operations, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares may be lost.

The means by which we intend to address the risk factors discussed herein are principally presented under “Business” beginning on page 104, “Management’s Discussion and Analysis of Financial Condition and Results of Operation” beginning on page 73, and “Board of Directors and Senior Management – Corporate Governance” beginning on page 200 of this Prospectus.

This risk factors discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information on us from the SEC. An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult his or her own counsel, accountant and other advisers as to the legal, tax, business, financial and other related aspects of an investment in the Shares.

General Risks Relating to Our Business

Our business is largely affected by the general level of activity and growth in Aseana City.

We mainly operate in Aseana City and as a result, the continuous growth and development of Aseana City and the surrounding areas are paramount to our business and future prospects. The development of Aseana City is implemented in accordance with a master plan that is estimated to require upward of 15 years to complete. We have significant influence over the master planning of the area, and thus the continuing development of Aseana City, but we cannot assure you that the master plan will be effectively carried out as contemplated, or that the vision of Aseana City as the next major mixed use central business district within Metro Manila will eventually be realized. Completion of the ongoing public transport infrastructure projects expected to benefit the development of Aseana City may be substantially delayed, or future planned infrastructure projects may be postponed indefinitely or cancelled. There is no assurance that the drivers expected to facilitate Aseana City’s development and also underlie our business strategies may eventually materialize, such as the continuous growth of the BPO sector that is expected to increase the demand for commercial space, the anticipated increase in POGOs and in gaming activities in the adjacent Entertainment City that is expected to generate consumer and visitor traffic for the entire area, and the success of the tourism and recreational-related developments that is expected to increase the value of, and demand for, residential and commercial space within Aseana City. Many other factors can also affect the development of Aseana City, including the state of the national and regional economies in the Philippines, changes in Government policies leading to changes in market conditions, and political and social developments that may translate into project execution difficulties.

To help manage these risks, we have diversified our earnings base to include rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts. In keeping with our general strategies, we may also pursue strategic and opportunistic acquisitions of land and other properties outside Aseana City. Nevertheless, in the event Aseana City does not develop as we plan and envision, there could be a material and adverse effect on our business and prospects.

Our title to our land holdings may be subject to various lawsuits, challenges and claims.

Our existing land holdings in Aseana City, which were obtained pursuant to the agreements described below, are entirely located on reclaimed foreshore land, otherwise known as the CBP-BC

development. The total book value of such land holdings, including the buildings and improvements constructed on such land, amounted to ₱18,000.0 million as of December 31, 2017, and comprised approximately 62% of our total consolidated assets as of the same date.

On September 1, 1989, R-1 Consortium, our joint venture with TOA Corporation, Inc., Royal Asia Development Co., Inc. and Jan de Nul N.V., entered into a Memorandum of Agreement with PEA (currently known as PRA) to finance, upgrade and complete the construction of the R-1 Expressway into a toll-grade facility. Pursuant to such Memorandum of Agreement and its various implementing agreements, R-1 Consortium had the option to be paid by PEA in cash, interest-bearing bonds or in the form of reclaimed land, as consideration for land reclamation and construction services rendered. The Memorandum of Agreement was approved by the Office of the President (President Corazon Aquino) through a letter signed by then Executive Secretary Catalino Macaraig, Jr. dated December 29, 1989. On April 5, 1991, R-1 Consortium and PEA executed the Reclamation Agreement. On April 29, 1992, the Department of Environment and Natural Resources issued in favor of PEA Special Patent No. 3557 over the reclaimed lands. Thereafter, the Land Registration Commission issued the Original Title (OCT No. 289) over such land to PEA.

Pursuant to the aforementioned option, R-1 Consortium formally informed PEA on June 19, 1990 that it opted to be paid in the form of reclaimed land. As a nominee of R-1 Consortium, our Company directly received from PEA portions of the reclaimed CBP-BC development, and titles were issued and registered in our Company's name on May 10, 1995, September 29, 1995, January 11, 1996, February 12, 1998, August 17, 1995, December 5, 2000, December 7, 2000, March 27, 2003, June 23, 2003, December 12, 2003, November 8, 2005, March 6, 2009, June 25, 2009 and October 22, 2014, respectively. During the period from 1995 to 1998, certain other entities (i.e., WHI, Bay Resources and Development Corporation, Manila Bay Park Developers, Inc., among other entities) also directly acquired titles from PEA with respect to the other portions of the reclaimed CBP-BC development, and these entities subsequently, during the period from 2000 to 2015, conveyed these titles in favor of our Company. As a consequence of these transfers of title from PEA, OCT No. 289 was cancelled in 1995 and replaced by the aforementioned titles issued and registered in the name of such transferees, including our Company.

Although we hold registered titles to our land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. Thus, our ownership, registration, and possession of titles and actual possession of our land holdings do not foreclose the possibility that the Government or third parties may at any time, file lawsuits to challenge our rights to our land holdings. Notwithstanding the foregoing, we are not aware of the validity of our titles being questioned, impugned, challenged or invalidated by the Government or any other third party since the time we acquired ownership over our land holdings in Aseana City and up to the date of this Prospectus. We are not aware of any proceedings, contentions, claims or disputes questioning our titles which had arisen in over 20 years since such titles were registered in our name. Nevertheless, there may still be a possibility that the Government would file a lawsuit to question our titles and right to our land holdings in the future, because as a general rule, the right of the Government to seek the reversion of a property to the State is imprescriptible. For a more detailed discussion on the applicable laws and procedures on land reclamation, see "Regulatory and Environmental Matters" on page 183 of this Prospectus.

Despite our registered titles to our land holdings, it remains possible that a party with no direct interest in the land may elect to challenge our titles, as was permitted in the case *Chavez v. Public Estates Authority* ("PEA") and *Amari Coastal Bay Development Corporation* ("Amari") (G.R. No. 133250, July 9, 2002, reconsideration denied on May 6, 2003 and November 11, 2003), or the PEA Amari Decision. In the PEA Amari Decision, PEA entered into a joint venture agreement with Amari to develop three reclaimed islands known as the "Freedom Islands". The petitioner in that case filed a petition before the Supreme Court to question the sale of portions of the Freedom Islands to Amari alleging that such sale violated Section 3, Article XII of the Constitution, which prohibits the Government from alienating lands of public domain to private corporations. The Supreme Court ruled in that case that ownership over reclaimed foreshore lands under an amended joint venture agreement between PEA and Amari could not be transferred from PEA to Amari because: (1) reclaimed lands, being lands of the public domain, cannot be disposed of by the State to any private person until such reclaimed lands are (a) reclassified as disposable or alienable, and (b) declared to be no longer needed for public purpose, by law or presidential proclamation; (2) alienable public lands cannot be disposed of by the State to private persons by sale or lease without public bidding; and (3) alienable lands of the public domain cannot be disposed of to private

corporations, except by lease, in accordance with the constitutional ban on private corporations acquiring lands of the public domain. The Supreme Court further ruled that the amended joint venture agreement between PEA and Amari violated Section 3, Article XII of the Constitution, declared the same as null and void *ab initio* and enjoined PEA and Amari from implementing the said agreement.

However, in the case of *Chavez v. National Housing Authority* (“NHA”) and *R-II Builders, Inc.* (the “NHA Decision”) (G.R. No. 164527, August 15, 2007), the Supreme Court clarified that in certain cases, the transfer of land, although illegal or unconstitutional, will not be invalidated on considerations of equity and social justice. In the NHA Decision, NHA and R-II Builders Inc. entered into a joint venture agreement for the development of the Smokey Mountain dumpsite and the reclamation of the 40 hectares of the Manila Bay Area situated across Radial Road 10. Similar to the Amari case, the amended joint venture agreement between NHA and R-II Builders, Inc. was questioned based on Section 3, Article XII of the Constitution, among other grounds. However, unlike in the Amari case where the Supreme Court held that the subject reclaimed lands remained to be lands of the public domain which cannot be held by private corporations except by lease, the Supreme Court held in the NHA Decision that, by virtue of the transfer of the subject reclaimed lands to NHA, said lands were automatically classified as lands of the private domain or patrimonial properties of the State which can be sold or transferred to qualified private corporations (i.e., private corporations which are at least 60% owned by Filipinos). In the NHA Decision, the Supreme Court also upheld the validity of the joint venture agreement and emphasized that the concurrent acts of the executive department, including the issuance of several presidential proclamations and special patents therefore (which acts were found to be legal, valid and binding by the court), had vested rights in favor of slum dwellers, the buyers of reclaimed land who were issued titles over said land, and the agencies and investors who made investments in the project. The Supreme Court also held that the ruling in the Amari case cannot be retroactively applied since it may prejudice vested rights.

The Office of the Government Corporate Counsel (“OGCC”), through Opinion No. 244, Series of 2007 dated November 13, 2007, confirmed the position of PRA that the jurisprudence found in the NHA Decision is applicable to our titles to our land holdings in Aseana City, insofar as the titles have already been registered in the name of purchasers in good faith and for value, and such registration were completed prior to the PEA Amari Decision. This OGCC Opinion, however, is on the premise that the private parties to whom the land were ultimately conveyed are qualified to own the same under the Constitution and existing laws and jurisprudence.

While the PRA and OGCC are of the opinion that our titles can no longer be invalidated, there is no assurance that the Government or third parties will not challenge our rights to such reclaimed lands. Although PEA, as stated in the PEA Board Resolution No. 3448 Series of 2004 and its letter dated July 15, 2004 to us, has committed to use its best efforts to defend our titles in Aseana City, or to assist us in our defense thereof, should any claim or lawsuit to question our titles be filed against us in the future, there can be no assurance that such defense will be successful. If any such lawsuit against us is successful and our titles are invalidated by the Philippine courts, we may be subject to reversion proceedings and ordered to transfer our titles to our land holdings in Aseana City to the Government.

It is also stated in the said PEA Board Resolution and letter that, “if in any case and at any instance in the future, the Supreme Court of the Philippines shall declare that the said conveyance is unconstitutional or illegal, PEA hereby commits to reimburse your company and/or assignees the fair market value of your reclaimed land and investments including the improvements that may have been made thereon.” There is a possibility that we may be entitled to compensation on a *quantum meruit* basis only, if the ruling by the Supreme Court in the PEA Amari Decision (in particular, the May 6, 2003 decision denying the Motion for Reconsideration) is determined by the court to be applicable to our instance. In the PEA Amari Decision, the Supreme Court stated that despite the nullity of the amended joint venture agreement between PEA and Amari, Amari was not precluded from recovering from PEA in the proper proceedings, on a *quantum meruit* basis, whatever Amari might have incurred in implementing the said joint venture agreement prior to its declaration of nullity.

Any loss of our existing land holdings in Aseana City, or any delay in our recovery of adequate compensation from PEA will have a material adverse effect on our business and prospects, particularly the revenues of our land and real estate businesses, our ability to implement our pipeline property projects and our growth strategies as planned. For the year ended December 31, 2016, our total revenue from rentals of land and buildings in Aseana City was ₱1,326.6 million and our revenue from land sales

in Aseana City was ₱600.7 million, in aggregate representing 88% of our total consolidated revenue for 2016. For the year ended December 31, 2017, our total revenue from rentals of land and buildings in Aseana City was ₱1,507.0 million and our revenue from land sales in Aseana City was ₱1,088.3 million, in aggregate representing 86% of our total consolidated revenue for 2017.

Although we have a sizeable and strategic land bank outside of Aseana City, amounting to 208,429.6 sq.m (please see “Business – Our Land Holdings” on page 120 of this Prospectus for more details) and we may also pursue strategic and opportunistic acquisitions of land and other properties outside Aseana City, we may have to expend substantial time, funds and resources to negotiate alternative arrangements with the Government and our tenants with respect to our existing properties, acquire alternative land holdings for our continued business operations, or significantly alter our business plans and strategies. Further, there can be no assurance that we will be able to locate and successfully acquire suitable alternative land for our business at commercially acceptable prices or at all, or that our modified business plans and strategies will yield the same positive financial performance and results. In the event we are not able to successfully defend our titles to our land holdings but due compensation is paid to our Company, we may reinvest such funds in order to enhance shareholder value. Nonetheless, any occurrence of the foregoing will materially and adversely affect our business, profitability, financial condition and results of operations.

In addition, lawsuits of such character, and any adverse decision thereon, may expose us to possible breaches of our agreements with counterparty-purchasers, especially with respect to our implied warranty under Articles 1547 and 1548 of the Philippine Civil Code.

In the event that we become subject to such lawsuits, we may have to devote time and incur costs and expenses to defend our rights against such claims. In any event, while we believe that we possess valid title to our land holdings which is supported by the opinions of the PRA and the OGCC, any legal proceedings instituted against us may have a material and adverse effect on our reputation, business and growth plans.

We are exposed to risks inherent in the Philippine property market (and especially Metro Manila) as all of our properties are situated in the Philippines.

We are highly dependent on the performance of the Philippine property market since all of our properties are located in the Philippines. Thus, we are directly affected by the risks that affect the Philippine property market as a whole. Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP’s tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of our land holdings and other real estate assets, and a decrease in our rental rates.

Our senior management team, which is comprised of highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry, helps us effectively manage these market risks. Several members of our management team are also licensed real estate brokers and possess in-depth knowledge of the Philippine property sales and leasing markets. We also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

However, there is still no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country’s political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for our land developments and real estate.

Our margins may be affected by increases in our operating and other expenses.

Our operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in raw material prices;

- increases in labor costs;
- increases in construction costs;
- increases in the rate of inflation;
- changes in laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- increases in customs duties, business taxes, property taxes and other statutory changes;
- adverse changes in the cost of existing and future debt financing; and
- other unanticipated circumstances or cost increases.

To help mitigate these risks, we have diversified our earnings base to include rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts. We also expect to derive significant revenues from recurring income streams from the leasing of land holdings, the leasing of commercial space, complementary and captive sub-businesses within Aseana City and Common Use Service Area payments. In addition, our Company's conservative financial management practices historically have helped us to sustain our profitability.

Nevertheless, there can be no assurance that we will not encounter, from time to time, increases in the above operating and other expenses, which could have an adverse effect on our cash flows. Furthermore, any sustained increases in our operating and other expenses could result in all or a portion of our operations becoming unprofitable, thereby resulting in an adverse effect on our business, financial condition and results of operation.

Our timely and cost-effective development of projects is dependent on various factors outside of our control.

Our future financial performance may be significantly affected by factors outside of our control that limit our ability to successfully finance and complete current and future projects, including construction and real estate development projects, in a cost-effective manner. We may invest significant resources in a project that might not be commercially viable due to changes in government policies. We might not obtain governmental approvals and permits within the necessary time limits, and projects might not be completed on schedule and within budget. Project development and construction may also be adversely affected by many other factors, including shortages of materials, machinery malfunction, labor disputes involving our Group or our sub-contractors, construction accidents, adverse weather conditions, Peso value depreciation, natural disasters, changes in laws, government policies or priorities and other unforeseen problems or circumstances that we might not have control over. Any of these factors could result in planned projects being delayed or cancelled, or current projects being delayed or incurring cost overruns, which may adversely affect our margins. This may also result in sales and resulting profits from a particular development not being recognized in the year originally expected, which could adversely affect our results of operations for that year. Further, our failure to complete the construction of a project in accordance with the planned specifications or on schedule may result in contractual liabilities to purchasers and lower returns. The occurrence of any such events may adversely affect our business, financial condition and results of operations.

We believe the experience of our senior management team, which is comprised of highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry, will help us manage these risks for each of our projects. Additionally, we have strategically focused on diversifying our earnings base to include rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts.

Our operations require significant capital expenditure and financing that we might not be able to secure.

Our business is capital intensive and we require significant capital resources to fund our existing and future construction and real estate development activities. Our ability to finance our capital expenditure plans is subject to a number of risks, contingencies and other factors, some of which are beyond our control. To the

extent that our funding requirements exceed our financial resources, we may be required to seek additional debt or equity financing or to defer planned expenditures. Furthermore, any adverse developments in the international and Philippine equity capital or credit markets could be a barrier for us to raise additional financing and could increase the overall cost of our funds. We may also require additional financing to fund day-to-day operations and debt service payments. Additional financing, when needed, might not be available on acceptable terms, or at all. Our incurrence of additional debt would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets that may restrict our operations. Without the required financing, we might not be able to continue our operations, implement our planned projects, hire, train and retain employees or respond to competitive pressures. The lack of adequate funding facilities on acceptable terms, or at all, may adversely affect our ability to fund the development and expansion of our business. Our inability to obtain sufficient funding to support our operations or development strategies could have an adverse effect on our business, financial condition and results of operations.

Historically we have not had difficulty securing financing. Please see “Business – Business Strengths – A strong financial position based on prudent financial management” on page 108 of this Prospectus. We maintain positive relationships with our lenders and adopt a conservative approach to increasing our indebtedness. As of December 31, 2017, more than 70% of our total existing credit facilities remain undrawn. We also maintain the ability to directly control the capital expenditures, and therefore to better manage the funding requirements, for our projects. Despite these good relationships and strong track record with respect to financing, there can be no assurance that we will not encounter difficulties or issues with respect to raising financing in the future.

We may encounter substantial cost increases, cost overruns or delays in connection with the future development of common areas, facilities and services in Aseana City.

We will continue to incur design and construction costs, capitalized interest, pre-opening expenses, financing fees and other costs in connection with the continuous development of common areas, facilities and centralized services in Aseana City, such as parks, roads and navigational signage. We cannot assure you that our actual costs will not exceed the budgeted and projected costs, since such amounts may change for various reasons, such as substantial cost increases, cost overruns or delays caused by a number of factors, including shortages of, or price increases in, energy, raw materials or skilled labor, unforeseen environmental problems, contractor default or insolvency as well as difficulties in obtaining or inability to obtain any requisite licenses, approvals or permits from regulatory authorities.

Due in large part to the proven track record of our senior management, all of whom have over a decade of experience in the construction and real estate industry, as well as our Company’s 50-year operating history in land reclamation and infrastructure construction, we have implemented and maintain a comprehensive management and supervision system to manage this risk and to assist our management to exercise appropriate oversight and control over every stage of our projects’ lifecycles, including project implementation, labor management, raw materials monitoring, quality control and compliance/certification. Moreover, we maintain strong and long-standing relationships with the majority of our materials suppliers. However, there can still be no assurance that our future developments will be completed or commence operations on schedule, and failure to complete these plans on schedule could adversely affect the overall growth of Aseana City and consequently, our business and prospects.

We are required to comply with extensive environmental, safety and health laws and regulations, which require significant and costly compliance efforts.

As part of our business operation, we are required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the Government. Failure to comply could expose us to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. Given the magnitude and complexity of these laws and regulations, our compliance and continued monitoring efforts will require significant financial and other resources.

In general, property developers are required to submit project descriptions to regional offices of the DENR. For environmentally sensitive projects (or at the discretion of the regional office of the DENR), a detailed environmental impact statement (“EIS”) may be required and the developer would be required to obtain an Environmental Compliance Certificate (“ECC”) to certify that the project will not have an unacceptable environmental impact. We cannot assure you that current or future environmental laws and regulations would not increase the costs of conducting our business above currently projected levels or require future capital

expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where our projects are located cause damage or injury to buyers or any third party, we may be required to pay fines, incur costs in order to cure the violation or to compensate our buyers and affected third parties. We cannot predict what environmental legislation or regulations may be amended or enacted in the future, how existing or future laws or regulations may be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. See “Regulatory and Environmental Matters” on page 183 of this Prospectus. As these laws and regulations continue to evolve, there can be no assurance that the Government will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs that we may not be able to pass on to our customers. To manage these risks, we maintain a robust compliance team to ensure compliance with regulations applicable to our Company. Our track record includes no major violations of any such regulations to date and demonstrates our ability to work seamlessly with national and local governmental and regulatory authorities and maintain good working relationships with them.

We face litigation risks and regulatory disputes in the course of our business.

In the ordinary course of our business, claims and disputes involving project owners, customers, labor sub-contractors, suppliers, business partners and regulatory authorities such as the BIR may be brought against us and by us in connection with our contracts or business. Claims may be brought against us for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of the project, as well as claims relating to taxes, among others. Such claims can involve actual damages and liquidated damages. If found to be liable, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between us and our labor sub-contractors and vendors may include claims similar to those described above. We may also engage in disputes with regulatory authorities, including the BIR, on tax-related matters in connection with our business and operations. Although, as a policy, we seek to maintain good relationships with customers, suppliers, contractors, regulators and other parties whom we regularly deal with and to resolve any early and amicably disputes, when appropriate, both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realized from claims by us could differ from the balances included in our consolidated financial statements. Such claims could therefore have an adverse impact on our business, financial condition and results of operations.

We are currently involved in certain lawsuits and tax disputes. To date, we have successfully executed our development strategy for Aseana City without major disruption related to such disputes. There can be no assurance, however, that these ongoing lawsuits and disputes will not result in disruption to our business in the future. Please see “Business – Regulatory Compliance and Legal Proceedings” on page 153 of this Prospectus for additional details.

Our success depends on the strength of our corporate brand, and any deterioration in our brand and reputation may adversely affect our business.

We consider our brand and reputation as a top contractor and developer in the Philippines to be one of our most important assets that we leverage to diversify our businesses and become a premier property developer. The strength of our brand is based on our long-standing reputation in the land reclamation and construction industry, expertise in project implementation and quality of service. We view our brand as having strong credibility with government authorities, contractors, suppliers and clients alike, because we actively seek to maintain good relationships with each of them and other parties with whom we regularly deal. Our proven track record of over 50 years, our experienced management team, each with over a decade of experience in the construction and real estate industry, and our well-trained technical managers and contractors, all contribute to our strength as a contractor and developer and help to maintain our brand and reputation. However, any construction failures, design flaws, project delays and quality control issues in our real estate, construction and reclamation projects will therefore adversely affect our reputation. Further, we are exposed to the risk that any sort of litigation, labor disputes, operational failures, regulatory investigations, negative publicity, founded or unfounded, may hurt our brand and reputation. As such, any deterioration in our brand or reputation could have an adverse effect on our business, financial condition and results of operations.

Our business and operations are dependent upon key executives.

We have been, and will continue to be, dependent on the expertise and experience of our senior management and other key employees for the success of our business. These key employees possess deep industry knowledge and an acknowledged reputation in the market, owing to their track records and experience. In particular, our Chairman, Mr. Delfin J. Wenceslao, Jr. has been instrumental in fostering our success, and our chief executive officer, Mr. Delfin Angelo C. Wenceslao, is responsible for further developing and growing our business. We do not maintain key person insurance for any of our key personnel. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, we may not be able to replace them within a reasonable period of time with individuals who possess comparable expertise and experience, or at all, which may seriously disrupt, and materially and adversely affect, our business, results of operations and future prospects.

Our entire management team, however, is highly qualified. Our senior management team comprises highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry. In addition, several members of our management team are also licensed real estate brokers and possess in-depth knowledge of the Philippine property sales and leasing markets. We recognize the importance of having a strong team of management and technical personnel to meet our growth plans. Accordingly, we place great emphasis on staff recruitment, training and development. Our employees are well-trained and skilled, and we have consistently benefited from low staff turnover rates and strong management-employee relations. Nevertheless, the loss of any of our senior management or other key employees could impair our ability to operate successfully, and impede the execution of our growth strategies. For more information on our key personnel, see “Board of Directors and Senior Management” on page 197 of this Prospectus.

Our inability to attract and retain qualified personnel may affect our growth and results of operations.

We have an experienced management team with broad construction and real estate experience, and we employ qualified personnel in all aspects of our operations. Our significant growth places substantial demands on our management team and their reporting personnel, and our continued growth may increase those demands. If we are unable to maintain a high level of management standards, we might not be able to maintain an optimal level of execution. Our senior management team, comprised of highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry, is well-positioned to meet those demands. We also have a diverse and skilled employee workforce and have historically experienced low staff turnover and strong management-employee relations.

In addition, pursuant to the master planning and construction guidelines administered by ABPEA, we are required to hire reliable and qualified sub-contractors of a particular standard when undertaking construction or development works in Aseana City. The national construction projects for which we submit bids also require us to comply with specific quality standards in our performance of the contracted works, including work undertaken by any sub-contractor. If we are unable to retain and continuously hire qualified personnel for our in-house construction and development teams, or hire qualified sub-contractors or fail to incentivize them to provide quality service, then the efficiency of our operations could be adversely affected. Moreover, our ability to manage future growth would depend on the adequacy of our resources and our ability to identify, attract and retain qualified and experienced personnel. Failure to do so could have an adverse effect on our business, financial condition and results of operations. We believe that our ability to attract qualified personnel will be enhanced following our listing on the PSE.

We are party to a number of related party transactions.

In the ordinary course of our business, we have transactions with related parties. In particular, to better manage our relationship with our majority shareholder, WHI, and to eliminate any competition between us, we entered into an intergroup agreement, dated November 9, 2015 with WHI. This agreement and our other related party transactions are described in greater detail under the section entitled “Related Party Transactions” on page 207 of this Prospectus and the notes to our financial statements appearing elsewhere in this Prospectus. Such interdependence may mean that any material adverse changes in the operations or financial condition of related parties could adversely affect our results of operations.

We expect that we will continue to enter into transactions with related parties. These transactions may involve potential conflicts of interest which could be detrimental to us or our shareholders.

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business.

In January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the “Transfer Pricing Regulations”) which adheres to the arm’s length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises.

The arm’s length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm’s length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm’s length basis.

Our Company has a number of related party transactions that have been entered into on an arm’s length basis. However, we have no assurance if the BIR will view these transactions as arm’s length on the basis of the Transfer Pricing Regulations. To manage this risk, we have established, in our Manual, our policy with respect to related party transactions to ensure that these transactions are entered into on arm’s length terms. Related party transactions are subject to review and approval by the appropriate body, as determined by the Board, consistent with the policy contained in our Manual. Please see “Related Party Transactions” on page 207 of this Prospectus.

We can provide no assurance, however, that our level of related party transactions, if questioned, will not have an adverse effect on our business or results of operations.

Damage to, or other potential losses involving, our assets and business may not be covered by insurance.

We maintain comprehensive property and liability insurance policies with coverage features and insured limits that we believe are consistent with market practice in the construction, land and real estate industry in the Philippines. These include construction all-risk and third-party liability insurance for the projects we undertake. Such policies generally extend for the entire construction contract period, including a maintenance period following project completion. In addition, with regard to our construction business, we generally purchase insurance for our fixed assets, such as our key equipment, vessels, stock and office buildings, and employer’s liability insurance/worker’s compensation insurance. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and industry practice. Consistent with what we believe to be customary practice in the Philippines, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Nonetheless, the scope of insurance coverage that we can obtain, or our ability to obtain such coverage at commercially reasonable rates, may be limited. In addition, we generally do not maintain any business disruption insurance policies. As such, certain types of losses, generally of an unforeseen or catastrophic nature, such as fires, natural disasters, terrorist acts, the outbreak of infectious disease or any resulting losses causing disruptions to our business operations, may be uninsurable, or the required insurance premiums may be too expensive to justify obtaining insurance. In the event of a substantial loss, the insurance coverage we carry may not cover our damages, or be sufficient to pay the full market value or the replacement cost of our lost investment. To mitigate these risks, we take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

If we suffer any uninsured losses, damages or liabilities in the course of our business operations, we may not have sufficient funds to cover any such losses, damages or liabilities. Accordingly, we could lose some or all of the capital we have invested in a building or piece of land, as well as the anticipated future revenue from that building or piece of land. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance, or which is not covered by our insurance policies, or where the cost of the losses

or damages exceeds our insurance coverage, we will have to bear such costs, which could have a material adverse effect on our business, financial results of operations and condition.

Specific Risks Relating to Our Land and Real Estate Business

Delays or failure to complete property development projects on time or to applicable standards could adversely affect our business.

As property developers, we face various execution risks that may adversely affect our revenue and operations. Property development is a long and complicated process, generally requiring large amounts of capital and involving numerous parties, including designers, construction material suppliers, contractors, developers and individual consumers. In addition, we must obtain a number of permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of property development. The progress and costs of a property development project can be adversely affected by many factors, including delays in obtaining necessary licenses, permits, certificates or approvals from government agencies or authorities, shortages of materials, equipment, contractors and skilled labor, labor disputes, construction accidents, natural catastrophes, adverse weather conditions, and changes in government policies. Construction delays, cost overruns, or failure to complete and deliver a property development project on schedule and in accordance with specifications due to any or all of the above factors may affect our business, financial condition and results of operations and may also cause reputational damage.

To manage these risks, we have implemented a management and supervision system to assist our management to exercise appropriate oversight and control over every stage of a project's lifecycle. Please see "Business – Capabilities and Processes – Construction Management" on page 143 of this Prospectus. Under our current highly experienced management team, in the past seven years, we have consistently met agreed project completion and delivery timetables and have not been assessed penalties for failing to complete our projects on time. Please see "Business – Business Strengths – A proven management track record" on page 107 of this Prospectus.

There can be no assurance that our initiatives to address these risks will be completely successful and that we will not experience any significant delays in completion or delivery of any of our property development projects, or that we will not be subject to any contractual liabilities for any such delays. Moreover, if the design or construction of a property development fails to meet applicable requirements, our revenues and brand name could be adversely affected. Claims that we have failed to produce property developments of sufficient quality could result in our involvement in legal disputes, which in turn could have an adverse effect on our business and results of operation.

Delays or defaults in payment from our land lessees and building tenants may affect our revenues.

We typically enter into leases of mid-to-long term periods ranging from five to 20 years for our land and building space, pursuant to which our lessees and tenants are obligated to pay an advance rental deposit and security deposit upfront and the remainder by monthly installments. In some instances, however, we grant longer term leases to high-quality tenants who can enhance our projects and developments, such as our land leases with Ayala Land. As income from our leases currently constitutes our largest revenue component and is likely to remain so in the near future, we rely to a great extent on the timely and full payment of rent from such parties. In particular, a significant portion of our current income from rentals is dependent on one of our land lessees, Ayala Land. For the year ended December 31, 2017, income from our land leases with Ayala Land in Aseana City accounted for approximately 82.5% of our consolidated total land rental revenues.

Our recurring income base also serves as a source of funds for our construction and property development projects. Any delay or default in such payments may affect our funding for current or future projects. Since some of these leases are contracted for periods of considerable time, we cannot assure you that our lessees would not default on their payments, would pay their rent on time and would not become insolvent or bankrupt. Further, we cannot assure you that our rental income would be adjusted to keep up with any rising inflation rates. Any occurrence of the foregoing resulting in a negative impact on our income from rentals may have an adverse effect on our business, financial condition and results of operations.

To help manage these risks, we vet potential lessees and require them to pay advance rental deposits and security deposits. We have also diversified our earnings base to include not only rental income from leasing of our investment properties and land, but also revenue from sales of condominium units, sales of land and

construction contracts. For our sales of land, we have successfully negotiated with our land buyers to pay the consideration in full upon the signing of the relevant purchase agreement, thereby ensuring a source of funds to finance our construction and property development projects.

From time to time, there were instances of delays in rental payments arising in the ordinary course of business, but historically these have not had a material impact on our Company's results of operations. In circumstances where we experience delays in rental payments, we impose penalties on our tenants pursuant to our standard lease agreements. An exceptional incident occurred in 2012, which involved the default of a land lessee, Bay Pacific Neo-Chinatown, Inc. on the relevant land lease agreement. This default resulted in our obtaining the title by operation of law of a two-story building constructed on the leased land, namely Aseana Town Center, which we are currently leasing to a third party.

We face competition from developers in close proximity.

As we seek to grow our real estate portfolio by developing more of our own projects, including commercial and residential developments, income from this business segment will become an increasingly important contributor to our revenue going forward. The success of our sales and leasing strategies for our properties, however, is not assured. An increase in the number of competing properties by developers in close proximity, such as SM Development Corporation, Filinvest Land Inc., Megaworld Corp., and Federal Land Incorporated, all of which operate in the Manila Bay area, could increase competition for purchasers and tenants, and force us to reduce rent or sale prices or incur additional costs to make our properties more attractive. A number of proposed reclamation projects in the Manila Bay area, which are at early stages of approval, may increase the supply of nearby land and could affect the value of our properties. Moreover, competition among real estate developers may result in an increase in costs or a shortage of raw materials, an oversupply of properties, an inability to sell such properties, or an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business, financial condition and results of operations.

We manage these risks by remaining flexible in our negotiations of commercial terms with customers, including payment terms, the amount of the downpayment required and the payment period, to make our land available for sale more attractive to customers. For our commercial projects, we are open to tenant negotiations on the length of the rent-free period or fit out period, as well as rent escalation rates. Notwithstanding the strong competition that we face, we believe that the experience built up by our management, our track record in real estate development, leasing and management, and our understanding of local market preferences and conditions enables us to compete effectively. If, however, these strategies are not completely effective and we cannot remain competitive against other property developers in the areas in which our properties are situated, our profitability and prospects could be adversely affected.

We are entering into the residential property market for the first time and we cannot guarantee our success in this business line.

Our first residential development is Pixel Residences, which commenced construction in November 2017 and is expected to be completed in October 2019. We began pre-selling units in Pixel Residences in July 2016 and sold out the units by June 2017. We have three additional residential projects in our project pipeline. There are limited historical financial results with respect to our residential development operations, which investors can use to make an evaluation of this new business line and its prospects, as we have not yet completed any residential real estate developments. Given that the residential property development market in the Philippines is highly competitive, our entry into this market should be considered in light of the risks, expenses and challenges that typically face new entrants.

Some of these risks relate to our ability to:

- complete construction within the anticipated time schedules and estimated budgets;
- achieve a good level of pre-sales for the property under development;
- continue to maintain our relatively low historical pre-sale cancellation rate as our residential property business expands;
- guarantee sales of residential units once construction has been completed;

- attract and retain qualified employees for our residential real property business;
- maintain effective control of our operating project and construction costs;
- respond to changing market conditions, particularly supply and demand, and adjust our unit prices as appropriate to remain competitive; and
- respond to regulatory changes and implement any changes required in our construction process in a cost-efficient and timely manner.

Despite these risks, we have already had success in the residential property market, having 100% pre-sold Pixel Residences in June 2017. Our experienced management team, which includes licensed real estate brokers who possess in-depth knowledge of the Philippine property sales and leasing markets, help us to manage this risk. The risks are further mitigated by the expansion and diversification of our revenue streams. Regardless of these considerations, any adverse developments in relation to our recent entry into this business could cause a material adverse effect on our business and prospects, financial condition, results of operation and cash flows.

We have a comparatively limited track record in the real estate development business and cannot guarantee our continued success.

In contrast to our more than 50 years of experience in the construction industry, we entered the real estate development business relatively recently, in 2009. As of the date of this Prospectus, we have completed four self-developed commercial properties and have nine planned projects targeted for completion over the next five years. The success of our existing real estate developments may not be indicative of the results of our future projects. Given that the real estate development business in the Philippines is highly competitive and dominated by several large, experienced real estate developers, our limited track record may impact our ability to continue our real estate development business successfully. In addition, the success of our real estate development business will depend upon our ability to:

- complete construction of our self-developed properties on time and within estimated budgets;
- obtain, on a timely basis, all approvals necessary to develop and operate our properties;
- develop properties in locations that are desirable to prospective tenants;
- accurately anticipate the requirements of prospective tenants; and
- respond to dynamic market conditions.

The success of our first residential development, Pixel Residences, as well as our seven investment properties demonstrates our ability to manage these risks to date. Our experienced management team, which includes several licensed real estate brokers who possess in-depth knowledge of the Philippine property sales and leasing markets, help to manage these risks. Our ability to manage these risks will directly impact the success of our real estate development business and, our failure to do so could adversely impact our overall financial condition, results and cash flows.

The appraised values of our properties may be different from the actual realizable value and are subject to change.

The appraised values of our properties as contained in the valuation certificates attached to this Prospectus were prepared by Colliers and are based on multiple assumptions containing elements of subjectivity and uncertainty, including, among other things, that:

- we will complete development projects on time;
- we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects; and

- we have obtained valid land titles to the development projects.

As a result of these assumptions, the appraised values of our properties may differ materially from the price we could receive in an actual lease or sale of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to our development of the property projects, as well as national and local economic conditions, may affect the value of our properties. In particular, the valuation of our properties could stagnate or even decrease if the market for comparable properties in the Philippines experiences a downturn whether as a result of Government policies directed to the property sector or otherwise. Our experienced management team, which includes licensed real estate brokers who possess in-depth knowledge of the Philippine property sales and leasing markets, help us to manage this risk.

We may not always be able to obtain land reserves that are suitable for development.

We derive our revenues for our land and real estate business principally from the leasing and sale of land and buildings in our portfolio. Thus, we must replenish and increase our land reserves in order to ensure sustainable business growth. Based on our current plans, we believe our existing land holdings are sufficient to support our development needs for at least the next 10 years.

Historically, we have obtained our land through participation in land reclamation projects. We believe that a number of the anticipated large-scale and complex Government and Public-Private Partnership projects would involve a land reclamation component, and we intend to pursue such opportunities as a potential means to increase our land reserves. We note, however, that while the current administration of President Rodrigo Duterte has expressed its support for numerous reclamation projects, there is no assurance that such projects will be approved and fully implemented by the relevant authorities particularly as such projects may face public opposition. There is also no assurance that we will be awarded any of these projects. We cannot assure you that, in the event we have to further acquire land through avenues other than land reclamation to replenish our land reserves in the future, we will be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all.

To manage this risk, we may, to increase our land holdings, purchase land from our majority shareholder, WHI, with whom we have a right of first refusal. See “Principal and Selling Shareholders – Intergroup Agreement with our Majority Shareholder, WHI” on page 203 for more information on this right of first refusal. We may also consider potential acquisitions of shareholding interests in our affiliates or joint ventures with land assets as well as pursue other potential strategic acquisitions outside of Aseana City. Any inability to replenish and increase our land reserves may result in uncertainties in our future development schedule and plans, which in turn would have an adverse effect on our business and prospects.

The Philippine real estate industry is subject to extensive regulation from the Government and local governmental authorities.

The Philippine real estate industry is subject to extensive government regulation. See “Regulatory and Environmental Matters” on page 183 of this Prospectus. We must comply with the various requirements of the Government and the local governmental authorities in the areas in which our developments are located. The Government influences the property sector by imposing industry policies and economic measures, including those that affect the classification of land available for property development, foreign exchange restrictions, property financing, taxation and foreign investment. Property laws and regulations, including relevant judicial decisions, are at times ambiguous and may be subject to inconsistent and contradictory interpretations. Further, such laws and regulations are constantly evolving and therefore consistent interpretations of such regulations are difficult to anticipate. New laws and regulations or modifications may also be passed, which would impose more stringent and complex requirements on us, thereby adversely affecting our business, financial condition and results of operations.

Our management team understands the regulations relevant to our business and are experienced in managing compliance with regulatory requirements. This expertise is evident from our track record in working with national and local governmental and regulatory authorities and maintaining good relationships with them. Our regulatory knowledge and industry credibility assist our ability to obtain relevant permits and clearances, and therefore facilitate the on-time development and delivery of the completed project. In the past seven years, we have consistently met agreed project completion and delivery timetables and have not been assessed

penalties for failing to complete our projects on time. There can be no assurances, however, that we will not experience any issues with respect to regulatory compliance in the future.

The interests of our joint venture partners may differ substantially from our interests and such partners may take actions that adversely affect our reputation and business.

We have entered into various cooperation agreements with other parties as part of our overall growth. Terms of such cooperation agreements allocate rights and obligations in ways that may be adversely interpreted against us, depending on factual circumstances. Although we carefully vet potential partners and enter into business only with companies who we believe share our strategic vision and will be effective partners, there can be no assurance that we will not experience disputes with our joint venture partners that could, in extreme cases, result in the partial or total loss of investment in the relevant project. Please see “Business – Regulatory Compliance and Legal Proceedings” on page 153 of this Prospectus for more details.

Specific Risks Relating to Our Construction Business

We are reliant on the level of public and private investments in infrastructure in the Philippines and the availability of national construction projects.

Our land reclamation and infrastructure construction business is affected by the general level of activity and growth of the construction industry in the Philippines. Factors that may influence the performance and growth of the construction industry include general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, gross domestic product growth and consumer confidence. Similarly, any significant reduction in the Government’s public budgets relating to infrastructure or the level of private sector spending infrastructure projects could have an adverse effect on the number and availability of public and private infrastructure construction projects. There can be no assurance that ongoing infrastructure projects will complete on schedule or within budget, and future infrastructure projects will be rolled out for bidding as planned. Further, there is also no assurance that the number of public and private sector projects will not decrease in the future. In the event of a decrease or slowdown in the level of public and private investments in large-scale infrastructure, or a decrease in the availability of national construction projects, our business and prospects may be adversely affected.

We believe that this risk is mitigated by our construction business not being reliant on large government infrastructure projects. Many of our recent construction projects are related to the development of Aseana City. Additionally, we have implemented provisions in our land leases and land sales contracts granting us a right of first refusal for any piling, concreting and foundation works to be undertaken on the subject land.

We face strong competition in the bidding process for large infrastructure projects from domestic and international players.

We have participated in various large infrastructure projects where the bidding process is very competitive and subject to evolving requirements during the bidding process. Our existing and potential competitors include major domestic and foreign players, including leading construction companies from Asia, particularly China, and other parts of the world. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and greater name recognition than us. Furthermore, the AAAA license category for contractors issued by the PCAB, which, to date, is the highest classification and license category for a construction company, may result in increased competition from foreign players because this license category is open to contractors with more than 40% foreign equity subject to certain conditions. Such strong competitors could adversely affect our ability to bid for major projects and prevail in our bids. There is no assurance that we will continue to be successful in obtaining future projects or that our competitors will not acquire new resources or implement improved strategies that increase their competitiveness against us. In the event any of the foregoing occurs, there may be an adverse effect on our business and prospects, although, as we are not dependent on large government infrastructure projects because of our available construction opportunities in Aseana City, we believe this potential adverse effect is limited.

Moreover, we believe that we are able to manage this risk and compete effectively against other national players due to our track record in our markets and our proven capabilities in land reclamation and infrastructure construction. Out of nearly 10,000 PCAB-licensed contractor companies in the Philippines, we are one of less than 20 companies to have a AAAA contractor license from PCAB, so we are well-situated to

effectively compete against both national and international competitors. Furthermore, our integrated business model enables us to be cost-competitive in our project pricing against our competitors.

If we are unable to accurately estimate or control our costs or the scope of work we are required to perform, our profitability could be adversely affected.

Substantially all of our contracts relating to our construction business require us to complete a project for a pre-agreed fixed price. We are typically responsible for all our costs and our ability to make a profit on any project or product is largely dependent on our ability to effectively control these costs. Cost overruns may result in a lower profit or even a loss on a project. The amount of total costs we incur on a project is influenced by a variety of factors, including weather conditions, variations in labor and equipment productivity and costs over the term of a contract, changes in project scope or conditions and fluctuations in the price of raw materials and components, many of which are beyond our control. Increases in costs on any particular project, especially to the extent such increases were unforeseen and not factored into our price, may lead to lower than expected profits, or even losses, which could adversely affect our business, financial condition and results of operations.

The scope of work we are required to perform in relation to a construction contract is also subject to change. Our customers may require us to perform extra work pursuant to change orders, even if the customer has not agreed in advance on the scope or price of the work to be performed. While such change orders can be profitable, they can also result in disputes over whether the work performed is beyond the original scope of work, or over the price to be paid for such extra work. Even when a customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer in order to complete the project within the agreed timetable or to improve the quality of the works that we have undertaken to perform and to avoid any damages that may occur due to unfavorable site or weather conditions. We cannot assure you that we will be able to recover our costs in full for additional work we undertake on our contracts, which may lead to business disputes or may otherwise adversely affect our business, financial condition, results of operations and prospects.

To manage this risk, our team of construction professionals closely monitors quality and cost control and construction progress, and reports regularly to our senior management, which comprises highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry. We have adopted a prudent approach to financial management and cost control, and closely monitor our capital and cash positions. We cannot assure you, however, that cost control initiatives will be completely effective and that we will not encounter any cost-related issues in the future.

Our operations depend on our ability to obtain an adequate supply of raw materials at acceptable prices and quality and in a timely manner.

We depend on our suppliers to provide us with sufficient quantities of raw materials such as steel, cement, sand, ballast and timber at acceptable prices and in a timely manner. For the years ended December 31, 2015, 2016 and 2017, total cost of construction, including raw materials, accounted for approximately 18.5%, 38.1% and 19.5% of our consolidated total cost of services and sales, respectively. Raw materials, such as steel, have been subject to substantial price volatility and, from time to time, shortages of supply in the Philippines. Consistent with our established procurement practices, our project-specific supply contracts usually last only as long as the life of the individual project, and hence the terms of these contracts can range from one to five years. As such, during times of short supply or price hikes, we may have to pay significantly higher prices to obtain sufficient raw materials or locate alternative suppliers. We have not entered into any raw materials hedging contracts. We also need raw materials of acceptable quality to maintain the quality of our work. While we have made strategic supply investments through joint ventures and affiliates for certain key materials, such as cement, foundation piles and pavement blocks, such efforts might not suffice in the face of such difficulties.

Although we generally do not maintain long-term contracts with our suppliers and typically engage them on a per project basis, we have maintained long-standing relationships with the majority of them and worked with them repeatedly for our projects. We further manage this risk by selecting our suppliers based on the quality of their products and services and the competitiveness of their prices. We source raw materials through a centralized purchasing function and place mass orders of raw materials, which help us to lower our costs and standardize the materials used for the construction of each of our projects. Despite these factors, any failure to obtain adequate raw materials, or failure to do so on commercially acceptable terms and in a timely manner, could interfere with our operations and adversely affect the results of our operations.

Our construction business, financial condition and results of operations may be affected by adverse weather conditions and natural disasters.

Adverse weather conditions, such as typhoons, flooding and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, may prevent us from conducting our construction activities or otherwise affect our productivity, preventing us from completing our construction projects on schedule, delaying our receipt of payment and possibly causing us to incur increased operating expenses. Unusually severe, intense or non-seasonal weather conditions could therefore have an adverse effect on our business, financial condition and results of operations.

To manage this risk, our construction contracts typically allow us to claim for compensation for losses suffered as a result of adverse weather conditions or natural disasters. However, we do not normally receive full compensation and will bear some portion of the losses.

Injury or damages to third parties may arise from construction accidents.

Risk related to injuries or damages to third parties arising from construction accidents is inherent in our business. Third parties may claim for damages from us in the event of accidents during construction, resulting in higher costs of construction. Although we require our sub-contractors to comply with our safety and health policies in our contracts, we cannot assure you that our sub-contractors will adhere to these safety provisions at all times. We may also be subject to claims from customers or other third parties, resulting from the subsequent use of facilities and products we have constructed. If we fail to adequately protect ourselves or third parties against these potential liabilities, we could incur substantial costs, which could have an adverse effect on our business, financial condition and results of operations. Furthermore, any harm caused to third parties due to our operations could damage our reputation and relationship with regulators and other customers, which may hinder our chances to win tenders for new projects.

As a policy to manage this risk, we require and uphold high construction safety standards within our project construction teams, in line with those set by the ABPEA and other reputable industry organizations, and we purchase construction all-risk and third-party liability insurance for the projects we undertake. We also hold ourselves to the highest applicable safety standards and ensure all of our personnel, and require all of our sub-contractors' personnel, to comply with such safety standards through consistent training, supervision and monitoring. Nonetheless, due to the nature of our business, we cannot assure you that work-related accidents, injuries or damages to third parties and subsequent claims for damages would not occur.

We are required to obtain various licenses for our construction business, which might not get approved or renewed on time, if at all, by the appropriate authorities.

We are required to obtain and maintain various licenses in relation to our construction activities, which include among others, our contractor's license from PCAB, environmental permits, and building permits and licenses. We cannot be certain, however, that any given license, permit or authorization would be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization. For details, please refer to the section on "Regulatory and Environmental Matters" on page 183 of this Prospectus. We cannot assure you that we will continue to be able to renew such necessary licenses, permits and other authorizations for our business. If we fail to comply with any of the regulations required for the maintenance of our permits and licenses, our permits and licenses could be temporarily suspended or even revoked, or the renewal of our licenses upon expiry may be delayed, which would directly impact our business and operations.

Our management team, however, has a deep understanding of the relevant regulations and is experienced in the approval processes associated with our projects. We have a track record of working well with national and local governmental and regulatory authorities and maintaining good relationships with them.

Construction defects and other building-related claims may be asserted against us.

As contractors of construction works, we are subject to potential liability under Philippine laws. Generally, Philippine laws provide that engineers and architects must warrant the structural integrity of buildings that were designed or built by them for a period of 15 years from the date of completion, and that they shall be liable for damages should the buildings collapse by reason of a defect in the plans and specifications, or due to the defects in the ground. Furthermore, a contractor is likewise responsible for damages if the edifice falls,

within the same period, on account of construction defects or the use of materials of inferior quality, or due to any violation of the terms of the relevant construction contract. We may also be held responsible for hidden defects in land or properties sold by us. In addition, we are bound by Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the “Building Code”). Any violation of the Building Code may subject us to administrative fines or criminal penalties.

There can be no assurance that we will not be held liable for damages, the cost of repairs, and/or the expense of litigation arising from or in connection with possible claims, or that claims will not arise from uninsurable events, such as landslides or earthquakes, or circumstances not covered by our insurance policies and not subject to effective indemnification agreements with our sub-contractors. In addition, we cannot assure you that the sub-contractors hired by us will be able to discover and correct any hidden defects in our land and properties.

In order to manage this risk, we have implemented and maintain a comprehensive management and supervision system to assist our management to exercise appropriate oversight and control over every stage of a project’s lifecycle, including project implementation, labor management, raw materials monitoring, quality control and compliance/certification. Historically, we have not had significant construction defects claims asserted against us. However, any construction or building-related litigation asserted against us, despite the systems we have implemented and our strong track record, may have an adverse effect on our reputation, business, financial condition and results of operations.

We rely on sub-contractors to provide certain construction services that may not meet our requirements for quality, and the failure of these service providers to adhere to and perform contractual obligations may adversely affect our business.

We rely on sub-contractors to provide operational support in our construction endeavors. We generally select our third-party providers by conducting tenders and entering into contractual agreements with these third parties, but we have a limited ability to control their ultimate performance. Although there can be no assurance that the services rendered by any of our sub-contractors will always be satisfactory or match our requirements for quality, we manage this risk by taking into consideration factors such as experience, reputation for quality, track record and the sub-contractor’s relationship with us when selecting sub-contractors. We also take an active role in closely supervising the construction of our projects and monitoring progress of our third-party providers. Significant failure by a sub-contractor to perform in accordance with the terms of our contracts could disrupt the applicable project, our operations in general, or otherwise have a material effect on our business, financial condition and results of operations.

Risks Relating to the Philippines

Our operations are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have an adverse effect on our business operations.

All of our business operations are conducted in the Philippines and our revenues are entirely sourced from the Philippines. As such, our business, financial condition and results of operations are subject to a significant degree to the general state of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Peso and the imposition of exchange controls. In addition, the global financial, credit and currency markets had experienced, and may continue to experience, significant dislocations and liquidity disruptions. These and other related events have had a significant effect on the global capital markets and the global credit and financial markets as a whole. The related slowdown in the economies of the United States, the European Union and certain Asian countries had previously affected, and could adversely affect in the future, economic growth in the Philippines. Our financial performance and results of operations are closely tied to the level of OFW remittances, growth of the BPO sector and the tourism and gaming industries, all of which depend to a significant degree on the performance of the global economy.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any deterioration in the Philippine economy, including a significant depreciation of the Peso or increase in interest rates, may adversely affect our project pipeline and lead to a reduction in demand for construction projects and real estate development. This, in turn, could adversely affect our business, financial condition and results of operations, and our ability to implement our business strategy and expansion plans.

Any political or social instability in the Philippines could adversely affect our business operations.

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business.

In December 2011, the Philippine House of Representatives initiated impeachment proceedings against the late Renato Corona, Chief Justice of the Supreme Court of the Philippines for allegedly issuing improper decisions that favored former President Gloria Macapagal-Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. In May 2012, the Senate found the late Chief Justice Corona guilty of betraying the public trust and committing culpable violation of the Constitution due to his failure to disclose his statement of assets, liabilities, and net worth as required under the applicable laws and rules. In July 2013, a major Philippine newspaper exposed a scam relating to the diversion and misuse of the Priority Development Assistance Fund by some members of the Congress through pseudo-development organizations headed by Janet Lim Napoles, which prompted a number of investigations, including one in the Senate, on certain individuals. Subsequently in September 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel. In July 2014, a valid impeachment complaint, endorsed by three representatives from the House of Representatives, against President Benigno S. Aquino, III over his controversial budget spending program, the Disbursement Acceleration Program, was filed, although subsequently dismissed. In July and December 2014, complaints for plunder and violations of the Anti-Graft and Corrupt Practices Act of the Philippines were filed against Vice President Jejomar C. Binay, Sr. and his son, Makati City Mayor Jejomar Erwin S. Binay, Jr. On August 2, 2017, two impeachment complaints were filed in the House of Representatives against sitting Chief Justice of the Supreme Court Maria Lourdes Sereno for culpable violation of the Constitution, betrayal of public trust, corruption, and other high crimes. On September 13, 2017, the complaint filed by Atty. Lorenzo Gadon was found sufficient in form and in substance by the House of Representatives Committee on Justice. On November 23, 2017, the House of Representatives Committee on Justice began hearings to determine probable cause in the impeachment complaint against Chief Justice Sereno. The hearings are set to be terminated and the committee report to be submitted for plenary vote of the House of Representatives by March 2018, according to the Chairman of the House Committee on Justice Oriental Mindoro Rep. Reynaldo Umali. An affirmative one-third vote is needed before the impeachment complaint will be elevated to the Senate for trial.

Moreover, between the beginning of the term of President Rodrigo R. Duterte's and December 31, 2017, more than 12,000 alleged drug dealers and users have been killed, including an estimated 4,000 during police operations and the remainder by "unidentified gunmen," according to Human Rights Watch. In May 2017, in response to the armed takeover of Marawi City by militants, President Duterte declared martial law over the island of Mindanao. Martial law persists in this region, with the Philippines Congress having reauthorized it to continue throughout 2018. Political figures have also pushed for constitutional change and a shift to a federal-parliamentary form of government.

We cannot assure you that the political environment in the Philippines will stabilize and any future political instability may reduce demand for construction projects and real estate development to our disadvantage, or result in inconsistent or sudden changes in regulations and policies that could adversely affect our business, financial condition and results of operations.

The Philippine Presidential elections were held on May 9, 2016, and any political instability resulting from such elections could have an adverse effect on our business operations.

On June 30, 2016, Rodrigo R. Duterte assumed the position of President of the Philippines after the presidential elections held on May 9, 2016 with a mandate to advance his "Ten-Point Socio-Economic Agenda" focusing on policy continuity, tax reform, infrastructure spending, and countryside development, among others. The Duterte government has initiated efforts to build peace with communist rebels and other separatists through continuing talks with these groups. However, on November 22, 2017 Presidential Adviser on the Peace Process Jesus Dureza announced that the government will no longer hold peace talks with the communist rebels on orders of President Duterte. On December 5, 2017, President Duterte signed Proclamation No. 374 declaring the Communist Party of the Philippines–New People's Army ("CPP-NPA") as a designated and identified terrorist organization under Republic Act No. 10168, the Terrorism Financing Prevention and Suppression Act of 2012. After declaring the CPP-NPA as a terrorist group on January 27, 2018, President Duterte declared that he would go after left-wing organizations, accusing them of being legal fronts for communists.

President Duterte has also advocated for a shift to a federal-parliamentary form of government. In December 2016, President Duterte signed Executive Order No. 10 creating a 25-member consultative committee to study and review the provisions of the 1987 Constitution. On January 25, 2018, President Duterte appointed 19 of the 25 members of the consultative committee. On January 16, 2018, the House of Representatives adopted a resolution to convene as a constituent assembly to amend the 1987 Constitution. The proposals, among others, include a shift to a federal-parliamentary form of government and the division of executive powers between a President (as the head of state) and a Prime Minister (as the head of government). As of January 24, 2018, the Senate has yet to pass a similar resolution to form a constituent assembly. A disagreement between the two houses of Congress still remains as to the voting procedure in the constituent assembly including on whether the House and the Senate must vote jointly or separately. This issue has not been resolved and is expected to reach the Supreme Court.

There can be no assurance that the Duterte administration will continue to implement the economic policies favored by the previous administration. Major deviations from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. The President's unorthodox methods may also increase the risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact our business, prospects, financial condition and results of operations.

Our land and real property may be subject to compulsory acquisition by the Government.

The Government, by virtue of the sovereign power of eminent domain, has the authority to acquire any private property in the Philippines for public benefit or use or any other public interest upon due process of law and payment of just compensation. Thus, we may be subject to a reduction or loss of property in our land holdings in the event that the Government undertakes expropriation proceedings. The payment of just compensation may also be less than the market value of the relevant property, and may thus adversely affect our business.

Continued terrorist activities and high-profile violent crime in the Philippines may destabilize the country, adversely affecting our business environment.

Since 2000, the Philippines has been subject to a number of terrorist attacks and conflict between the Philippine army and terrorist organizations in certain parts of Southern Philippines. In its Country Reports on Terrorism 2016, the US State Department has identified the Abu Sayyaf Group ("ASG"), Jemaah Islamiyah, and Communist Party of the Philippines-New People's Army ("CPP/NPA") as among the Foreign Terrorist Organizations operating in the Philippines. The same report states that ASG remained active in 2016 and was responsible for numerous attacks on civilians and government targets. Previous ASG incidents include a July 2014 attack that claimed the lives of 21 civilians. In a video that surfaced on social media in July 2014, a senior leader of the ASG, Isnilon Hapilon, swore allegiance to the Islamic State in Syria or Iraq.

In January 2015, a clash took place in Mamasapano in Maguindanao province between the Special Action Force ("SAF") of the Philippine National Police and the Bangsamoro Islamic Freedom Fighters ("BIFF") and the Moro Islamic Liberation Front ("MILF"), which led to the deaths of 44 members of SAF, 18 from the MILF, five from the BIFF, and several civilians, including Zulkifli Abduhir, a Malaysian national included in the US Federal Bureau of Investigation's most wanted terrorists. In April 2016, another gun battle took place in Tipo-tipo Basilan Mindanao, between the government group from the 44th Infantry Battalion, the 4th Special Forces Battalion and 14 Cavalry groups and the Abu Sayyaf terrorist group killing at least 19 soldiers with at least another 55 wounded. In addition to the September 2016 Davao city night market bombing, Dawlah Islamiyah Lanao ("DIL") fighters temporarily seized the town center of Butig in Mindanao, resulting in six days of fighting that left dozens of DIL fighters dead. In May 2017, militant groups linked to ISIS, including ASG, attacked and took control of parts of Marawi City on the island of Mindanao, leading President Duterte to declare martial law in Mindanao. In December 2017, the Philippine Congress voted to extend martial law in Mindanao until the end of 2018, which was upheld by the Supreme Court.

To reduce terrorism related incidents, President Duterte, according to the US State Department's Country Reports on Terrorism 2016, has pursued a strategy focused on establishing regional autonomy through a constitutional shift to a federalist model and pursuing parallel peace negotiations with the MILF and the CPP/NPA. The Government's goal is to reduce radicalization and the attraction of terrorist groups by providing greater political and economic autonomy for Muslim-majority areas of Mindanao. These efforts have had

limited success. In December 2017, the Government signed a proclamation officially declaring the CPP/NPA a terrorist organization. Notably, the Government has already convened a 19-member consultative commission headed by former Chief Justice Reynato Puno to review the 1987 Constitution particularly as regards provisions on the structure and powers of the government, local governance, and economic policies, among others, and to present recommendations on possible amendments to the Congress.

Continued conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country and adversely affect the country's economy. An increase in the frequency, severity, or geographic reach of terrorist acts or violent crimes could also adversely affect the country's economy. Any such destabilization and any other incidents of political or military instability may adversely affect our business, financial condition and results of operations.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, Vietnam and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes with China and other Southeast Asian countries over certain territories in the West Philippine Sea, also known as the South China Sea. The Philippines' efforts at bilateral talks with China failed, and thus the dispute remains unresolved. In January 2013, the Philippines initiated arbitral proceedings before a tribunal under the United Nations Convention on the Law of the Sea ("UNCLOS"), in which China refused to participate.

On June 20, 2015, the Government, through the Department of Foreign Affairs, issued a statement reiterating its serious concern that China's reclamation and construction activities in a disputed part of the West Philippine Sea grossly violate the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea ("DOC") and may serve to escalate the disputes and undermine efforts to promote peace, security, and stability. In the same statement, the Philippines called on China anew to heed calls from the region and the international community to exercise self-restraint in the conduct of activities pursuant to Paragraph 5 of the DOC. On May 17, 2016, outgoing President Aquino issued Memorandum Circular No. 94 s. 2016 creating a National Task Force for the West Philippine Sea, to secure the country's sovereignty and national territory and to preserve marine wealth in its waters and the exclusive economic zone, thereby reserving use and enjoyment of the West Philippine Sea exclusively for Filipino citizens.

In July 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's "nine-dash line" claim is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government. Recently, the Chinese Government successfully registered names for five undersea features found in the Philippine Rise (formerly Benham Rise) with the International Hydrographic Organization. This is despite the decision that the United Nations Commission on the Limits of the Continental Shelf had already granted the Philippines full territorial claim to the Philippine Rise in April 2012. While the Philippine Government downplays the Chinese names, the Philippines' central mapping agency is seeking the assistance of the Department of Foreign Affairs for the nullification of the Chinese names for underwater features from the International Hydrographic Organization-Intergovernmental Oceanographic Commission General Bathymetric Chart of the Oceans ("IHO-IOC GEBCO") Sub-Committee on Undersea Feature Names ("SCUFN").

In the event that territorial disputes between the Philippines and other countries continue or escalate further, the Philippine economy may be disrupted and our business and financial standing may be adversely affected. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. China may also seek to suspend visits by Chinese citizens to the Philippines, or Chinese citizens may choose not to visit or do business in the Philippines as a result of these disputes.

Changes in foreign exchange control regulations in the Philippines may limit our access to foreign currency, and overseas shareholders may be subject to restrictions on repatriation of Pesos received with respect to the Shares.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside

the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In particular, a foreign investment must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon is sourced from the Philippine banking system.

In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Pesos into foreign currencies to satisfy foreign currency denominated obligations. Moreover, the Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Government has, in the past, instituted restrictions on the conversion of Peso into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations. We are not aware of any pending proposals by the Government relating to such restrictions; moreover, the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange. Nonetheless, we cannot assure you that the Government would not institute such or other restrictive exchange policies in the future, and any restrictions imposed in the future pursuant to such statutory authority could adversely affect our ability to source foreign currency to comply with its foreign currency-denominated obligations and adversely affect the ability of investors to repatriate foreign currency upon sale of the Shares or dividends or distributions relating to them.

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may adversely affect the Philippine economy and disrupt our operations

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect our business operations. We cannot assure you that the occurrence of such catastrophes would not disrupt our operations in the future. We may experience substantial equipment or property loss as a result of any such catastrophes, and we might not be able to rebuild or restore operations in a timely fashion. Moreover, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent us from completing construction of our projects in a timely manner or at all. Such natural catastrophes could also increase the costs of operating our businesses. Although we maintain third-party insurance covering fire, earthquake, floods and typhoons, we do not maintain full third-party insurance to cover all cases of loss of material property or other catastrophes, and we do not maintain business interruption insurance. As such, there is no assurance that we will be fully capable of dealing with such natural catastrophes and that the insurance coverage we currently maintain will fully compensate us for all the damages and economic losses resulting from these catastrophes.

The Philippines may be subject to outbreaks of contagious diseases, such as Avian flu, Ebola, and Middle East Respiratory Syndrome-Corona Virus (“MERS-CoV”). In April 2015, the Government, through the Department of Health (“DOH”), issued a Bureau of Quarantine alert bulletin after a Filipino citizen tested positive for MERS-CoV before his departure from the United Arab Emirates and arrival to Manila. The said individual has tested negative in follow-up findings of the DOH Research Institute for Tropical Medicine. As of July 31, 2015, South Korea had reported a total number of 186 cases of MERS-CoV, while there were reports of two cases in Hong Kong and one case in Thailand. To date, while reported cases of MERS-CoV have decreased substantially worldwide in 2016 and 2017 and while there have been no indications of the presence of such diseases in the Philippines, the DOH continues to monitor disembarking passengers suspected to be carriers of MERS-CoV, Ebola or Avian flu. In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry outside a seven-kilometer radius surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus. The possible outbreak of contagious disease or increases in severity in the Philippines, in view of the incidence of the disease in neighboring and other countries, may adversely affect the Philippine economy and economic activity in the region, and thus, have an adverse effect on our business, financial condition and results of operations.

The sovereign credit ratings of the Philippines may adversely affect our business.

Historically, the Philippines’ sovereign debt has been rated relatively low by international credit rating agencies. In 2013, however, the Philippines’ long-term foreign currency-denominated debt was upgraded by

each of Standard & Poor's, Fitch Ratings and Moody's Investors Service to investment grade, with a further upgrade in May 2014 by Standard & Poor's and in December 2014 by Moody's. The upgraded sovereign credit ratings of the Philippines were re-affirmed by Standard & Poor's, Fitch Ratings and Moody's in 2015 and have continued to hold steady at the same levels. In 2017, Fitch Ratings and Moody's confirmed their investment grade ratings of the Philippines with grades of BBB (stable) and Baa2 (stable), respectively. However, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including us, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

Investors may face difficulties enforcing judgments against us.

It may be difficult for investors to enforce judgments obtained outside of the Philippines against us. In addition, all of our Directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Foreign Arbitral Awards, but it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction; (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (iii) the party against whom enforcement is sought did not receive notice; or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in other jurisdictions. Philippine SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in other jurisdictions.

On November 22, 2016, the SEC issued SEC Memorandum Circular No. 19, approving the Code of Corporate Governance for Publicly-Listed Companies (the "CG Code for PLCs"), which is intended to promote the development of a strong corporate culture and keep the corporate community abreast with recent developments in corporate governance. The CG Code for PLCs took effect on January 1, 2017. Under the CG Code for PLCs, the SEC recommends publicly listed companies to have at least three independent directors, or such number as to constitute at least one-third of the members of the board, whichever is higher.

Our Company currently has two independent Directors. We intend to comply with the CG Code for PLCs after becoming publicly traded. Many other countries require more independent directors. Further, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of our shareholders, particularly those of minority shareholders.

Volatility in the value of the peso against the US dollar and other currencies could adversely affect our financial condition and results of operations.

The value of the Peso against the US dollar has experienced volatility in recent years. According to BSP, as of December 31, 2017, the Peso had depreciated to ₱49.923 per US\$1.00 from ₱49.813 per US\$1.00 as of December 31, 2016 and ₱47.166 per US\$1.00 as of December 31, 2015. As such, the BSP may intervene in the foreign exchange market to curb the negative effects of a strong currency. Reduced risk appetite for emerging market assets could also result in a decline in value of the Peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the Peso could result in volatility in the value of the Peso against the US dollar and other currencies.

Risks Relating to Our Organization and Structure

We are controlled by the Wenceslao Family, whose interests may differ from the interests of other shareholders.

We are controlled by members of the Wenceslao Family who, prior to the Offer, beneficially owned almost 100% of the Shares, and who, immediately after the Offer, will beneficially own approximately 80% of the Shares. Members of the Wenceslao Family also serve as our Directors and executive officers. In addition, certain members of the Wenceslao Family are our shareholders, and, either individually or collectively, have private interests in a number of other companies. We cannot prevent companies that are controlled by the Wenceslao Family from engaging in activities that compete directly with our construction and real estate businesses or activities that may have an adverse effect on our business. Further, they could influence the outcome of any corporate transaction or other matters submitted to our shareholders for approval, including the election of directors, mergers and acquisitions, and other significant corporate actions, to the extent they are not required to abstain from voting in respect of such transactions. The interests of the Wenceslao Family as our controlling shareholder may differ significantly from, or compete with, our interests or the interests of our other shareholders, and we cannot assure you that the Wenceslao Family would exercise influence over us in a manner that is consistent with the interests of our other shareholders.

To manage this risk, our Company's Board of Directors includes two independent directors. Furthermore, our Manual requires that our Board of Directors designate an audit and risk committee that is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to our management and shareholders of the continuous improvement of our risk management systems, business operations and the proper safeguarding and use of our resources and assets. The audit and risk committee must comprise of at least three members, including at least one independent Director, and the chairman of the committee must be an independent Director.

Risks Relating to the Offer Shares

We cannot assure you that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Offer Settlement Date and on the Institutional Offer Settlement Date, which are expected to be on or about June 22, 2018 and June 29, 2018, respectively. We cannot assure you that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders might not be able to trade the Offer Shares. This may adversely affect the value of the Offer Shares.

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

As there has been no prior trading in the Shares, we cannot assure you that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained. The Offer Price has been determined after taking into consideration a number of factors, including, but not limited to, our prospects, the market prices for shares of companies engaged in related businesses similar to that of our business and prevailing market conditions. The price at which our Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline.

The market price of our Shares may be affected by multiple factors, including:

- volatility in stock market prices and volume;
- fluctuations in our revenue, cash flow and earnings;
- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;

- changes in market valuations of listed stocks in general and other stocks in similar industries;
- the market value of our assets;
- changes to government policies, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could adversely affect the market price of our Shares.

In part as a result of recent global economic downturns, the global equity markets have historically experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of our Shares.

Shareholders may be subject to limitations on minority shareholders' rights and regulations on minority shareholder protections may differ from those in other jurisdictions.

Our corporate affairs are governed by our articles of incorporation and by-laws and the Philippine Corporation Code. The laws of the Philippines relating to the protection of interests of minority shareholders differ in some respects from those established under the laws of other jurisdictions. Such differences could mean that our minority shareholders may have less protection than they would have under the laws of more developed countries. The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, our minority shareholders might not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Philippine Corporation Code, however, provides for minimum minority shareholders' protection in certain instances wherein a vote by the shareholders representing at least two-thirds of a corporation's outstanding capital stock is required. Please see the section "Description of the Shares – Fundamental Matters" on page 215 of this Prospectus. The Philippine Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Please see "Description of the Shares – Rights Relating to Shares – Appraisal Rights" on page 212 of this Prospectus. Derivative actions, however, are rarely brought on behalf of companies in the Philippines. Accordingly, we cannot assure you that legal rights or remedies of minority shareholders would be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

We cannot assure you that we will be able to pay dividends or maintain any given level of dividends.

We cannot assure you that our Company will declare dividends on the Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon our future results of operations and general financial condition, capital requirements, our ability to receive dividends and other distributions and payments from our subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of our subsidiaries, and other factors the Board may deem relevant. For more information, see "Dividends and Dividend Policy" on page 63 of this Prospectus.

Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of our business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing shareholders, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such new securities may have rights, preferences and privileges senior to those of the Offer Shares. Furthermore, the market price of the Shares may decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales,

transfers or issuances may occur. Such development could also adversely affect the prevailing market price of the Shares or our ability to raise capital in the future on favorable terms.

Our Shares are subject to Philippine foreign ownership limitations.

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities. In connection with the ownership of private land, Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. As our Company owns land in the Philippines, at least 60% of our outstanding capital stock must be owned by Philippine Nationals in order for us to comply with the restrictions on foreign ownership of private land.

In addition, Republic Act No. 4566, as amended by Presidential Decree No. 1746, requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license from PCAB. A regular license is issued by PCAB to a domestic construction firm which is either a Filipino sole proprietorship, a partnership or a corporation with at least 60% Filipino equity. A regular AAAA Gold license may also be issued to a corporation with more than 40% foreign equity provided it complies with a ₱1.0 billion market capitalization requirement and other conditions for its issuance and limits its participation to projects of at least ₱1 billion. As a AAAA Platinum PCAB license holder, we are required to limit foreign ownership to a maximum of 40% of our outstanding capital stock. To maintain our license issued by PCAB, we are required to comply with the Filipino equity requirement, among others. The regular license is renewed annually on or before June 30 of each year.

Further, under the implementing rules and regulations of Executive Order No. 146 dated November 13, 2013, a corporation applying for land reclamation must submit proof that it is 60% owned by citizens of the Philippines. As such, we will have to comply with this Filipino equity requirement to pursue our land reclamation business activities.

Moreover, as provided in the Tenth Regular Foreign Investment Negative List promulgated on May 29, 2015 (in relation to Commonwealth Act No. 541, Letter of Instruction No. 630), contracts for the construction and repair of locally funded public works shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 75% owned by citizens of the Philippines, except (a) infrastructure/development projects covered in Republic Act No. 7718 (which amended Republic Act No. Build-Operate-Transfer (BOT) Law), and (b) projects that are foreign funded or assisted and required to undergo international competitive bidding (Section 2(a) of Republic Act No. 7718). The Implementing Rules and Regulations of the Government Procurement Reform Act also provides that only Philippine corporations, the shareholding interests of which are at least 75% owned by citizens of the Philippines, shall be allowed to participate in bidding for infrastructure projects. Accordingly, to the extent that we are currently participating or will participate in bidding for infrastructure projects or are engaged or will engage in the construction and repair of locally funded public works that do not fall under any of the relevant exceptions, the Filipino equity requirement of 75% will apply.

Finally, to the extent that one or more of our subsidiaries are engaged or will engage in partly nationalized activities (such as ownership of private land or engagement in the business of a public utility), at least 60% of our outstanding capital stock must be owned by Philippine Nationals for our Company and such subsidiary or subsidiaries to be considered a Philippine National.

Our businesses accordingly subject our Company to foreign ownership limitations in our issued and outstanding capital stock. As such, we cannot allow the issuance or transfer our Shares to persons other than Philippine Nationals, and cannot record transfers in our books, if such issuance or transfer would result in our Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. For more information, please refer to the sections entitled “Description of our Shares – Limitation on Foreign Ownership” and “Regulatory and Environmental Matters” on pages 210 and 183 of this Prospectus, respectively.

The Offer Shares may not be a suitable investment for all investors.

Each potential investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of our Company and its business, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;
- understand and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.

The issue price of the Offer Shares may be substantially higher than the net tangible book value per Share of the outstanding Shares. Therefore, purchasers of Offer Shares may experience immediate and substantial dilution and our existing shareholders may experience a material increase in the net tangible book value per share of the Shares they own. See the section entitled "Dilution" on page 67 of this Prospectus.

Future changes in the value of the Peso against the US dollar, the Euro and other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.

Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Peso by us on, and the Peso proceeds received from any sales of, the Shares.

Our Company's management has broad discretion to determine how to use the proceeds received from this Offer and may use them in ways that may not enhance our operating results or the price of our Shares.

We plan to use the net proceeds of this Offer as described under the section entitled "Use of Proceeds" on page 59 of this Prospectus. Our management has broad discretion over the use and investment of the net proceeds of this Offer, and accordingly, investors will need to rely upon the judgment of our management with respect to the use of proceeds with only limited information concerning management's specific intentions.

Risks Relating to the Presentation of Information in this Prospectus

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industries in which we compete and the markets in which we operate, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information prepared from available public sources and independent market research conducted by Colliers to provide an overview of the real estate industry in which we operate. The information contained in that section might not be consistent with other information regarding the Philippine real estate industry. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by us, the International Lead Manager and Underwriter, the Domestic Lead Managers and Underwriters, nor any of their respective affiliates or advisers, and might not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. In particular, the section entitled "Industry" in this Prospectus does not present the opinions of our Company, the International Lead Manager and Underwriter or the Domestic Lead Managers and Underwriters, or any of their respective affiliates.

In relation to information related to our Group and its operations, however, our Company has exercised diligence to the effect that, and, we confirm that to the best of our knowledge and belief after having taken reasonable care to ensure that such is the case, the information contained in this Prospectus relating to our Group and its operations (and that of its subsidiaries and affiliates) is true and there is no material misstatement or omission of fact that would make any statement in this Prospectus misleading in any material respect.

USE OF PROCEEDS

We estimate that our net proceeds from the Firm Offer, based on an Offer Price of ₱12.00 per Offer Share, will be approximately ₱7,599.2 million after deducting the applicable underwriting fees and commissions and expenses for the Firm Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option) payable by us.

We intend to use a majority of our net proceeds from the Firm Offer to fund the development of our pipeline projects and obtain land assets through potential share acquisitions. Please see “Business – Business Strategies” on page 109 of this Prospectus for the discussion on our pipeline projects. We intend to use the remainder of our net proceeds to fund our development of infrastructure within Aseana City and for general corporate purposes, including as additional working capital, for equipment and construction materials purchases, repairs and maintenance of existing properties and Aseana City, and advertising and marketing activities. Disbursements in connection with the following proposed use of proceeds are projected to be completed by the end of 2022.

Further details of our proposed use of net proceeds, based on an Offer Price of ₱12.00 per Offer Share, are as follows:

Proposed Use	Estimated Amount (₱ million)	Percentage (%)	Estimated Disbursements of Proceeds
Pipeline project development, such as but not limited to the development and construction of our nine planned real estate projects ⁽¹⁾	3,731.2	49.1	By the end of 2022
Obtain land assets through potential acquisitions of shareholding interests in land holding companies ⁽²⁾	2,880.1	37.9	By the end of 2022
Development of infrastructure within Aseana City, including construction of public amenities and underground utilities in accordance with Aseana City’s master plan ⁽³⁾	524.4	6.9	By the end of 2022
Other general corporate purposes, such as but not limited to (i) purchase/lease/repair of construction equipment, (ii) reserves/provision for potential projects and business opportunities, and (iii) working capital	463.6	6.1	— ⁽⁴⁾
Total Amount	7,599.2	100	-

Notes:

- (1) *The estimated amount allocated for project development is intended to fund a portion of the development costs for our pipeline projects, depending on type of project, funding requirements and project construction schedule. These costs may include costs related to design, construction, leasing and selling activities. Other sources of funding to complete these pipeline projects may include debt and internally generated funds.*
- (2) *As of the date of this Prospectus, our intention to obtain land assets through potential acquisitions of shareholding interests in land holding companies is still at a preliminary stage and there are no specific plans nor any definitive agreements entered into with any party.*
- (3) *The estimated amount allocated for development of infrastructure within Aseana City is intended to fund a portion of the development costs for common amenities and utilities within Aseana City. Aseana City is designed to be a self-contained community serviced by central water supply, drainage and sewage systems, electricity supply, telecommunication facilities, internet providers, and liquefied petroleum gas providers. Please refer to “Business – Aseana City – Master Plan” on page 118 for details on the existing master plan as of December 31, 2017.*
- (4) *There is no estimated date of completion of disbursement for proceeds allocated to this proposed use – disbursement will be based on the needs of our Group from time to time, and subject to market conditions.*

A further breakdown of the proposed use of proceeds for our pipeline project development is set forth in the table below. Please see “Business – Business Overview – Real Estate Developments” on page 131 of this Prospectus for further details on these projects.

Pipeline Projects	Estimated Disbursements of Proceeds from Firm Offer (₱ million)
Aseana Three ⁽¹⁾	0.0
Aseana Four ⁽²⁾	518.1
Aseana Mainstreet 1 ⁽³⁾	528.1
Aseana Five ⁽⁴⁾	559.8
Aseana Mainstreet 2 ⁽⁵⁾	325.8
Aseana Six ⁽⁶⁾	589.9
Pixel Residences ⁽⁷⁾	148.9
Parkside Place 1 ⁽⁸⁾	711.3
Parkside Place 2 ⁽⁹⁾	349.4
Total Estimated Amount	3,731.2

Notes:

- (1) *Our third commercial office building, Aseana Three is a planned office building for commercial tenants with 30,913.6 sq.m. of total leasable gross floor area. Construction of the project commenced in January 2016 and, as of December 31, 2017 was 95% completed.*
- (2) *Aseana Four is a planned office building for commercial tenants with 54,576.0 sq.m. of total leasable gross floor area.*
- (3) *Aseana Mainstreet 1 is a planned mixed-use commercial building with 45,378.0 sq.m. of total leasable gross floor area.*
- (4) *Aseana Five is a planned office building for commercial tenants with 58,970.7 sq.m. of total leasable gross floor area.*
- (5) *Aseana Mainstreet 2 is a planned mixed-use commercial building with 12,594.0 sq.m. of total leasable gross floor area.*
- (6) *Aseana Six is a planned office building for commercial tenants with 62,142.3 sq.m. of total leasable gross floor area.*
- (7) *Our first residential building, Pixel Residences is a planned residential property with 13,105.8 sq.m. of total saleable floor area. Construction of the project commenced in November 2017, and, as of December 31, 2017, construction was 18.3% completed.*
- (8) *Parkside Place 1 is a planned residential building with 46,880.8 sq.m. of total saleable floor area.*
- (9) *Parkside Place 2 is a planned residential building with 28,329.0 sq.m. of total saleable floor area.*

Part of the net proceeds from this Offer will be disbursed to the relevant operating subsidiaries of our Company to partially finance our pipeline project development, such as but not limited to the development and construction of our nine planned real estate projects, as discussed above. This disbursement will either be in the form of equity contributions or loans or advances by our Company to such relevant operating subsidiaries.

If the expected gross proceeds are not realized, we will use our internally generated funds from operations and existing cash, existing credit lines and other potential borrowings to finance the expected uses.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Firm Offer based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Firm Offer shall be used to finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of our Group for services rendered, assets previously transferred, money loaned or advanced, or otherwise. The actual amount and timing of disbursement of the net proceeds from the Firm Offer for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our development projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Firm Offer are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments. None of the proceeds from the Firm Offer will be used to repay any debts of our Company with the Joint Global Coordinators and Bookrunners. In the event of any deviation, adjustment or reallocation in the planned use of proceeds, we shall inform our Shareholders, the Philippine SEC and the PSE in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Board and disclosed to the PSE. In addition, we shall submit via the PSE's Electronic Disclosure Generation Technology the following disclosure to ensure transparency in the use of proceeds:

- (i) any disbursements made in connection with the planned use of proceeds from the Offer;

- (ii) quarterly progress reports on the application of the proceeds from the Offer on or before the first 15 days of the following quarter; the quarterly progress reports should be certified by our Chief Finance Officer or Treasurer and external auditor;
- (iii) an annual summary of the application of the proceeds on or before January 31 of the following year; the annual summary report should be certified by our Company's Chief Finance Officer or Treasurer and external auditor; and
- (iv) approval by the Board of any reallocation on the planned use of proceeds, or any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by our Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

Expenses

Based on an Offer Price of ₱12.00 per Offer Share, we estimate that the total proceeds from the Offer, total expenses for the Offer and the net proceeds from the Offer will be:

	Estimated Amounts	
	Firm Offer	Offer (assuming full exercise of Over- allotment Option)
	(₱ millions)	
Estimated Proceeds from the Offer	8,150.1	9,372.6
Less: Estimated fees, commissions and expenses		
Philippine SEC registration, filing and research Fees	4.5	5.1
PSE listing and processing fee	31.2	31.2
Estimated Underwriter and Selling Agent fees	163.0	187.5
Estimated other professional fees	13.0	13.0
Estimated other expenses	6.4	6.4
Documentary Stamp Tax	6.8	7.8
IPO Tax	326.0	374.9
Total estimated expenses	550.9	625.8
Estimated net proceeds from the Offer	7,599.2	8,746.8

Estimated other expenses include fees for roadshow expenses, publication and other third party services (e.g. stock transfer, receiving agency, LSI application processing fees and escrow agency services) that our Company expects to incur in relation to the Offer.

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above.

EXCHANGE RATES

Fluctuations in the exchange rates between the Peso and the US dollar and other foreign currencies will affect the equivalent in US dollars and such other foreign currencies of the Peso price of the Shares on the PSE, of dividends distributed in Pesos by our Company, if any, and of the Peso proceeds received by investors on a sale of the Shares on the PSE, if any. Fluctuations in such exchange rates will also affect the Peso value of our Company's assets and liabilities which are denominated in currencies other than Pesos, if any.

The PDS, a computer network supervised by the BSP, through which the members of the Bankers Association of the Philippines effect spot and forward currency exchange transactions, was introduced in 1992. The PDS was adopted by the BSP as a means to monitor foreign exchange rates. The PDS Rate is the average rate for the purchase of US dollars with Pesos which is quoted by the PDS and published in BSP's Reference Exchange Rate Bulletin and the major Philippine financial press on the following business day. On December 29, 2017, the PDS Rate was ₱49.958 = US\$1.00.

The following table sets out certain information concerning the foreign exchange rates between the Peso and the US dollar as reported by the BSP for the periods and dates indicated, expressed in Pesos per US\$1.00:

Year	Peso/US dollar exchange rate			
	Period end	Average ⁽¹⁾	High ⁽²⁾	Low ⁽³⁾
2012	41.192	42.229	43.619	41.007
2013	44.141	42.446	43.864	40.672
2014	44.617	44.395	44.951	43.466
2015	47.166	45.503	47.166	44.087
2016	49.813	47.493	49.984	45.917
2017	49.923	50.404	51.799	49.404
2018				
January	51.421	50.509	51.421	49.769
February	52.034	51.786	52.354	51.207

Source: Reference Exchange Rate Bulletin, Treasury Department of the BSP.

Notes:

- (1) Weighted average rate under the PDS.
- (2) Highest daily closing exchange rate for the period.
- (3) Lowest daily closing exchange rate for the period.

DIVIDENDS AND DIVIDEND POLICY

Our Company is authorized to declare dividends. A corporation may pay dividends in cash, by the distribution of property, or by the issuance of shares. Board approval suffices for the declaration of cash and property dividends. Stock dividends may be paid and distributed only upon the approval of the shareholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting called for that purpose.

The Philippine Corporation Code has defined “outstanding capital stock” as the total shares of stock issued, whether paid in full or not, except treasury shares. The declarations of property and stock dividends are subject to certain other requirements. See “Description of the Shares – Rights Relating to Shares – Dividend Rights” on page 211 of this Prospectus.

Our Company may declare dividends only from our unrestricted retained earnings. The Philippine SEC has issued regulations defining the term unrestricted retained earnings. Under such regulations, unrestricted retained earnings means the amount of accumulated profits and gains realized out of the normal and continuous operations of the company after deducting therefrom distributions to shareholders and transfer to capital stock or other accounts, and which is (1) not appropriated by its board of directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special circumstances.

The Philippine Corporation Code generally requires a corporation with surplus profits in excess of 100% of its paid-in capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general rule, a Philippine corporation may retain all or any portion of such surplus if so appropriated, restricted or required to be retained under any of the above circumstances.

In relation to foreign shareholders, dividends payable shall not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP. See “Philippine Foreign Exchange Controls” on page 223 of this Prospectus.

Record Date

Pursuant to existing Philippine SEC regulations, all cash dividends declared by listed companies must have a record date which shall not be less than 10 days and not more than 30 days from the date the cash dividends are declared. Under such rules, if no record date is specified, the record date will be deemed fixed at 15 days from such declaration.

With respect to stock dividends, the record date shall be not less than 10 days nor more than 30 days from the date of shareholder approval. If no record date is set, under Philippine SEC rules, the record date will be deemed fixed at 15 days from the date of the stock dividend declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Under the Revised Disclosure Rules of the PSE, the disclosure by a listed company of the record date for dividend declarations must not be less than 10 trading days from said date.

Lastly, under the PSE Rules, the payment date shall not be more than 18 trading days from the record date.

Dividends

As of the date of this Prospectus, our Company has adopted through our Manual, a dividend policy pursuant to which shareholders may be entitled to receive, upon declaration by the Board and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year’s net income after tax based on our audited financial statements as of such year, except (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when our Company is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances.

On May 20, 2015, our dividend policy was approved by the Board. Subject to a transition period of three years from the Listing Date, we intend to maintain an annual cash dividend payout ratio of 30% of our audited consolidated net income for the preceding fiscal year, subject to compliance with the requirements of applicable laws and regulations, the terms and conditions of our outstanding loan facilities and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances wherein we propose to implement and undertake major projects and developments through our subsidiaries. We can give no assurance, however, that we will pay dividends in the future.

As of the date of this Prospectus, our subsidiaries have no existing dividend policy. Nevertheless, our subsidiaries, in declaring and paying dividends, take into consideration the interests of their respective shareholders, their working capital, capital expenditures and debt servicing requirements as well as the relevant provisions of the National Internal Revenue Code of 1997, as amended, and the Corporation Code.

On January 20, 2017, the Board and our shareholders approved the declaration of a total of 1,000,000,000 common shares as stock dividends out of the unappropriated or unrestricted retained earnings of our Company as of December 31, 2016, in favor of its stockholders of record as of January 15, 2017 and which were distributed on February 15, 2017.

Class	Declaration Date	No. of Actual Shares Issued	Record Date	Payment Date
Common shares	January 20, 2017	1,000,000,000	January 15, 2017	February 15, 2017

For further details on our Company's declaration of dividends, please refer to our consolidated financial statements.

Except for the above and our subsidiaries and affiliates, (i) Portal Holdings, Inc., which declared dividends amounting to ₱50.2 million in February 2016, ₱519.9 million in July 2016 and ₱200.0 million in October 2017; (ii) Fabricom, which declared dividends amounting to ₱272.5 million in July 2017 and ₱350.4 million in October 2017; and (iii) Ascana Residential Holdings Corp., which declared dividends amounting to ₱300.0 million in October 2016 and ₱119.5 million and affiliates in October 2017, no other dividend declaration was made by our Company or any of our subsidiaries for the years ended December 31, 2015, 2016 and 2017, respectively.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at ₱12.00 per Offer Share. Since the Shares have not been listed on any stock exchange, there has been no market price for Shares derived from day-to-day trading.

The factors considered in determining the Offer Price included, among others, our ability to generate earnings and cash flow, our short and long term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of listed comparable companies particularly in the Association of Southeast Asian Nations region, with reference to the relevant country's stock market index. The Offer Price does not have any correlation to the book value of the Offer Shares.

CAPITALIZATION

The following table sets out our consolidated short-term debt, and long-term debt, equity and capitalization as of December 31, 2017 and as adjusted to reflect the sale of the Offer Shares based on an Offer Price of ₱12.00 per Offer Share, and the use of proceeds as described in this Prospectus.¹

The table should be read in conjunction with our consolidated financial statements and the notes thereto included in this Prospectus, and is based on the assumption that the Offer Price is ₱12.00 per Offer Share. Other than as described herein, there has been no material change in our Company's capitalization since December 31, 2017.

	Actual as of December 31, 2017		As adjusted after giving effect to the Offer	
	(in ₱ million)	(in US\$ million) ⁽¹⁾	(in ₱ million)	(in US\$ million) ⁽¹⁾
Total short-term debt	1,656.6	33.2	1,656.6	33.2
Total long-term debt.....	820.3	16.4	820.3	16.4
Total debt.....	2,476.9	49.6	2,476.9	49.6
Total equity	10,256.9	205.5	17,856.1	357.7
Total capitalization	12,733.8	255.1	20,333.0	407.3

Notes:

(1) Based on the foreign exchange rate reported by the BSP as of December 29, 2017 of ₱49.923 = US\$1.00.

¹ Based on the offer price, the resulting market capitalization of our Company upon completion of the Offer is estimated to be approximately ₱40,750.4 million.

DILUTION

As of December 31, 2017, our Company's net tangible book value per Share was ₱3.53. Net tangible book value per Share represents total equity divided by the total number of shares outstanding. After giving effect to the sale of the Offer Shares at an Offer Price of ₱12.00 per Offer Share, and deducting estimated discounts, commissions, estimated fees and expenses of the Offer, the net tangible book value per Share would increase to ₱5.22 per Offer Share. At the Offer Price of ₱12.00 the Shares will be purchased at a premium of ₱8.47 to net tangible book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱12.00 per Offer Share, assuming full exercise of the Over-allotment Option:

Offer Price per Offer Share	₱12.00
Net tangible book value per Share as of December 31, 2017 ⁽¹⁾	₱3.53
Difference between Offer Price per Offer Share and net tangible book value per Offer Share as of December 31, 2017	₱8.47
Pro forma net tangible book value per share after the Offer and increased capital ⁽²⁾	₱5.22
Dilution to investors in the Offer ⁽³⁾	₱6.78

The exercise of the Over-allotment Option will not result in any dilution on a per Share basis, as all Optional Shares are being offered by the Selling Shareholder.

The following table sets out the shareholdings, and percentage of Shares outstanding, of existing and new shareholders of our Company immediately after completion of the Offer, assuming no exercise of the Over-allotment Option:

	<u>Number of Shares</u>	<u>%</u>
Existing shareholders	2,716,691,300	80%
New investors	679,172,800	20%
Total	3,395,864,100	100%

See also "Risk Factors – Risks Relating to the Offer Shares – Future sales of Shares in the public market may adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings" on page 55 of this Prospectus.

Notes:

- (1) Total equity attributable to equity holders of our parent company per Share.
- (2) Total equity after giving effect to the Offer divided by Shares issued and fully paid after the Offer.
- (3) Calculated as Offer Price of ₱12.00 per Offer Share less pro forma net tangible book value per Share after the Offer.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

Selected Financial Data

This selected data should be read in conjunction with the independent auditors' report and with our consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 73. The selected financial data below was derived from the audited consolidated financial statements of our Group prepared in accordance with PFRS for the years ended December 31, 2015, 2016 and 2017. The translation of Peso amounts into US dollars as of and for the year ended December 31, 2017 as presented herein is provided for convenience only. For additional information, regarding financial information presented in this Prospectus, see "Presentation of Financial Information" on page vi.

Consolidated Statements of Comprehensive Income

	2015	For the year ended December 31,		2017
		2016	2017	2017
		(Audited)		(Unaudited)
		(P million)		(US\$ million)
NET PROFIT	871.7	1,202.5	1,559.8	31.2
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	(30.4)	(23.9)	14.3	0.3
Tax income (expense)	9.1	7.2	(4.3)	(0.1)
	(21.3)	(16.7)	10.0	0.2
Item that will be reclassified subsequently to profit or loss				
Fair valuation of available-for-sale financial assets	0.2	(0.1)	0.1	-
Other Comprehensive Income (Loss) – net of tax	(21.1)	(16.8)	10.1	0.2
TOTAL COMPREHENSIVE INCOME	850.6	1,185.7	1,569.9	31.4
Total comprehensive income attributable to:				
Equity holders of the parent company	853.3	1,183.4	1,570.6	31.5
Non-controlling interest	(2.7)	2.3	(0.7)	-
	850.6	1,185.7	1,569.9	31.4

Consolidated Statements of Financial Position

	As of December 31,			
	2015	2016 (Audited) (P million)	2017	2017 (Unaudited) (US\$ million)
CURRENT ASSETS				
Cash and cash equivalents	640.5	815.2	1,431.4	28.7
Receivables - net	2,932.4	2,140.6	2,330.7	46.7
Land and land development costs	3,946.5	3,519.8	3,323.6	66.6
Property development costs	-	24.3	593.0	11.9
Other current assets	251.2	263.2	533.4	10.7
Total Current Assets	7,770.7	6,763.1	8,212.1	164.6
NON-CURRENT ASSETS				
Receivables	-	1,754.9	1,916.9	38.4
Advances to and investments in associates, joint ventures and other related parties	3,057.8	3,037.2	3,035.3	60.8
Property and equipment - net	140.6	166.8	143.9	2.9
Investment properties - net	15,040.2	14,998.3	15,622.7	312.9
Other non-current assets	73.7	77.9	119.6	2.4
Total Non-current Assets	18,312.3	20,035.1	20,838.5	417.4
TOTAL ASSETS	26,083.0	26,798.2	29,050.6	582.0
CURRENT LIABILITIES				
Loans and borrowings	2,093.0	2,148.6	1,656.6	33.2
Trade and other payables	584.1	531.3	1,093.1	21.9
Advances from co-joint venturer	1,000.0	1,000.0	1,000.0	20.0
Advances from related parties	323.9	320.2	312.5	6.3
Estimated liability for land development costs	269.8	477.5	570.7	11.4
Deposits and advances	247.8	314.4	540.6	10.8
Reserved for property development	-	4.6	101.1	2.0
Deferred gross profit on real estate sales	-	0.8	30.5	0.6
Total Current Liabilities	4,518.5	4,797.4	5,305.1	106.3
NON-CURRENT LIABILITIES				
Loans and borrowings	786.6	514.8	820.3	16.4
Due to a related party	4,343.6	4,343.6	4,343.6	87.0
Estimated liability for land development costs	7,846.8	7,270.9	7,035.7	140.9
Deposits and advances	845.0	702.9	574.0	11.5
Reserved for property development	-	13.6	42.7	0.9
Deferred gross profit on real estate sales	-	2.3	17.8	0.4
Deferred tax liabilities - net	188.7	390.7	588.8	11.8
Retirement benefit obligation	47.0	75.0	65.7	1.3
Other non-current liabilities	5.5	-	-	-
Total Noncurrent Liabilities	14,063.2	13,313.8	13,488.6	270.2
TOTAL LIABILITIES	18,581.7	18,111.2	18,793.7	376.5
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	1,716.7	1,716.7	2,716.7	54.4
Revaluation reserves - net	(4.2)	(21.1)	(10.9)	(0.2)
Other reserves	(276.0)	(276.0)	(276.0)	(5.5)
Retained earnings	5,407.5	6,607.7	7,168.2	143.6
Total equity attributable to owners of the parent company	6,844.0	8,027.3	9,597.9	192.3
Non-controlling interest	657.3	659.6	659.0	13.2
Total Equity	7,501.3	8,687.0	10,256.9	205.5
TOTAL LIABILITIES AND EQUITY	26,083.0	26,798.2	29,050.6	581.9

Consolidated Statements of Profit or Loss

	For the year ended December 31,			
	2015	2016	2017	2017
		(Audited)		(Unaudited)
		(P million)		(US\$ million)
REVENUES				
Rentals:				
Land	803.2	860.5	919.4	18.4
Building	311.6	344.6	429.7	8.6
Other revenues	114.4	121.5	157.9	3.2
Rentals Total	1,229.2	1,326.6	1,507.0	30.2
Land sales	329.8	600.7	1,088.3	21.8
Construction contracts	82.3	231.2	202.1	4.0
Sale of condominium units	—	21.9	213.8	4.3
Total Revenues	1,641.3	2,180.3	3,011.2	60.3
COST OF SERVICES AND SALES				
Rentals	189.0	185.6	202.0	4.0
Land sales	73.3	120.4	141.5	2.8
Construction contracts	59.4	202.0	132.2	2.6
Sale of condominium units	—	21.8	203.0	4.1
Total costs of services and sales	321.7	529.8	678.8	13.5
GROSS PROFIT	1,319.5	1,650.5	2,332.5	46.8
OTHER OPERATING EXPENSES				
General and administrative expenses	268.2	283.2	461.8	9.2
Selling expenses	1.9	10.5	3.6	0.1
Total other operating expenses	270.1	293.7	465.4	9.3
OPERATING PROFIT (LOSS)	1,049.4	1,356.8	1,867.1	37.4
OTHER INCOME (CHARGES)				
Gain on sale of investment property	247.3	312.5	257.7	5.2
Finance costs	(107.7)	(83.8)	(72.1)	(1.4)
Share in net losses of associates and joint ventures - net	(0.7)	(5.3)	(1.0)	-
Finance income	6.8	4.1	15.8	0.3
Other income	18.5	55.6	25.8	0.5
Total other income (charges)	164.2	283.1	226.1	4.6
PROFIT BEFORE TAX	1,213.6	1,639.9	2,093.2	41.9
TAX EXPENSE	342.0	437.4	533.4	10.7
NET PROFIT	871.7	1,202.5	1,559.8	31.2
Net profit (loss) attributable to:				
Equity holders of the parent company	874.4	1,200.2	1,560.5	31.2
Non-controlling interest	(2.7)	2.3	(0.7)	—
	871.7	1,202.5	1,559.8	31.2
Earnings Per Share – Basic and Diluted	0.94	0.70	0.57	0.0

Notes:

- (1) Earnings per Share represented as Peso per Share.
- (2) Earnings per Share represented as US cents per Share.

Consolidated Statements of Cash Flows

	For the year ended December 31,			
	2015	2016 (Audited) (P million)	2017	2017 (Unaudited) (US\$ million)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,213.6	1,639.9	2,093.2	41.9
Adjustments for:				
Gain on sale of investment property	(247.3)	(312.5)	(257.7)	(5.2)
Depreciation and amortization	91.5	100.3	110.7	2.2
Finance costs	107.7	83.8	72.1	1.4
Finance income	(2.6)	(3.2)	(15.8)	(0.3)
Share in net losses of associates and joint ventures	0.7	5.3	1.0	-
Unrealized foreign currency gains – net	(4.2)	(1.0)	-	-
Operating profit before working capital changes	1,159.5	1,512.8	2,003.5	40.00
Increase in receivables	(1,040.3)	(671.3)	(423.2)	(8.5)
Decrease (increase) in cost and estimated earnings in excess of billings on uncompleted contracts	0.3	-	-	-
Decrease in land and land development costs	73.3	120.4	141.5	2.8
Increase in property development costs	-	(24.3)	(568.7)	(11.4)
Increase in other assets	(75.3)	(145.8)	(577.5)	(11.6)
Increase (decrease) in trade and other payables	(95.4)	(113.0)	561.8	11.3
Decrease in estimated liability for land development costs	(265.4)	(90.1)	(142.0)	(2.8)
Increase (decrease) in deposits and advances	157.4	(76.4)	95.8	1.9
Increase in reserve for property development	-	18.2	125.6	2.5
Increase in deferred gross profit on real estate sales	-	3.1	45.3	0.9
Increase in retirement benefit obligation	0.8	1.7	1.0	-
Cash generated from (used in) operations	(85.1)	535.4	1,263.0	25.1
Cash paid for final and capital gains taxes	(29.9)	(42.9)	(25.0)	(0.5)
Interest Received	2.6	3.0	7.2	0.1
Net cash From (Used in) Operating Activities	(112.5)	495.4	1,245.2	24.70
CASH FLOWS FROM INVESTING ACTIVITIES				
Construction in progress and development costs of investment properties	(96.1)	(392.8)	(746.4)	(15.0)
Proceeds from sale of investment properties	434.7	465.5	448.8	9.0
Net collection from (additional advances to) and investments in associates, joint venture and other related parties	73.6	(28.6)	13.6	0.3
Acquisition of available-for-sale financial assets	(23.6)	(1.3)	(48.8)	(1.0)
Acquisitions of property and equipment	(108.6)	(62.8)	(18.9)	(0.4)
Net Cash From (Used in) Investing Activities	280.0	(20.0)	(351.8)	(7.1)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of advances from related parties	(2,610.5)	(637.3)	(545.5)	(10.9)
Additional interest-bearing loans and borrowing	2,209.1	421.2	359.0	7.2
Finance costs paid	(106.2)	(81.9)	(83.0)	(1.7)
Repayments of advances from related parties	(227.3)	(4.3)	(9.0)	(0.2)
Advances received from related parties	0.8	0.6	1.2	-
Net Cash From (Used in) Financing Activities	(734.1)	(301.7)	(277.2)	(5.6)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents	4.2	1.0	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(562.4)	174.7	616.2	12.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,202.8	640.5	815.2	16.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	640.5	815.2	1,431.4	28.3

Key Financial and Operating Data

Key Financial Ratios	As of and for the year ended December 31,		
	2015	2016	2017
Recurring Income Contribution ⁽¹⁾	74.9%	60.8%	50.0%
Current Ratio ⁽²⁾	1.72	1.41	1.55
Debt to Equity ⁽³⁾	42.0%	33.0%	26.0%
Return on Equity ⁽⁴⁾	16.0%	16.0%	18.0%
Asset to Equity ⁽⁵⁾	3.81	3.34	3.03

Key Operating Data	As of the year ended December 31,		
	2015	2016	2017
Total leased land area (sq.m.)	138,900.2	140,540.2	150,520.7
Total leasable floor area (sq.m.)	45,432.3	56,863.4	59,000.1
Total occupancy rate (leased buildings) (%) ⁽⁶⁾	87%	98%	94%

Notes:

- (1) Our recurring income contribution is derived by dividing revenue from rentals by total revenue. Recurring income contribution measures the stability of our income source, and as we generally obtained our land holdings years ago at prices significantly lower than current market prices, a higher recurring income contribution also represent higher margin.
- (2) Our current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.
- (3) Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage.
- (4) Our return on equity is derived by dividing net profit by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.
- (5) Our asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.
- (6) Calculated based on the ratio of total leased floor area to total leasable floor area made available.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial results should be read in conjunction with the independent auditors' reports on our consolidated financial statements and notes included in this Prospectus, and the section entitled "Selected Consolidated Financial and Operating Information" on page 68. The following discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements (see "Forward-Looking Statements" on page vii) as a result of certain factors such as those set out in "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

We are an integrated property developer with an established track record and market-leading capabilities in land reclamation, construction and real estate development. We possess, in the aggregate, one of the largest land holdings in Metro Manila with a total area of 571,863.8 sq.m. Aseana City, the geographic area that holds the majority of our land holdings, is strategically located next to Entertainment City and the Mall of Asia complex in the Manila Bay area, and is positioned as the next major mixed-use CBD within Metro Manila, comprising recreational and entertainment outlets, commercial and retail developments, prime office space and residential condominiums. With the strategic location of our land holdings, we are a direct beneficiary of certain fast-growing sectors within the Philippines, including BPOs, POGOs, gaming and tourism. Aseana City is well-connected with key transport linkages such as the NAIA Expressway and the Southwest Integrated Bus Terminal Exchange ("SWITex") station. Further, the upcoming LRT 1 extension will improve urban connectivity and access to Aseana City from major transport hubs and rapidly growing population centers outside of Metro Manila, which will facilitate the development of Aseana City.

As one of the country's foremost experts on land reclamation, we assisted the Government to reclaim the land underlying Aseana City. Pursuant to the Reclamation Agreement with the PRA, we and our majority shareholder, WHI, obtained title to a portion of the total reclaimed lands of 2,040,000.0 sq.m., comprising approximately 1,074,714.0 sq.m., including our existing land holdings in Aseana City of 569,121.2 sq.m. As an early land owner of substantial land holdings prior to the escalation of land prices in Metro Manila, our land costs are relatively low compared to current market prices, which have appreciated substantially from the time we reclaimed such land during 1993 to 2008. Out of our existing land holdings in Aseana City of 569,121.2 sq.m., 292,034.5 sq.m. of land reserves is unallocated and available for development, distinguishing us from other property developers, who have to rely on locating and acquiring suitable land for their developments at significantly higher costs, thereby providing us a premium margin advantage over our competitors. We intend to further increase our land holdings opportunistically, applying the same cost advantage, through continuous participation in land reclamation projects and strategic acquisitions.

Grounded in the firm foundation of our more than 50-year heritage, we are one of the dominant players in land reclamation and infrastructure construction in the Philippines. As an AAAA platinum contractor, our proven track record and expertise in land reclamation and construction projects have facilitated our access to the large pipeline of infrastructure projects being awarded or undergoing construction in the Philippines. As of December 31, 2017, we had completed more than 100 construction and infrastructure projects throughout the country, including ports, bridges and expressways. We offer a full range of construction-related services, including survey and planning, condition works, engineering, architectural and project management services. This scope of offerings enables us to provide integrated one-stop solutions to our customers and to compete effectively in large-scale and complex projects. Our land reclamation and construction businesses create significant synergies with our real estate development business, enabling us to optimize our execution efficiency while maintaining effective cost control over the entire real estate development process.

Our real estate business comprises of land sales and leasing, commercial building leasing, property development, and residential unit sales. Our leasing of prime land and commercial buildings provides us with a stable and recurring income source, whereas our sales of non-core land plots and residential units allow us to maximize the value of such land and developments. As of December 31, 2017, we had seven investment properties, six of which are located in Aseana City, namely Aseana One, Aseana Two, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R, with a total land area of 42,464.6 sq.m. and total leasable floor area of approximately 59,000.1 sq.m. Our pipeline of nine real estate projects, all to be completed within the next five years, consists of three residential developments and six commercial developments, which

represent a total gross saleable floor area of approximately 88,315.6 sq.m. and a total gross leasable floor area of approximately 264,574.6 sq.m., respectively. Further, our first residential development, Pixel Residences, which is expected to be completed in October 2019, was 100% pre-sold as of June 2017.

From operations, revenue from land sales and leases is recorded in our income statement as “Revenue – Land Sales” and “Revenue – Rentals – Land,” respectively. Revenue from real estate development projects, which currently includes income from the leasing of commercial property and common use service area, or CUSA, fees charged to our building tenants, is recorded as “Revenue – Rentals – Building” and “Revenue – Rentals – Other revenue,” respectively. In 2016, we started the selling and construction of our first residential development, Pixel Residences. Our revenue from this segment is recorded as “Revenue – Sale of Condominium Units.” Revenue from various construction projects undertaken by us is recorded as “Revenue – Construction Contracts.”

The table below sets out the net income for our consolidated subsidiaries for the three years ended December 31, 2017.

	Net Income ⁽¹⁾ (P in millions)		
	For the year ended December 31,		
	2015	2016 (audited)	2017
<u>Real estate development</u>			
Aseana Holdings, Inc.	87.6	105.3	119.2
Aseana City Transport and Travel Corp.	(1.5)	0.1	(0.4)
Aseana Residential Holdings Corp.	(0.2)	333.2	119.8
<u>Land holding</u>			
Portal Holdings, Inc.	204.3	267.5	227.6
Bay Area Holdings, Inc.	(4.9)	7.0	0.0
<u>Construction and Land Reclamation</u>			
Fabricom, Inc.	0.1	0.8	3.4
R-1 Consortium, Inc.	0.3	0.1	(0.1)
Mandaue Land Consortium, Inc.	(0.7)	(0.4)	(1.5)
<u>Non-operating⁽²⁾</u>			
U-City Technologies Philippines, Inc.	(5.3)	7.6	1.6
Aseana Gas Energy Corp.	(0.0)	(0.1)	(0.1)
Boracay International Airport & Development Corp.	(0.6)	(0.5)	(0.5)
Fabricom Realty Development Corp.	(0.0)	(0.1)	(0.1)
Aseana I.T. Plaza, Inc.	(0.0)	(0.1)	(0.1)
SHLP BBP Realty, Inc.	(0.5)	(0.3)	(0.3)

Notes:

(1) These figures are presented on a pre-intercompany elimination basis.

(2) These figures do not include Reine, Inc., which we acquired in December 2016 and which we believe is not material.

BASIS OF PRESENTATION

General Information

Our Company, D.M. Wenceslao & Associates, Incorporated, was incorporated in the Philippines on April 7, 1965. On December 4, 2012, the Philippine SEC approved the extension of our Company’s corporate term for another 50 years after the expiration of its current corporate term to April 8, 2065. Our Company is a subsidiary of Wendel Holdings Co., Inc., or WHI. As of the date of this Prospectus, WHI held a 78.65% ownership interest in our Company. WHI is a holding company and is presently engaged in raising investments either through borrowings, or the sale or lease of its capital assets. In turn, our Company holds an effective ownership interest in a number of subsidiaries that constitute our Group.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, including those set out below.

Economic Conditions in the Philippines

All of our revenues are derived from activities in the Philippines. Accordingly, our results of operations are substantially affected by economic conditions in the Philippines, and our growth is driven in significant part by growth in the Philippine economy. According to the Philippine National Statistical Coordination Board, or NSCB, the Philippine economy has enjoyed satisfactory economic performance, with the GDP growing at an average rate of 6.2% from 2010 to 2015 and at a rate of 6.7% in 2017, as a result of, among other factors, continuous growth in the BPO sector, higher OFW remittances and increased private and public investment. With increasing disposable income and an expanding middle class, private consumption grew at an average annual rate of 5.9% in real terms from 2011 to 2015, which was a primary driver of economic growth. This trend continued in 2017 with private consumption growing at a rate of 5.8% for the year. The Philippines has also earned investment grade ratings from major credit rating agencies, Fitch Ratings, Moody's Investor Service and Standard & Poor's, as a result of strong macroeconomic fundamentals characterized by sustained growth, low and stable inflation, and sound fiscal management. In 2017, Fitch Ratings and Moody's Investors Service confirmed their recent investment grade ratings of the Philippines with grades of BBB (stable) and Baa2 (stable), respectively. Economic conditions in the Philippines are affected by a number of macroeconomic factors, including changes in the global economy and world markets, as well as the fiscal and monetary policies of the Government. The pace of economic growth, urbanization and rising domestic demand in the Philippines is expected to continue to significantly impact the pricing and profitability of land and properties, and, in turn, our performance and results of operations. If there is a downturn in the global economy or the Philippine economy, or a decrease in the pace of urbanization, our financial conditions and results of operations may be materially and adversely affected.

Development of Aseana City

As Aseana City comprises the location of our prime land holdings and the main focus of our business operations, promoting and maintaining the overall sustainable growth of Aseana City is critical to our results of operations. The continuous development of Aseana City into the next major mixed-use or "Next Generation" CBD within Metro Manila is expected to drive demand for office and retail space and residential units. This in turn is expected to lead to an increase in construction spending and activity, as well as growth in property lease and sales demand, and correspondingly the negotiation of more favorable commercial terms for our real estate sales and rental business. Due to the depletion of land in Metro Manila and the rising demand to live and work near the city centers, land values in the existing major CBDs have rapidly increased in the last several years. According to Colliers, Aseana City's emergence into a new center of commerce has seen a similar rise in land prices from as low as ₱31,500 per sq.m. in 2006 to approximately ₱228,814 per sq.m. as of the end of 2017. Office capital value growth in Aseana City has been slower as compared to the more mature Makati CBD, but, according to Colliers, is expected to begin to increase at a higher rate as compared to Makati. Office developments in Aseana City have similarly driven the demand for housing in the area too. Aseana City's growth depends, however, on several factors, including the increase in tourism, gaming and recreational activity in the area, the continued growth of the BPO sector, the success of current and future planned property developments, such as the casino resorts, hotels, office and mall complexes, increasing traffic levels, the completion of the transport infrastructure projects for improved access, and the smooth implementation of the master plan for Aseana City. Any slowdown in the development of Aseana City may negatively impact the market value of our land holdings, the selling prices of our land, office and residential properties, consumer demand for our land and rental properties, our lease rates and our occupancy rates, which will affect our income, profitability and prospects.

Revenue mix

Our revenue is currently derived primarily from rentals of land and buildings, construction contracts, residential unit sales, and land sales. As Aseana City develops, we also expect an increase in the sales and rental prices for our property. In 2017, our gross profit margins were the highest for land sales, followed by rentals of land, rentals of building, construction contracts, and lastly, sales of condominium units. Historically, we obtained our land holdings in Aseana City through our Reclamation Agreement with the PRA, pursuant to which we received certain land holdings in Aseana City as consideration for the reclamation services we rendered in connection with the CBP-BC project. The land and land development costs for our land holdings in Aseana City, therefore, historically have been booked based on the cost of performing the reclamation of the entire CBP-BC development. Since we created our land holdings in Aseana City through reclamation, we incurred relatively lower acquisition costs for our land compared to current market prices for the same parcels of

land. In terms of costs for each of our business segments, since land is not depreciable and the costs for the rentals of land do not have depreciable components, rentals of land typically enjoy the highest gross profit margin among our business segments. In comparison, a large portion of costs for our rentals of building consists of depreciation costs for the buildings we rent to lessees, and may be further compounded by low occupancy rates when a new building first comes on line. For land sales, as land and land development costs form a part of our cost calculation and due to our relatively low land acquisition costs compared with the increasing value of land in Aseana City, we still enjoy relatively high margins for this business segment. In contrast, costs of our construction contracts, which include labor and materials, are recognized when incurred during the construction period. The time of revenue and costs recognition during different stages of the construction period therefore may further affect our margin in this business segment during a given period. For the residential unit segment, our gross profit margin is affected by construction costs of materials and labor as well as the regular increase in prices of units. Our results of operations and cash flows accordingly will vary depending on the proportion of our land and properties held for lease or sale as well as the number of our ongoing construction projects.

Timing and length of our own property development

The development of our own property projects may take months or years before any sales or leases take place, and even longer for completion and delivery. Typically, the number of projects that a developer is able to undertake during a specific accounting period is limited due to the substantial amount of capital required to fund construction costs and other factors. Furthermore, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. Due to fluctuations in market demand, the rental rates and sales prices in a particular period may also be affected by market conditions at the time a particular property project is leased or sold. Thus, the results of operations may vary significantly from period to period, depending on the progress of our property projects.

Level of investment in infrastructure construction in the Philippines

The scope and level of investment in infrastructure construction projects in the Philippines directly affect our construction business segment. In the past, our land reclamation and construction businesses have benefited significantly from both Government and private sector spending and investments in infrastructure, including the construction and improvement of roads, highways, bridges, ports and other projects. The Government, through its ambitious “Build, Build, Build!” policy, has emphasized infrastructure as one of its top priorities and, as a result, projects public spending on infrastructure projects to reach ₱8-9 trillion, or roughly 7% of GDP, by 2022. The Government reportedly expects to fund this infrastructure spending through a mixture of Official Development Assistance, or ODA, multilateral lenders, direct government spending, and Public-Private Partnerships, or PPPs. As of January 2018, nearly 60 projects were under the construction or pre-construction phase with more to be rolled out in the near future. We expect this future construction project pipeline to generate significant contracting opportunities for us. However, any future reduction in the level of growth in infrastructure projects and Government and private investments in that sector, or delays in anticipated or on-going construction projects could adversely affect our turnover and profitability. There is also no assurance that future infrastructure projects will be rolled out for bidding as planned or that the number of public and private sector projects will not decrease in the future.

Price volatility of construction and raw materials

Our results of operations are affected by price volatility in construction and raw materials, such as steel, cement and sand. Cost of materials constitutes the most important item in our construction costs, exceeding in importance our costs for construction labor and project planning. We use a centralized procurement process for a substantial part of our purchases of key construction materials, such as steel and sand, to help increase our negotiating power and lower our unit costs. For certain materials, such as cement, foundation piles and pavement blocks, we have made a number of strategic investments through joint ventures and affiliates to secure our supply and realize a definite level of cost savings. Despite the efficiencies and pricing advantages of our volume purchases, rising costs for any construction materials will impact our construction costs and cost of services and sales. If we cannot pass the increased costs on to our customers, our profitability will suffer. In addition, a majority of our external construction projects take more than 12 months to complete. Accordingly, prices of construction and raw materials at the time of contract signing may not reflect the prices that we will eventually pay during the execution of our projects. Most of our contracts are fixed-price contracts, under which we commit to providing all of the resources required to complete a project for a fixed sum. Our ability to pass on any cost increases may be limited under such contracts, except to the extent the contracts contain specific price adjustment provisions.

New residential development business line

We commenced sales of our first residential project, Pixel Residences, in 2016. Pre-selling started in July 2016 and all units were sold out as of June 2017. Demand for housing in the Manila Bay area has been growing as land becomes scarcer in the other major CBDs within Metro Manila. The increasing number of office and retail developments in Aseana City and surrounding areas is expected to lead to a rise in demand for conveniently located residential options. According to Colliers, the competitive prices of condominium units in the area compared to the other existing major CBDs, and the planned transport infrastructure projects being put in place to provide better connectivity between Aseana City and other city centers, will also attract buyers to residential offerings in Aseana City. Further, the presence of the integrated casino resorts and the array of food and beverage, shopping and entertainment options they provide also create significant potential for higher mid-tier residential condominium development and investment in the area. In view of the rising land prices in Aseana City, our relatively low land acquisition costs provide us with a premium margin advantage over other real estate developers who have to acquire suitable land at current market prices. The successful launch of this new business line resulted in additional revenue and further increase in our profit.

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

Critical accounting policies are those that (i) are both relevant to the presentation of our financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of these uncertainties increase, those judgments become even more subjective and complex. To provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified the critical accounting policies discussed below. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant particular attention. For more information, see Note 2 and Note 3 to our consolidated financial statements for the years ended December 31, 2015, 2016 and 2017.

Revenue Recognition

Our revenue comprises revenue from (i) rentals of both land and commercial properties, (ii) construction contracts, (iii) land sales and (iv) sales of condominium units, each measured by reference to the fair value of consideration received or receivable by us, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to us; and the costs incurred or to be incurred can be measured reliably. In addition, for each of our revenue streams below, we set out certain specific criteria for recognition of revenues:

Revenue from Rentals

Revenue from rentals arising from the lease of investment property, comprising of land and building, is recognized in accordance with PAS 17 on the straight-line basis over the lease term based on the provision of the relevant lease contracts, including any minimum rent-free period therein, plus additional rent-free period as mutually agreed by the contracting parties. We determine whether an arrangement is, or contains, a lease based on the substance of the arrangement. We make an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveying a right to use the asset.

Our lease agreements typically provide for a rent increase of 5% - 10% per year for land leases, and 3% - 10% per year for commercial unit leases. We calculate the total rent receivables under the relevant lease agreement and recognize equal portions of the rent receivables over the lease term on a straight-line basis.

Costs of rentals and other costs and operating expenses are recognized upon utilization of the goods or services or on the date such costs and operating expenses are incurred. In addition, other revenue

arising from common usage and service area, or CUSA, charges are recognized when the performance of the contractually agreed task has been substantially rendered.

Revenue from Construction Contracts

Revenue from construction contracts is recognized based on the percentage-of-completion method.

We use the percentage-of-completion method for work done pursuant to each construction contract to determine the appropriate amount to recognize as revenue in a given period. The stage of completion is measured by reference to the actual contract costs incurred up to the end of the given period, as a percentage of total estimated costs for the contract. However, when the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered. As a result, we do not typically recognize revenue for work for which our progress billings have not been reconciled between us and our clients. These policies are also consistently applied to projects with change orders.

In any given period, when the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, we recognize the portion of the contract revenue over the period of the contract. If it is probable that total contract costs will exceed total contract revenue, the expected net loss in the given period is recognized immediately and a negative gross profit may be recorded. Otherwise, our contract costs are recognized when incurred.

On our balance sheet, the gross amount due from customers for all contracts in progress and for which the actual costs incurred plus recognized profits (less estimated losses) exceed progress billings is recorded as “Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts”, until such amount is billed or written off. Progress billings billed but not yet paid by customers and the holdback of retention monies are presented as a part of our receivables.

Revenue from Land Sales

Revenue from land sales is generally recognized in full under the full accrual method when at least 25% of the total contract price is collected or when we are certain that the sale will not be cancelled even if the collection is below 25%. Under the full accrual method, revenue is recognized when: (i) the collectability of the sales price is reasonably assured; (ii) the earnings process is virtually complete; and, (iii) the seller does not have a substantial continuing involvement with the subject properties. For sales under the deferred cash payment arrangement, the collectability of the sales price is considered reasonably assured when 25% of the total contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established. In the three years ended December 31, 2015, 2016 and 2017, we had not recognized revenue from any land sales prior to the receipt of 25% or more of the total contract price.

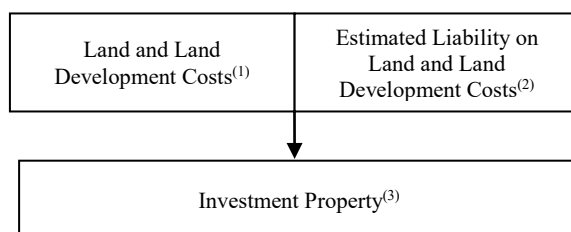
Revenue from Sale of Condominium Units

Revenues from transactions covering sale of residential condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as “Deferred Gross Profit on Sale of Condominium Units” in the consolidated statement of profit or loss; and, the cumulative unrealized gross profit as of the end of the year is shown as “Deferred Gross Profit on Sale of Condominium Units” in the consolidated statement of financial position.

A sale of a condominium unit is recognized when 20% of the total contract price has been collected. The amount of sale of condominium units recognized in the statement of comprehensive income is equal to the total contract price, net of day-one loss related to the discounting of non-interest-bearing receivables. If the transaction does not yet qualify as a sale, the deposit method is applied until all conditions for recording the sale have been met. Pending the recognition of a sale, payments received from buyers are presented as “Reservation deposits under the Deposits and Advances account,” as applicable, in the current and non-current liabilities sections of the consolidated statement of financial position.

Balance Sheet Reclassification

Our real property assets, including land, buildings and related infrastructure, may be reclassified from time to time, based on our management's intended use of the property. Typically, prior to completion of the reclamation, a potential parcel of land may be classified as "Land and Land Development Costs" on the asset side and "Estimated Liability on Land and Land Development Costs" on the liability side of our balance sheet. The same parcel of land may subsequently be developed into commercial or residential buildings. Regardless of whether the property remains as raw land or has been developed into a building, once management changes its intention with respect to the use of the property, designating such property as for capital appreciation or for lease, we then reclassify the property as "investment property" due to its earning potential.



Notes:

- (1) A reclaimed property may initially be recorded as "Land and Land Development Costs" as an asset on our balance sheet.
- (2) The estimated cost to complete the land development is initially recorded as "Estimated Liability on Land and Land Development Costs" as a liability on our balance sheet. As we utilize cash or other assets and expend efforts to complete the reclamation or develop the property, our estimated liability on land and land development costs will decrease, corresponding to the decreases in cash or other asset items.
- (3) The same property may be reclassified as an asset on the balance sheet from "Land and Land Development Costs" to "Investment Property" when our management's intention with respect to the property has changed (i.e., such property will be held for capital appreciation or for lease).

Land and Land Development Costs

The cost of land reclamation and the related land development costs are initially recorded as "Land and Land Development Costs," which also include capitalized borrowing costs incurred before the completion of the reclamation project, as relevant. For land acquired through direct purchase, the actual acquisition price plus direct costs incurred in acquiring the property comprise the actual cost. Costs of land sold before completion of the contemplated development are determined based on the actual costs incurred to date, plus estimated costs for development as determined by our engineering department on the liability side of the balance sheet, and are recognized when the related property sales revenue is recognized. A valuation allowance is provided to reduce the land development costs that are no longer recoverable. Subsequent to initial recognition, land and land development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is de-recognized upon disposal or when no future economic benefits are expected to arise from the sale of the asset. Our management has estimated that the net realizable value of "Land and Land Development Costs" is higher than its carrying value as of December 31, 2015, 2016 and 2017.

Estimated Liability for Land Development Costs

Estimated liability for land development costs pertains to the estimated development costs of parcels of land for which we had a contractual obligation to complete development. Estimated costs of liability are based on the estimates of our engineering department and capitalized as "Land and Land Development Costs" as an asset on our balance sheet.

Investment Properties

Properties held for capital appreciation or for lease under operating lease agreements, which mainly consist of land, buildings, improvements and condominium units, are classified as investment property and carried at cost less accumulated depreciation and any impairment loss, except for land, which is carried at cost less any impairment in value.

Our management determined that our “investment properties” had a total fair value of ₱49,271.1 million, ₱49,271.1 million and ₱75,805.4 million as of December 31, 2015, 2016 and 2017, respectively.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and improvements	25 - 30 years
Condominium unit.....	25 years

The residual values, useful life and method of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

Property and Equipment

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

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land improvements	15 years
Machinery and construction equipment.....	3-5 years
Transportation equipment.....	5 years
Furniture and office equipment	2-5 years
Machinery and other equipment	3 years

Amortization of leasehold improvements is recognized over the estimated useful life of the improvement or the term of the lease, whichever is shorter.

Transportation equipment held under finance lease agreements is depreciated over its expected useful life (determined by reference to comparable owned assets) or over the term of lease, if shorter.

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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

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

Financial Assets

Financial assets are recognized when we become a party to the contractual terms of the relevant financial instrument. Financial assets other than those designated and intended as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss, or FVTPL, loans and

receivables, available-for-sale, or AFS, financial assets, and held-to-maturity investments. Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which such investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value, and transaction costs related to it are recognized in profit or loss.

Financial Liabilities

Financial liabilities, which include loans and borrowings, trade and other payables (except tax-related liabilities), advances from a co-joint venturer, advances from and due to related parties, and rental deposits under deposits and advances account, are recognized when we become a party to the contractual terms of the relevant instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss, under the Finance Costs account in our consolidated statement of profit or loss.

Loans and borrowings are raised to support the short- and long-term funding of our operations. They are recognized as proceeds received, net of direct issue costs. Finance costs are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument, to the extent that these are not settled in the period in which they arise.

Obligations under finance lease (included as part of “Loans and Borrowings” account) are measured at initial value less the capital element of lease repayments.

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Advances from and due to related parties and advances from a co-joint venturer are initially recognized at nominal value and subsequently measured at amortized cost less settlement payments.

Rental deposits are recognized when cash is received or becomes receivable from tenants, based on the terms of the relevant lease agreements. These are initially measured at the amount of cash received or receivable, in accordance with the terms of the lease agreement. Rental deposits are subsequently measured at amortized cost using the effective interest method.

Customer Deposits pertain to reservation fee and advance payments from buyers which did not meet the 20% threshold for the revenue recognition as of the end of the reporting period. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Deposits and Advances account in the current and non-current liabilities sections of the statement of financial position.

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

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

Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When time value of money is material, long-term provisions are discounted to their present values, using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Similarly, possible inflows of economic benefits to us that do not yet meet the recognition criteria of an asset are considered contingent assets, and hence are not recognized in the financial statements. On the other hand, any reimbursement that we deem collectable from a third party with respect to the obligation is recognized as a separate asset, not exceeding the amount of the related provision.

Impairment of Non-financial Assets

Our investments in associates and joint ventures, property and equipment, investment properties and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

Income Taxes

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

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

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

reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

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

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

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

Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses and non-monetary benefits provided to current employees that are expected to be settled within 12 months after the end of the annual reporting period during which an employee's services are rendered, but do not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period, and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payable accounts.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to our executive committee. Each of our operating segments is managed separately, as each of these service lines requires different technologies, resources and marketing strategies. All inter-segment transfers are carried out at arm's length prices. Our executive committee is responsible for allocating resources to and assessing the performance of our operating segments.

PRINCIPAL COMPONENTS OF OUR INCOME STATEMENT

Revenue

The following table sets forth our revenue by business lines for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
	(P in millions)		
Revenue			
Rentals			
Land	803.2	860.5	919.4
Building.....	311.6	344.6	429.7
Other revenue	114.4	121.5	157.9
Rentals Total.....	1,229.2	1,326.6	1,507.0
Land sales	329.8	600.7	1,088.3
Construction contracts	82.3	231.2	202.1
Sale of condominium units	–	21.9	213.8
Total	1,641.3	2,180.3	3,011.2

Rentals

- Rentals of Land.** Rentals of land primarily consist of land rented in Aseana City to the following principal tenants: Ayala Land, Singapore School Manila, Inc., Globeway Property Ventures, Inc., Seven Tall Trees Events, Inc. and Pilipinas Shell Petroleum Corporation. Our total leased land area was 138,900.2 sq.m., 140,540.2 sq.m. and 150,520.7 sq.m. as of December 31, 2015, 2016 and 2017, respectively. See “Business – Business Overview – Land Sales and Leases – Land Lease Agreements” on page 126 for more details on each of these properties. Rentals of land represented approximately 49%, 39% and 31% of our total revenue in 2015, 2016 and 2017, respectively.
- Rentals of Building.** Rentals of building primarily consist of the rentals of commercial units from our buildings in Aseana City, including Aseana Powerstation Building, Aseana Town Center and Aseana Square, each a mixed use space, as well as Aseana One and Two, each an office building. Our total leased floor area was 45,432.3 sq.m., 56,863.4 sq.m. and 59,000.1 sq.m. as of December 31, 2015, 2016 and 2017, respectively. See “Business – Business Overview – Investment Properties” on page 127 for more details on each of these buildings. Rentals of buildings represented approximately 19%, 16% and 14% of our total revenue in 2015, 2016 and 2017, respectively.
- Other Revenue.** Other revenue primarily consists of utilities recovery and CUSA fees we generally charge our tenants with respect to the properties we rent out to them. As a result, the growth of other revenue will generally be in line with the occupancy rate during that period, which may not be the same as the occupancy rate as of the last day of the relevant period. As CUSA fees represent fees that we utilize for the upkeep of the common use service areas, we do not deem this to be a significant revenue driver moving forward or reflective of our financial growth. Other revenue represented approximately 7%, 6% and 5% of our total revenue in 2015, 2016 and 2017, respectively.

Land Sales

Land sales primarily consist of our sales of land in Aseana City. See “Business – Business Overview – Land Sales and Leases” on page 124 for more details on these sales. Land sales represented approximately 20%, 28% and 36% of our total revenue in 2015, 2016 and 2017, respectively.

The table below identifies the land we sold that was included as revenue from land sales for 2015, 2016 and 2017.

Purchaser	Total Land Area (sq.m.)	Lot Number	Usage of Land	Development Status	Date of Contract to Sell	Sales (P in millions)	Location
Anchorland Holdings, Incorporated	2,638.0	20-A	Mixed Use	Under Construction	March 2015	329.75	Aseana City
Bayprime Property Inc.	2,180.0	18-C	Mixed Use	Planning	August 2016	403.30	Aseana City
Harton Lincoln Realty Inc.	874.0	13-D	Mixed Use	Planning	December 2016	161.69	Aseana City
Edvic Go Yap	1,049.0	Portion of 614-C			September 2016	35.67	Quezon City
Uni-Asia International Prime Holdings	2,521.0	18-D	Mixed Use	Planning	June 2017	605.04	Aseana City
Jeco Development Corp.	1,933.0	4	Mixed Use	Planning	September 2017	483.25	Aseana City

Construction Contracts

Construction contracts primarily consist of the portion of the revenue recognized in relation to the projects undertaken during each of the respective periods. See “Business – Business Overview – Land Reclamation and Construction Projects” on page 136 for more details on these projects. Construction contracts represented approximately 5%, 11% and 7% of our total revenue in 2015, 2016 and 2017, respectively.

Sale of Condominium Units

Sales of condominium units primarily consisted of 42 units (combined units and parking) in the year 2017 and six accounts in the year 2016. Total net saleable area (“NSA”) was 11,946.3 sq.m. of which 1,972.0 sq.m. and 206.7 sq.m. was sold in 2017 and 2016, respectively. Sales of condominium units represented approximately 0%, 1% and 7% of our total revenue in 2015, 2016 and 2017, respectively.

Cost of services and sales

The following table sets forth our cost of services and sales by its components for the years indicated:

	For the year ended December 31,		
	2015	2016	2017
	(P in millions)		
Cost			
Rentals	189.0	185.6	202.0
Land sales	73.3	120.4	141.5
Construction contracts	59.4	202.0	132.2
Sale of Condominium units.....	–	21.8	203.0
Total	<u>321.7</u>	<u>529.8</u>	<u>678.8</u>

Rentals

Costs for rentals primarily consist of the following: depreciation of buildings and infrastructure for rental property, property management services, real property tax payable, related real estate brokerage fees and other outside services, such as security and janitorial services.

Construction Contracts

Costs for construction contracts primarily consist of costs for construction materials, sub-contractors, depreciation and amortization for purchased equipment, salaries and employee benefits.

Land Sales

Costs for land sales primarily consist of land and land development costs for the parcels of land sold, the related real estate brokerage fees and other outside services.

Sales of Condominium units

The cost of sales of condominium units primarily consist of the NSA multiplied by the estimated cost per sq.m. Costs of residential condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, any applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers and adjusted by the percentage of completion of the project.

Gross Profit

Gross profit equals revenue less cost of services and sales. Our gross profit for 2015, 2016 and 2017 was ₱1,319.5 million, ₱1,650.5 million and ₱2,332.5 million, representing gross profit margins of 80.4%, 75.7% and 77.5%, respectively.

The following table sets forth our gross profit and gross margin by business lines for the years indicated:

	For the year ended December 31,					
	2015		2016		2017	
Gross profit and gross profit margin	(₱ in millions except percentages)					
Rentals	1,040.2	84.6%	1,141.0	86.0%	1,305.1	86.6%
Land sales	256.5	77.8%	480.3	80.0%	946.8	87.0%
Construction contracts	22.8	27.8%	29.2	12.6%	69.9	34.6%
Sale of condominium units	—	—	0.1	0.0%	10.7	5.0%

Rentals

Our gross profit for rentals increased throughout the three years ended December 31, 2017, reflecting the increase in our land and building units available for rent during the period. In terms of costs, since land is not depreciable and the costs for the rentals of land do not have depreciable components, rentals of land typically enjoy the highest gross profit margin among our business segments. In comparison, a large portion of the costs for our rentals of building consists of depreciation costs for those buildings, and may be further compounded by low occupancy rates when a new building first comes on line.

Land Sales

As with our rental properties, we obtained our land holdings in Aseana City through our Reclamation Agreement with the PRA, pursuant to which we received certain land holdings in Aseana City as consideration for the reclamation services we rendered in connection with the CBP-BC project. The land and land development costs for our land holdings in Aseana City, therefore, historically have been booked based on the cost of performing the reclamation of the entire CBP-BC development. As we obtained our land holdings in Aseana City prior to the escalation of land prices in Metro Manila, we incurred relatively lower acquisition costs for our land compared to current market prices for the same parcels of land, which have appreciated substantially since the time we began our reclamation works. In March and November 2015, we sold a total of three parcels of land to Anchorland Holdings, Incorporated for its proposed mixed use property developments. We also sold a parcel of land to Sequoia Manila Corp. in June 2015 for its proposed mixed use property development. In August and December 2016, we sold a total of two parcels of land to Bayprime Property, Inc. and Harton Lincoln Realty, Inc., respectively, for their proposed mixed use property developments. In 2017, we sold parcels of land to Jeco Development Corporation and Uni-Asia International Prime Holdings Inc. for their proposed mixed use property developments. The costs of land sales in each case relate primarily to the land cost derived from the historical reclamation cost of the entire CBP-BC development. The cost of land sales is also allocated proportionally to the relevant property plus the related development costs, which are considerably lower than current market prices.

Construction Contracts

By December 31, 2015, we completed our contracted site development works for City of Dreams Manila and recognized the full amount of the revenue for the project. In 2016, we completed pile driving works for Ayala Land's Ayala Curtis Mall building, which is situated in Aseana City on land leased from our Group. Upon its completion, the Ayala Curtis Mall is expected to become the premier mixed use shopping center-hotel development project in Aseana City. In 2017, we substantially completed the pile driving works for the Red Planet 2 Hotel project and the Red Planet Hotels Entertainment City project located in Aseana City.

Sale of Condominium units

Our Company uses the percentage-of-completion method in accounting for its realized gross profit on sale of condominium units. The percentage-of-completion method requires our Company to estimate

the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Based on this method, our gross profit increased mainly due to the increase of units for which we collected 20% of the contract price, which is our basis for recognizing our sale of condominium units.

Other Operating Expenses

The following table sets forth our other expenses for the years indicated:

	For the year ended December 31,		
	2015	2016	2017
Other operating expenses		(P in millions)	
General and administrative expenses	268.2	283.2	461.8
Selling expenses.....	1.9	10.5	3.6
Total	270.1	293.7	465.4

General and Administrative Expenses

General and administrative expenses primarily consisted of professional fees, salaries and employee benefits, taxes and license fees, utilities expenses and internal commissions for property leased or sold by our employees as part of our remuneration policies.

Selling Expense

Selling expenses primarily consisted of advertising costs related to promotional campaigns for our properties.

Operating Profit (Loss)

Operating profit equals gross profit less other operating expenses.

Other Income (Charges)

The following table sets forth our other income (charges) for the years indicated:

	For the year ended December 31,		
	2015	2016	2017
Other income (charges)		(P in millions)	
Gain on sale of investment property.....	247.3	312.5	257.7
Finance costs.....	(107.7)	(83.8)	(72.1)
Share in net loss of associates and joint venture.....	(0.7)	(5.3)	(1.0)
Finance income.....	6.8	4.1	15.8
Other income	18.5	55.6	25.8
Total.....	164.2	283.1	226.1

Gain on Sale of Investment Property

Gain on sale of investment property primarily consists of sales of parcels of land that are held as capital assets among our investment properties, as opposed to land and land development costs. Sales of capital assets are taxed at the lower capital gain tax rate of 6.0% in the Philippines, as opposed to sales of land classified as ordinary assets, which are taxed at the higher corporate income tax rate of 30%.

Finance Costs

Finance costs primarily consisted of interest expense costs to roll over our current bank loans and net foreign currency loss.

	For the year ended December 31,		
	2015	2016	2017
Interest Expense		(P in millions)	
Bank loans	97.2	77.6	65.9
Obligation under financial lease.....	1.1	0.7	-
Retirement benefit obligation.....	0.7	2.4	4.0
Other.....	8.7	3.1	2.2
Total interest expense	<u>107.7</u>	<u>83.8</u>	<u>72.1</u>

The total amount of our bank loans as of December 31, 2015, 2016 and 2017 was P2,879.5 million, P2,663.4 million and P2,476.9 million, respectively.

Finance Income

Finance income primarily consisted of interest income and net foreign currency gain.

	For the year ended December 31,		
	2015	2016	2017
Interest Income		(P in millions)	
Cash and cash equivalents.....	2.6	3.0	7.2
Sale of condominium units	-	0.2	8.6
Total interest income	<u>2.6</u>	<u>3.2</u>	<u>15.8</u>
Foreign currency gain, net.....	4.2	1.0	-
Total finance income	<u>6.8</u>	<u>4.1</u>	<u>15.8</u>

Other Income

Other income primarily consisted of the following:

	For the year ended December 31,		
	2015	2016	2017
Other Income		(P in millions)	
Income from provision of administrative services	3.7	25.3	14.4
Sales of scrap	2.2	-	-
Others	12.5	30.4	11.4
Total	<u>18.5</u>	<u>55.6</u>	<u>25.8</u>

Others include parking fee income, vetting fees and signage rental, commission income and equipment rental.

Profit before Tax

Profit before tax equals operating profit plus other income. Our profit before tax for 2015, 2016 and 2017 was P1,213.6 million, P1,639.9 million and P2,093.2 million, respectively.

Tax Expenses

Our tax expenses in 2015, 2016 and 2017 were P342.0 million, P437.4 million and P533.4 million, respectively, representing an effective income tax rate of 21.6%, 20.7% and 18.3%, respectively. Changes in effective income tax rate from period to period may be attributable to discrepancies between the higher tax rate for corporate income versus the lower tax rate for capital gains. In periods where a larger portion of our income was earned by sales of land that were held as capital assets among our investment properties, our gain on sale of investment property was taxed at the lower capital gain tax rate of 6%, instead of the higher corporate income

rate of 30%. In 2017, companies within the Group that had high gross profit margins availed of the optional standard deduction in an amount not exceeding 40% of gross sales or gross receipts.

RESULTS OF OPERATIONS

The following table shows statements of comprehensive income derived from our combined financial information for the years indicated. Each item is expressed as a percentage of our total revenue:

	For the year ended December 31,					
	2015		2016		2017	
	(₱ in millions, except percentages)					
Revenues						
Rentals						
Land	803.2	48.9%	860.5	39.5%	919.4	30.5%
Building	311.6	19.0%	344.6	15.8%	429.7	14.3%
Other revenues	114.4	7.0%	121.5	5.6%	157.9	5.2%
Land sales	329.8	20.1%	600.7	27.5%	1,088.3	36.1%
Construction contracts.....	82.3	5.0%	231.2	10.6%	202.1	6.7%
Sale of condominium units	-	0.0%	21.9	1.0%	213.8	7.2%
Total revenues	1,641.3	100.0%	2,180.3	100.0%	3,011.2	100.0%
Costs of services and sales						
Rentals	189.0	11.5%	185.6	8.5%	202.0	6.7%
Land sales	73.3	4.5%	120.4	5.5%	141.5	4.7%
Construction contracts.....	59.4	3.6%	202.0	9.3%	132.2	4.4%
Sale of condominium units	—	0.0%	21.8	1.0%	203.0	6.7%
Total costs of services and sales	321.7	19.6%	529.8	24.3%	678.8	22.5%
Gross profit	1,319.5	80.4%	1,650.5	75.7%	2,332.5	77.5%
Other operating expenses						
General and administrative expenses	268.2	16.3%	283.2	13.0%	461.8	15.2%
Selling expenses.....	1.9	0.1%	10.5	0.5%	3.6	0.1%
Total other operating expenses	270.1	16.5%	293.7	13.5%	465.4	15.5%
Operating profit (loss)	1,049.4	63.9%	1,356.8	62.2%	1,867.1	62.0%
Other income (charges)						
Gain on sale of investment property	247.3	15.1%	312.5	14.3%	257.7	8.6%
Finance costs.....	(107.7)	(6.6%)	(83.8)	(3.8%)	(72.1)	(2.4%)
Share in net losses of associates and joint ventures.....	(0.7)	0.0%	(5.3)	(0.2%)	(1.0)	0.0%
Finance income	6.8	0.4%	4.1	0.2%	15.8	0.5%
Other income.....	18.5	1.1%	55.6	2.5%	25.8	0.9%
Total other income (charges)	164.2	10.0%	283.1	13.0%	226.1	7.5%
Profit Before Tax.....	1,213.6	73.9%	1,639.9	75.2%	2,093.2	69.5%
Tax Expense.....	342.0	20.8%	437.4	20.1%	533.4	17.7%
Net Profit.....	871.7	53.1%	1,202.5	55.2%	1,559.8	51.8%

Net Profit

Net profit equals profit before tax less tax expenses. Our net profit for 2015, 2016 and 2017 was ₱871.7 million, ₱1,202.5 million and ₱1,559.8 million, respectively, representing net profit margins of 53.1%, 55.2% and 51.8%, respectively.

Year Ended December 31, 2015 Compared With Year Ended December 31, 2016

Revenue

Our consolidated revenue increased by ₱539.1 million, or 32.8%, from ₱1,641.3 million in 2015 to ₱2,180.3 million in 2016.

Rentals

Our total rental revenue from rentals increased by ₱97.4 million, or 7.9%, from ₱1,229.2 million in 2015 to ₱1,326.6 million in 2016.

- Rentals of Land. Rentals of land increased by ₱57.3 million, or 7.1% from ₱803.2 million in 2015 to ₱860.5 million in 2016. The increase was primarily attributable to the addition of Globeway Property Ventures as a lessee commencing in June 2016, with a leased land area of 4,897.0 sq.m. Our total leased land area increased from 134,003.2 sq.m. as of December 31, 2015 to 140,540.2 sq.m. as of December 31, 2016.
- Rentals of Building. Rentals of building increased by ₱33.0 million, or 10.6%, from ₱311.6 million in 2015 to ₱344.6 million in 2016. The increase was primarily attributable to the full year effect of renting out Aseana Two in 2016. Aseana Two started leasing out its office spaces in January 2015 and was fully leased out by August of the same year. In December 2016, Aseana Town Center was fully leased out to Fuzion International Group. Our total leased floor area was 45,432.3 sq.m. and 56,863.4 sq.m. as of December 31, 2015 and 2016, respectively.
- Other revenue. Other revenue increased by ₱7.1 million, or 6.2%, from ₱114.4 million in 2015 to ₱121.5 million in 2016. The increase was primarily attributable to the full year effect of occupancy in Aseana Two, which contributed to an increase in CUSA fees payments received from our tenants.

Land Sales

The increase of ₱270.9 million, or 82.1%, in revenue from land sales was due primarily to the escalation of sales prices from ₱125,000 per sq.m. in 2015 to ₱185,000 per sq.m. in 2016. The land area sold also increased from 2,638.0 sq.m. in 2015 to 3,054.0 sq.m. in 2016.

Construction Contracts

Revenue from construction contracts increased by ₱148.9 million, or 180.9%, from ₱82.3 million in 2015 to ₱231.2 million in 2016. The increase was attributable primarily to the substantial completion of pile driving works for the Ayala Curtis Mall. Construction services for the Ayala Curtis Mall started in January 2016 and were 97.2% completed by the end of December 31, 2016.

Sale of Condominium Units

The revenue from sale of condominium units was ₱21.9 million in 2016. This revenue was attributable primarily to recognition of four residential units and two parking slots, for a total of six units, in Pixel Residences that reached the 20% threshold under our revenue recognition policy. A sale of a condominium unit is recognized when 20% of the contract price has been collected. The construction completion percentage of Pixel Residences was 2.63% as of December 31, 2016. We did not sell any condominium units in 2015.

Cost of services and sales

Rentals

Costs of rentals decreased by ₱3.4 million, or 1.8%, from ₱189.0 million in 2015 to ₱185.6 million in 2016. The decrease was attributable primarily to (i) a decrease in real property tax of ₱2.9 million when we made payments of local taxes earlier in the year in exchange for a discount on the taxes otherwise due, and (ii) a decrease in depreciation of ₱7.5 million due to a change in management's assumption of the useful life of the buildings. These decreases were offset in part by the increase in outside services of ₱7.4 million due to a commission incurred related to the lease by Fuzion International Group of Aseana Town Center.

Land Sales

Cost of land sales increased by ₱47.1 million, or 64.3%, from ₱73.3 million in 2015 to ₱120.4 million in 2016, due primarily to the increase in land area sold from 2,638.0 sq.m. in 2015 to 3,054.0 sq.m. in 2016.

Construction Contracts

Costs of construction increased by ₱142.6 million, or 240.1% from ₱59.4 million in 2015 to ₱ 202.0 million in 2016. The increase was due primarily to the substantial completion of pile driving works for the Ayala Curtis Mall. Construction services for the Ayala Curtis Mall started in January 2016, and construction were 97.2% complete by December 31, 2016.

Sale of Condominium units

The cost of sale of condominium units includes the actual cost and the estimated cost to complete. There were no sales of condominium units in 2015, as we started commercial operations only in 2016.

Gross Profit

As a result of the increase in land area sold and the full year effect of recognition of rental revenue from Aseana Two, our gross profit increased by ₱331.0 million, or 25.1%, from ₱1,319.5 million in 2015 to ₱1,650.5 million in 2016. Our gross profit margins in 2015 and 2016 were 80.4% and 75.7%, respectively. The decrease in gross profit margin by 4.7% was due to the change in the percentage of our revenue derived from rentals and land sales. Our gross profit margin also reflects our margin from rentals of land, particularly with the large parcel of land leased to Ayala Land and the inherent advantage in having relatively lower land acquisition costs for the land we sold.

Rentals

Gross profit for rentals increased by ₱100.8 million, or 9.7%, from ₱1,040.2 million in 2015 to ₱1,141.0 million in 2016. The increase was due primarily to the lease of land to Globeway Property Venture, Chowking and Racks starting as early as May 2016. On the rentals of buildings, the full year effect of the high occupancy in Aseana Two also significantly increased our revenue in 2016 compared to 2015 and improved our gross profit margin. Our gross profit margins for rentals were 86.0% and 84.6% in 2016 and 2015, respectively.

Land Sales

Gross profit for land sales increased by ₱223.8 million, or 87.3%, from ₱256.5 million in 2015 to ₱480.3 million in 2016. The increase was due primarily to the increase in sales price of land area sold from ₱125,000 per sq.m. in 2015 to ₱185,000 per sq.m. in 2016. As with our properties for land leases, we obtained our land holdings in Aseana City through our Reclamation Agreement with the PRA, which resulted in relatively lower acquisition costs for our land compared to current market prices for the same parcels of land when valued at the time we completed reclamation.

Construction Contracts

Gross profit for construction contracts increased by ₱6.4 million, or 28.0%, from ₱22.8 million in 2015 to ₱29.2 million in 2016. The increase was attributable primarily to the single large contract with Makati Development Corp. for the pile driving works of the Ayala Curtis Mall project.

Sale of Condominium Units

Gross profit for sale of condominium units increased by ₱0.1 million in 2016 due to the sale of six units in Pixel Residences in 2016. No gross profit was recognized in 2015, since condominium sales started only in 2016.

Other Operating Expenses

Other operating expenses increased by ₱23.6 million, or 8.7%, from ₱270.1 million in 2015 to ₱293.7 million in 2016.

General and Administrative Expenses

General and administrative expenses increased by ₱15.0 million, or 5.6%, from ₱268.2 million in 2015 to ₱283.2 million in 2016. The increase was attributable to the increase in salary expenses of ₱8.7 million due to additional employees, the increase in repairs and maintenance costs of ₱8.1 million due to the minor repairs on

our buildings, the increase in commission expenses of ₱5.3 million due to increase in the land area sold, the increase in association dues of ₱4.4 million due to increase in the membership due rates. These increases were offset in part by a decrease in taxes and licenses of ₱9.8 million due to our availment of an early payment discount offered by the tax authorities.

Selling Expenses

Selling expenses increased by ₱8.6 million, or 452.6%, from ₱1.9 million in 2015 to ₱10.5 million in 2016. The increase was attributable primarily to certain advertising campaign efforts in relation to Aseana City in 2016.

Operating Profit

As a result of the strong growth in our gross profit, our operating profit increased by ₱307.4 million, or 29.3%, from ₱1,049.4 million in 2015 to ₱1,356.8 million in 2016.

Other Income

Other income increased by ₱118.9 million, or 72.4% from ₱164.2 million in 2015 to ₱283.1 million in 2016 mainly due to an increase in gain on sales of investment property.

Gain on Sale of Investment Property

In 2016, we had a gain on sales of investment property amounting to ₱312.5 million in relation to the sale of two parcels of land with an approximate total land area of 4,716 sq.m. to Anchorland Holdings, Incorporated. The sales price per square meter increased by ₱25,000 per sq.m., or 20% from ₱125,000 in 2015 to ₱150,000 in 2016.

Finance Costs

Finance costs decreased by ₱23.9 million, or 22.2%, from ₱107.7 million in 2015 to ₱83.8 million in 2016. The decrease was attributable primarily to a decrease in interest expense of ₱19.7 million due to lower interest rates and re-payment of loans and borrowings.

Finance Income

Finance income decreased by ₱2.7 million, or 39.7%, from ₱6.8 million in 2015 to ₱4.1 million in 2016. The decrease was attributable primarily to a recognition of foreign currency gain on our dollar accounts in 2015.

Other Income

Other income increased by ₱37.1 million, or 200.5%, from ₱18.5 million in 2015 to ₱55.6 million in 2016. The increase was attributable primarily to a ₱22.8 million recognition of income by U-City Technologies and our collection of a ₱10 million construction bond.

Profit before Tax

As a result of the foregoing, our profits before tax increased by ₱426.3 million, or 35.1%, from ₱1,213.6 million in 2015 to ₱1,639.9 million in 2016.

Tax Expenses

Our tax expenses increased by ₱95.4 million, or 27.9%, from ₱342.0 million in 2015 to ₱437.4 million in 2016, representing an effective income tax rate of 21.6% and 20.7% of gross revenue, respectively. The slight reduction in effective income tax rate was due to the difference between the higher tax rate for regular corporate income tax versus the lower tax rate for capital gains.

Net Profit

Based on the above factors, our net profit increased by ₱330.8 million, or 38.0%, from ₱871.7 million in 2015 to ₱1,202.5 million in 2016. Our net profit margins also reflect our inherent advantage in having relatively lower land acquisition costs for the land we sold. Our net profit margins in 2015 and 2016 were 53.1% and 55.2%, respectively.

Year Ended December 31, 2016 Compared With Year Ended December 31, 2017

Revenue

Our consolidated revenue increased by ₱830.9 million, or 38.1%, from ₱2,180.3 million in 2016 to ₱3,011.2 million in 2017.

Rentals

Our total rental revenue increased by ₱180.4 million, or 13.6%, from ₱1,326.6 million in 2016 to ₱1,507.0 million in 2017.

- Rentals of Land. Rentals of land increased by ₱58.9 million, or 6.8% from ₱860.5 million in 2016 to ₱919.4 million in 2017. The increase was attributable primarily to our agreements with Ayala Land in 2017 to lease an area of approximately 9,980 sq.m. in addition to the 92,317 sq.m. leased in 2014. Our total leased land area increased from 140,540.2 sq.m. as of December 31, 2016 to 150,520.7 sq.m. as of December 31, 2017.
- Rentals of Building. Rentals of building increased by ₱85.1 million, or 24.7% from ₱344.6 million in 2016 and ₱429.7 million in 2017. The increase was attributable primarily to the full occupancy of Aseana Town Center and S&R as well as the completion of Aseana Square in June 2017. Rentals primarily consist of the rentals of commercial units from our buildings in Aseana City, including Aseana Powerstation and Aseana Town Center, Aseana Square and S&R, each a mixed use space, as well as Aseana One and Two, each an office building. Our total leased floor area was 56,863.4 sq.m. and 59,000.1 sq.m. as of December 31, 2016 and 2017, respectively. See “Business – Business Overview – Investment Properties” on page 127 for more details on each of these buildings.
- Other Revenue. Other revenue increased by ₱36.4 million, or 30.0% from ₱121.5 million in 2016 to ₱157.9 million in 2017. The increase was attributable primarily to the completion of Aseana Square in June 2017, which generated CUSA fees and reimbursable expenses that we generally charged our tenants.

Land Sales

Revenue from land sales increased by ₱487.6 million, or 81.2%, from ₱600.7 million in 2016 to ₱1,088.3 million in 2017. The increase was attributable primarily to the sales price of land increasing by ₱65,000 per sq.m, or 35.1% from ₱185,000 per sq.m in 2016 to ₱250,000 per sq.m in 2017. In 2017, we sold a parcel of land to Uni-Asia International Prime Holdings, Inc. with an approximate land area of 2,521.0 sq.m. and another parcel of land to Jeco Development Corporation with an approximate land area of 1,933.0 sq.m.

Construction Contracts

Revenue from construction contracts decreased by ₱29.1 million, or 12.6%, from ₱231.2 million in 2016 to ₱202.1 million in 2017. The decrease was attributable primarily to lesser construction services performed by us in 2017 while a single large pile driving works for the Ayala Curtis Mall project for its shopping and hotel complex development was substantially completed by the end of December 31, 2016.

Sale of Condominium Units

The revenue from sale of condominium units increased by ₱191.9 million in 2017. This increase was attributable primarily to the revenue from the additional 27 residential units and 15 parking slots, for a total of 42 units, sold in Pixel Residences that reached our 20% threshold for revenue recognition.

Cost of Services and Sales

Our consolidated cost of services and sales increased by ₱149.0 million, or 28.1%, from ₱529.8 million in 2016 to ₱678.8 million in 2017.

Rentals

Costs of rentals increased by ₱16.4 million, or 8.8%, from ₱185.6 million in 2016 to ₱202.0 million in 2017. In June 2017, Aseana Square was completed and was fully occupied by the end of the same year. The increase in cost was due primarily to an increase in utilities of ₱9.3 million, an increase in depreciation expenses of ₱3.4 million and an increase in repairs and maintenance of ₱5.3 million.

Land Sales

Costs of land sales increased by ₱21.1 million, or 17.5%, from ₱120.4 million in 2016 to ₱141.5 million in 2017. The increase was attributable primarily to the increase in land area sold from 3,054.0 sq.m. in 2016 to 4,454.0 sq.m. in 2017.

Construction Contracts

Costs of construction contracts decreased by ₱69.8 million, or 34.6%, from ₱202.0 million in 2016 to ₱132.2 million in 2017. The decrease was attributable primarily to the decrease in construction activities in 2017.

Sale of Condominium units

The cost of sales increased by ₱181.2 million due to the increase of sold units from six Pixel Residences units in 2016 to 42 Pixel Residences units in 2017.

Gross Profit

Due mainly to the sale of parcels of land and additional land and building rentals, our gross profit increased by ₱682.0 million, or 41.3%, from ₱1,650.5 million in 2016 to ₱2,332.5 million in 2017. Our gross profit margin also reflected our relatively lower land acquisition cost. Our gross profit margins in 2016 and 2017 were 75.7% and 77.5%, respectively.

Rentals

Gross profit for rentals increased by ₱164.1 million, or 14.4%, from ₱1,141.0 million in 2016 to ₱1,305.1 million in 2017. The increase was attributable primarily to the agreements to lease additional land to Ayala Land, completion of Aseana Square and the full occupancy of Aseana Town Center and S&R. As opposed to building units whose depreciation needs to be accounted for as costs in calculation of gross profit margins, the cost for rentals of land is less, as land does not have a depreciable component. The occupancy rate of Aseana Square was 100% as of December 31, 2017. As a result of the foregoing, our gross profit margins were 86.0% and 86.6% in 2016 and 2017, respectively.

Land Sales

Gross profit for land sales increased by ₱466.5 million, or 97.1% from ₱480.3 million in 2016 to ₱946.8 million in 2017 due primarily to the increase in land area sold and increase in sales price by 35.1% or ₱65,000 from ₱185,000 per sq.m. in 2016 to ₱250,000 in 2017. Our gross profit margins in 2016 and 2017 were 80.0% and 87.0%, respectively.

Construction Contracts

Gross profit for construction contracts increased by ₱40.7 million, or 139.4% from ₱29.2 million in 2016 to ₱69.9 million in 2017. The increase was attributable primarily to additional construction revenue for the Belle Bay City and East Ocean projects which was recognized in 2017. As a result, our gross profit margins improved from 12.6% in 2016 to 34.6% in 2017.

Sale of Condominium Units

Gross profit from sales of condominium units increased by ₱10.7 million due to the increase of percentage of completion from 2.6% in 2016 to 18.3% in 2017 respectively. Also, the number of units recognized increased from six units to 48 units in 2016 and 2017, respectively.

Other Operating Expenses

Other operating expenses increased by ₱171.7 million, or 58.5%, from ₱293.7 million in 2016 to ₱465.4 million in 2017.

General and Administrative Expenses

General and administrative expenses increased by ₱178.6 million, or 63.1%, from ₱283.2 million in 2016 to ₱461.8 million in 2017. The increase was attributable primarily to (i) an increase in professional fees of ₱76.6 million due as a result of arbitration with Alphaland Development Inc. in 2017, (ii) an increase in commission expenses of ₱51.8 million due to increased land sale transactions, (iii) an increase in salaries and wages of ₱18.6 million due to the hiring of employees for the Group and (iv) an increase in association dues of ₱11.1 million.

Selling Expenses

Selling expenses decreased by ₱6.9 million, or 65.7%, from ₱10.5 million in 2016 to ₱3.6 million in 2017. The decrease was attributable primarily to a decrease in advertising expenses for Aseana City.

Operating Profit

As a result of the strong growth in our gross profit, our operating profit increased by ₱510.2 million, or 37.6% from ₱1,356.8 million in 2016 to a profit of ₱1,867.1 million in 2017.

Other Income

Other income decreased by ₱57.0 million, or 20.1% from ₱283.1 million in 2016 to ₱226.1 million in 2017 primarily due to a ₱54.8 million decrease in the sales of investment property.

Gain on Sale of Investment Property

The decrease of ₱54.8 million was due primarily to the decrease in land sold from 4,716 sq.m. in 2016 to 1,706 sq.m. in 2017. In 2016, we had a gain on sale of investment property amounting to ₱312.5 million as a result of the sale of two parcels of land in Aseana City with an approximate land area of 4,716 sq.m., that were held as capital assets among our investment properties, to Anchorland Holdings Incorporated for its proposed mixed use property developments. In 2017, we sold an approximate land area of 1,706 sq.m to MMALAND, Inc. for its proposed mixed use property developments.

Finance Costs

Finance costs decreased by ₱11.7 million, or 13.9%, from ₱83.8 million in 2016 to ₱72.1 million in 2017. The decrease was attributable primarily to the re-payment of loans and borrowings.

Finance Income

Finance income increased by ₱11.7 million, or 285.4%, from ₱4.1 million in 2016 to ₱15.8 million in 2017. The increase was attributable primarily to the recognition of interest income from real estate sales, taking into account the effective interest yield on real estate receivables.

Other Income

Other Income decreased by ₱29.8 million, or 53.6%, from ₱55.6 million in 2016 to ₱25.8 million in 2017. The decrease was due primarily to no commission income being recognized in 2017.

Profit before Tax

As a result of the foregoing, our profits before tax increased by ₱453.3 million, or 27.6%, from ₱1,639.9 million in 2016 to ₱2,093.2 million in 2017.

Tax Expenses

Our tax expenses increased by ₱96.0 million, or 21.9%, from ₱437.4 million in 2016 to ₱533.4 million in 2017, representing an effective income tax rate of 20.7% and 18.3% of gross revenue, respectively. The decrease in the effective income tax rate was due to the benefit derived from electing the optional standard deduction amounting to 40% of gross sales or gross receipts.

Net Profit

As a result of land sales as well as full occupancy of Aseana Square, Aseana Town Center and S&R, our net profit increased by ₱357.3 million, or 29.7%, from ₱1,202.5 million in 2016 to ₱1,559.8 million in 2017. Our net profit margin also reflected our inherent advantage in having relatively low land acquisition costs for the land we sold and relatively high gross profit margins for our land and building leases. Our net profit margins in 2016 and 2017 were 55.2% and 51.8%, respectively.

Reclassification of Certain Balance Sheet Items

Land and Land Development Costs to Investment Property

We reclassified certain properties that were previously presented on our balance sheet under “Land and Land Development Costs” to “Investment Property” upon changes in our management’s intention to hold the related property for purposes of generating rental income. See “– Critical Accounting Policies and Judgments – Balance Sheet Reclassification” on page 79. An analysis of the movements of the balance of “Land and Land Development Costs” is as follows:

	As of December 31,	
	2016	2017
	(₱ in millions)	
Balance at the beginning of the year.....	3,946.5	3,519.8
Sales during the year	(120.4)	(141.5)
Reclassification to investment property.....	(186.5)	(54.7)
Reversal of estimated liability	(119.8)	–
Balance at end of year	3,519.8	3,323.6

Assets reclassified from “land and land development costs” to “investment property” primarily pertained to assets in the following projects:

- (i) In 2016, we reclassified ₱186.5 million from “Land and Land Development Costs” to “Investment Property.” This included an aggregate land area of 6,537.49 sq.m. leased to Globeway Property Venture, Inc., Cavalino Inc. and EJO Multifoods, Inc.
- (ii) In 2017, we reclassified ₱54.7 million from “Land and Land Development Costs” to “Investment Property.” This included an aggregate land area of 1,970 sq.m. as a portion of Aseana 2.

Estimated Liability for Land Development Costs

Estimated liability for land development costs represents the costs estimated by our engineering department to complete the development of our land holdings under the present development plan. The current portion of the estimated liability for land development costs represents the short-term funding requirement to carry out our development plan for our rentals and land sales business segments.

As of December 31, 2016 and 2017, our estimated liability for land development costs amounted to ₱7,748.4 million and ₱7,606.4 million, respectively, of which ₱477.5 million and ₱570.7 million, respectively, reflected the current portion of our estimated liability for land and land development costs.

For the year ended December 31, 2017, we experienced a decrease of estimated liability for land developments costs of ₱142.0 million from December 31, 2016. This decrease pertained to the development costs incurred within Aseana City in 2017, including those associated with roads, sidewalks, drainages, underground utility setup and other related activities under our Master Plan. These costs pertained to the overall planned development of Aseana City which includes works related to, among other things, (i) roads, (ii) drainage systems, (iii) sidewalks, (iv) underground utilities, (iv) a church, (v) a fire station, (vi) elevated walkways, (vii) alleys, (vii) bridges, (viii) a sewage treatment plant, (ix) a water distribution system, (x) a power distribution system, (xi) landscaping, (xii) telephone and CATV distribution systems, (xiii) parks, promenades and fences, (xiv) pedestrian overpasses, (xv) a police station, (xvi) a health care center, (xvii) a streetlight system and (xviii) an integrated security system. These development costs did not pertain to any specific parcels of land sold or retained by our Company.

Certain Assets

Receivables

As of December 31, 2016 and 2017, our receivables amounted to ₱3,895.5 million and ₱4,247.6 million, respectively. Our receivables primarily constituted of contract receivables, advances to related parties, rental receivables, retention receivables and installment receivables.

Contract receivables. As of December 31, 2016 and 2017, our contract receivables amounted to ₱650.5 million, and ₱690.7 million, respectively. Contract receivables are usually due within 270 days. Approximately 85.7%, and 80.7% as of December 31, 2016 and 2017, respectively, were due from the PRA, relating to construction services performed by us pursuant to various implementing agreements between us and the PRA. Our management believes that these receivables are fully recoverable through either the collection of accounts or payment in the form of land by the PRA to us.

Advances to related parties. As of December 31, 2016 and 2017, our advances to related parties amounted to ₱794.5 million and ₱714.8 million, respectively. Please see “Related Party Transactions” on page 207 of this Prospectus for a more detailed description of these transactions. The most significant portions of the advances to related parties were the advances to our parent company, WHI. Advances to WHI were ₱19.7 million, and ₱400.4 million, as of December 31, 2016 and 2017, respectively. See “Related Party Transactions” on page 207 of this Prospectus for more details.

Rental receivables. As of December 31, 2016 and 2017, our rental receivables amounted to ₱1,866.3 million and ₱2,436.1 million, respectively, reflecting the land leased to Ayala Land in September 2014 and the growing occupancy rates from our existing buildings and from the newly constructed Aseana Square starting from the second half of 2017. Our lease agreements typically provide for a rent increase of 5% - 10% per year for land leases, and 3% - 10% per year for commercial unit leases. We calculate the total rent receivables under the relevant lease agreement and recognize equal portions of the rent receivables over the lease term on a straight-line basis. As a result, at the beginning of the lease period, we would recognize an amount of revenue that is higher than our cash receipt, as a part of the future rent increase is recognized currently in equal portion over the lease term. The difference between the amount of revenue recognized and our cash receipt is recorded as rental receivable that may be offset in future periods.

Retention receivables. As of December 31, 2016 and 2017, our retention receivables amounted to ₱53.8 million and ₱53.6 million, respectively. Our retention receivables consisted of retention monies for the various construction projects we undertook, the largest of which during this period were the TPLEX and Ayala Curtis Mall projects. Approximately 10% of each of our progress billings was withheld as retention monies. As we completed each stage of construction, the retention receivables increased based on our work completed, offset in part by releases of certain long held retention receivables.

Installment receivables. As of December 31, 2016 and 2017, our installment receivables amounted to ₱250.4 million and nil, respectively. As of December 31, 2016, our installment receivables are primarily related

to the outstanding receivables in connection with the sale of two parcels of land to Anchorland Holdings, Incorporated. As of December 31, 2017, all installment receivables were collected.

Receivables past due. Receivables past due but not impaired as at the end of the relevant years are shown below:

	As of December 31,		
	2015	2016	2017
	(₱ in millions)		
Receivables past due:			
Not more than three months	35.3	6.7	57.2
More than three months but not more than one year	56.9	8.2	48.6
More than one year	639.5	649.1	629.3
Total	731.7	664.0	735.1

Receivables more than one year past due are principally receivables from the PRA, which will be settled once we reconcile our billings with the PRA.

Certain Liabilities

Deposit and Advances

In our standard property lease agreement, we typically require a security deposit equivalent to three months of rent and an advance rent payment for the first three months of rent, prior to the beginning of the lease period. We record these deposits and advances on our balance sheet and recognize the rent pro-rata throughout the term of the lease on a straight-line basis.

As of December 31, 2016 and 2017, our deposits and advances amounted to ₱1,017.3 million and ₱1,114.6 million, respectively, reflecting the growing occupancy rate of Aseana Two starting from the second half of 2014 and the growing occupancy rate of Aseana Square starting from the second half of 2017, as well as the commencement of leasing for our Aseana Three project, which was fully leased out as of December 31, 2017.

Trade and Other Payables

As of December 31, 2016 and 2017, our trade and other payables amounted to ₱531.3 million and ₱1,093.1 million, respectively.

Our trade payables primarily consisted of payables to suppliers and sub-contractors for the Aseana Three and Pixel Residences construction projects. As of December 31, 2016 and 2017, our trade payables amounted to ₱290.4 million and ₱698.3 million, respectively.

As of December 31, 2016 and 2017, our income tax payables amounted to ₱44.6 million and ₱23.6 million, respectively. Philippine tax law assesses tax liability in part based on our cash receipt from the first three months of rent advances from our tenants. As a result, there is a discrepancy between income deemed assessable income under Philippines tax law and the revenue we recognized for the year.

As of December 31, 2016 and 2017, our accrued expenses amounted to ₱97.4 million and ₱206.1 million, respectively. The increase in accrued expenses in 2016 and 2017 reflects the accrual of commission expenses and costs of construction.

Our retention payables pertain to retention monies payable by us to subcontractors upon their completion of agreed tasks. As of December 31, 2016 and 2017, our retention payables amounted to ₱3.7 million and ₱23.0 million, respectively.

Advances from a Co-Joint Venturer

Advances to us from a co-joint venturer, ADI, remained at ₱1.0 billion, as of each of December 31, 2016 and 2017, respectively. These cash advances related primarily to our entitlement to shares of our joint venture with ADI and WHI – Alphaland Bay City Corporation, or ABCC – as adjusted among the co-joint

venturers to arrive at the agreed shareholding structure. For more details on this joint venture, please see the section entitled “Business – Regulatory Compliance and Legal Proceedings” on page 153 of this Prospectus.

CASH FLOWS

Our primary uses of cash are to invest in our projects, construction facilities and equipment, repay our indebtedness, and fund working capital and normal recurring expenses. As of December 31, 2017, we had cash and cash equivalents of ₱1,431.4 million and approximately ₱5,808.1 million of unutilized bank credit facilities. The following table sets forth our cash flows for the years indicated:

	Year ended December 31,		
	2015	2016	2017
	(₱ in millions)		
Net cash flows from operating activities	(112.5)	495.4	1,245.2
Net cash flows from investing activities	280.0	(20.0)	(351.8)
Net cash flows from financing activities	(734.1)	(301.7)	(277.2)
Effect of foreign exchanges, net	4.2	1.0	—
Net increase (decrease) in cash and cash equivalent.....	(562.4)	174.7	616.2
Cash and cash equivalents at beginning of year.....	1,202.8	640.5	815.2
Cash and cash equivalents at end of year.....	640.5	815.2	1,431.4

Net Cash Flows From Operating Activities

In 2015, we had ₱112.5 million of net cash used in operating activities. We had an operating profit before working capital change of ₱1,159.5 million. This amount was augmented by the effect of (i) an increase in deposits and advances of ₱157.4 million, (ii) a decrease in land and land development costs of ₱73.3 million due to sale of parcels of land, (iii) an increase in retirement benefit obligations of ₱0.8 million and (iv) a decrease in costs and estimated earnings in excess of billings on uncompleted contracts of ₱0.3 million. However, our cash inflow was offset by the effect of (i) an increase in receivables of ₱1,040.3 million arising from recognition of receivables from Ayala Land and Anchorland Holdings, Incorporated, (ii) a decrease in estimated liability for land development costs of ₱265.4 million due to development in Aseana City, (iii) a decrease in trade and other payables to suppliers and other non-current liabilities of ₱95.4 million and (iv) an increase in other assets of ₱75.3 million in relation to prepaid taxes. This resulted in cash used in operations of ₱85.1 million, less cash paid from final taxes of ₱29.9 million, resulting in net cash used in operating activities of ₱112.5 million.

In 2016, we generated ₱495.4 million net cash from operating activities. We had operating profit before working capital changes of ₱1,512.8 million. The amount was augmented by the effect of (i) a decrease in land and land development costs of ₱120.4 million due to cost of land sales, (ii) an increase in reserve for property development of ₱18.2 million due to collection from real estate buyers, and (iii) an increase in retirement obligations of ₱1.7 million. However, our cash inflow was offset by the effect of (i) an increase in receivables of ₱671.3 million, (ii) an increase in other assets of ₱145.8 million in relation to increase in prepaid taxes, (iii) a decrease in trade and other payables to suppliers and other non-current liabilities of ₱113.0 million, (iv) a decrease in estimated liability for land development costs of ₱90.1 million, (v) a decrease in deposits and advances of ₱76.4 million due to application of rental deposits and (vi) an increase in property development costs due to construction of our residential projects. This resulted in cash generated from operations of ₱535.4 million, less cash paid for final taxes of ₱42.9 million, resulting in net cash generated from operating activities of ₱495.4 million.

In 2017, we generated ₱1,245.2 million net cash from operating activities. We had an operating profit before working capital change of ₱2,003.5 million. This amount was augmented by the effect of (i) a decrease in land and land development costs of ₱141.5 million due to cost of land sales, (ii) an increase in trade and other payables of ₱561.8 million, (iii) an increase in deposits and advances of ₱95.8 million due to collection of advance rentals from lessees and (iv) an increase in our reserve for property development of ₱125.6 million due to collections from sales of condominium units. Our cash inflow was offset by the effect of (i) an increase in receivables of ₱432.2 million, (ii) an increase in property development costs of ₱568.7 million due to

construction costs, (iii) an increase in other assets of ₱102.3 million due to creditable withholding taxes and (iv) a decrease in estimated liability of ₱142.0 million due to development costs incurred in Aseana City. This resulted in cash generated from operations of ₱1,263.0 million, less cash paid for final taxes of ₱25.0 million, resulting in net cash generated from operating activities of ₱1,245.2 million.

Net Cash Flow From Investing Activities

Cash used in investing activities primarily relates to development and improvements made to the buildings we own as investment properties, while cash from investing activities primarily consists of proceeds from our sales of investment properties.

In 2015, we had ₱280.0 million net cash from investing activities. We received (i) proceeds from sales of investment properties of ₱434.7 million, (ii) net collection from and investment in associates, joint venture and other related party of ₱73.6 million and (iii) interest received of ₱2.6 million. This cash was partially offset by (i) the acquisition of property and equipment of ₱108.6 million primarily in relation to the purchase of construction equipment, (ii) an increase in construction in progress and development costs of investment property of ₱96.1 million primarily in relation to Aseana Two and (iii) investment in available-for-sale financial assets of ₱23.6 million due to purchase of additional securities of Power Sources Philippine Distributed Power Holding, Inc.

In 2016, we had ₱20.0 million net cash used in investing activities. We received proceeds from sales of investment properties of ₱465.5 million. This was offset by (i) the construction and development costs of investment property of ₱392.8 million, (ii) the acquisition of property and equipment of ₱62.8 million and (iii) an additional investment in Power Sources Philippine Distributed Power Holdings, Inc. of ₱28.7 million.

In 2017, we had ₱351.8 million net cash used in investing activities. We (i) incurred construction and development costs of ₱746.4 million, (ii) invested in available-for-sale securities of ₱48.8 million and (iii) acquired property and equipment of ₱18.9 million. The cash outflow was partially offset by the proceeds from sale of land of ₱448.8 million and collection of advances of ₱13.6 million.

Net Cash Flow From Financing Activities

In 2015, we had ₱734.1 million net cash used in financing activities, consisting primarily of (i) net repayment of interest-bearing loans and borrowings of ₱401.4 million, (ii) re-payments of advances from related parties of ₱227.3 million and (iii) interest paid of ₱106.2 million.

In 2016, we had ₱301.7 million net cash used in financing activities, consisting primarily of (i) net repayment of interest-bearing loans and borrowings of ₱216.1 million, (ii) interest paid of ₱81.9 million and (iii) repayments of advances from related parties of ₱4.3 million.

In 2017, we had ₱277.2 million net cash used in financing activities, consisting primarily of (i) net repayment of interest-bearing loans and borrowings of ₱186.5 million, (ii) interest paid of ₱83.0 million and (iii) repayments of advances from related parties of ₱9.0 million.

INDEBTEDNESS

Borrowings

Our short-term and long-term loans and borrowings were as follows for the three years ended December 31, 2017:

	As of December 31,		
	2015	2016	2017
	(₱ in millions)		
Current:			
Bank loans	2,085.7	2,148.6	1,656.6
Obligations under finance lease	7.3	—	—
	2,093.0	2,148.6	1,656.6

	As of December 31,		
	2015	2016	2017
	(₱ in millions)		
Non-current:			
Bank loans	786.6	514.8	820.3
Total Loans and Borrowing	2,879.5	2,633.4	2,476.9

Bank Loans

We obtain bank loans principally to support our working capital requirements as well as our financing and investing activities. Bank loans represent partially secured and unsecured loans from local commercial banks. Certain loans to our subsidiary, Aseana Holdings, Inc. are secured by suretyship provided by our Company. These loans bore annual interest rates ranging from 2.50% to 4.15%, 2.79% to 3.80%, and 3.00% to 3.25% per annum in 2015, 2016 and 2017, respectively. They remain subject to monthly re-pricing based on prevailing market rates.

As of December 31, 2015, 2016 and 2017, our bank loans were partially secured by certain assets, as follows:

	As of December 31,		
	2015	2016	2017
	(₱ in millions)		
Land and land development cost	1,359.0	1,060.7	88.2
Investment property	1,047.5	2,106.6	1,519.5
Property development cost	—	—	30.1
Installment receivable	73.9	—	—
Total	2,408.4	3,077.3	1,637.8

Interest expenses related to bank loans amounted to ₱97.2 million, ₱77.6 million and ₱65.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, and are presented as part of Finance Costs under the Other Income (Charges) account in the consolidated statements of profit or loss. We had no unpaid interest due on our bank loans as of December 31, 2015, 2016 and 2017. We also had no significant loan covenant obligations as of December 31, 2015, 2016 and 2017.

CONTRACTUAL OBLIGATIONS

Obligations under finance lease

Interest expenses relating to obligations under finance leases amounted to ₱7.3 million in 2015 and nil in 2016 and 2017. These amounts are presented as part of Finance Costs under the Other Income (Charges) account in our consolidated statements of profit or loss.

Obligations under our finance leases have effective interest rates which ranged from 9.0% to 10.6% per annum in 2015. Lease payments are made on a monthly basis.

The fair values of long-term financial liabilities have been determined by calculating their present values at the end of the reporting period using effective market interest rates available to us. No fair value changes have been included in profit or loss for the period as the loans and borrowings are carried at amortized cost.

CAPITAL EXPENDITURES

Historical Capital Expenditures

We incur capital expenditures for the construction and development of our projects as well as for purchases of machinery and equipment. Capital expenditures during the three years ended December 31, 2017 were related primarily to property and equipment purchases and construction of office buildings and were funded with cash from operating activities and bank borrowings.

The following table sets forth our capital expenditures during the years indicated:

	For the year ended December 31,		
	2015	2016	2017
		(P in millions)	
Acquisition of construction and office equipment	108.6	62.8	18.9
Investment in or construction of office buildings	119.8	394.3	829.7
Total	228.4	457.1	848.6

Planned Capital Expenditures

The following table sets forth our planned capital expenditures for 2018, 2019 and 2020:

	For the year ending December 31,		
	2018	2019	2020
		(P in millions)	
Planned Capital Expenditures			
Development of infrastructure within Aseana City.....	200.0	100.0	100.0
Pipeline projects – development cost	2,844.4	3,326.9	4,124.9
Construction equipment	100.0	100.0	100.0
Total	3,144.4	3,526.9	4,324.9

As of the date of this Prospectus, we believe that the combination of our cash flow, available bank borrowings and the proceeds of our IPO will be sufficient to fund our planned capital expenditures for the three years ending December 31, 2020. However, although these are our current plans with respect to our capital expenditures, such plans may change as a result in circumstances and the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As we continue to expand, we may incur additional capital expenditures.

CONTINGENT LIABILITIES

Lawsuits and Other Proceedings

From time to time, in the normal course of business, there are pending claims and legal actions filed by us against others or by others against us. See “Business – Regulatory Compliance and Legal Proceedings” on page 153 for further details of some of these legal actions. During the three years ended December 31, 2017, we have not been involved in, and are not currently involved in, any legal or arbitration proceedings, the result of which could have material adverse consequences for our business, financial condition and results of operations.

KEY PERFORMANCE INDICATORS

The following are the major performance measures as of and for the years ended December 31, 2015, 2016 and 2017:

	As of and for the year ended December 31,		
	2015	2016	2017
Recurring Income Contribution ⁽¹⁾	74.9%	60.8%	50.0%
Current Ratio ⁽²⁾	1.72	1.41	1.55
Debt to Equity ⁽³⁾	42.0%	33.0%	26.0%
Return on Equity ⁽⁴⁾	16.0%	16.0%	18.0%
Asset to Equity ⁽⁵⁾	3.81	3.34	3.03

Notes:

(1) Our recurring income contribution is derived by dividing revenue from rentals by total revenue. Recurring income contribution measures the stability of our income sources, and, as we generally obtained our land bank years ago at prices significantly lower than current market prices, a higher recurring income contribution also represent higher margin.

- (2) *Our current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.*
- (3) *Our debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures the degree of our financial leverage.*
- (4) *Our return on equity is derived by dividing net profit by average shareholders' equity. Return on equity measures how adept we are at generating profit for each unit of shareholder equity.*
- (5) *Our asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.*

MARKET RISK

We are exposed to market risk through our use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks which result from our operating, investing and financing activities.

Foreign Currency Risk

Most of our transactions are carried out in Philippine Pesos, our functional currency. Exposures to currency exchange rates, however, arise from our notes payable that are denominated in US dollars. We also hold US dollar and Euro denominated cash and cash equivalents. To mitigate our exposure to foreign currency risk, we monitor our non-Philippine Peso cash flows.

Interest Rate Risk

Our policy is to minimize interest rate cash flow risk exposures on long-term financing. As of December 31, 2015, 2016 and 2017, we were exposed to changes in market interest rates through certain interest-bearing loans and borrowings and cash and cash equivalents which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates.

Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to us. We are exposed to this risk through various financial instruments, for example our granting of loans and receivables to customers, including related parties, and our placing deposits with banks.

We continuously monitor defaults by our customers and other counterparties, identified either individually or by group, and we incorporate this information into its credit risk controls. Our policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of revenues, we require advance payments to mitigate credit risk.

For example, a large portion of our receivables pertains to installment receivables net of unrealized gross profit from related parties and contract receivables from the PRA related to various implementing agreements under the memorandum of agreement we entered into the reclamation and development of CBP-BC. This creates significant credit risk exposure to a single group of counterparties having similar characteristics. Based on historical information about customer default rates, our management considers the credit quality of receivables that are not past due or impaired to be good.

Liquidity Risk

Liquidity risk is the risk that cash might not be available to meet operating requirements or to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. We aim to maintain flexibility in funding by keeping committed credit lines available.

We manage our liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

Seasonality

We typically do not experience the effects of seasonality on our business.

BUSINESS

OVERVIEW

We are an integrated property developer with an established track record and market-leading capabilities in land reclamation, construction and real estate development. We possess, in the aggregate, one of the largest land holdings in Metro Manila with a total area of 571,863.8 sq.m. Aseana City, the geographic area that holds the majority of our land holdings, is strategically located next to Entertainment City and the Mall of Asia complex in the Manila Bay area, and is positioned as the next major mixed-use CBD within Metro Manila, comprising recreational and entertainment outlets, commercial and retail developments, prime office space and residential condominiums. With the strategic location of our land holdings, we are a direct beneficiary of certain fast-growing sectors within the Philippines, including BPOs, POGOs, gaming and tourism. Aseana City is well-connected with key transport linkages such as the NAIA Expressway and the Southwest Integrated Bus Terminal Exchange (“SWITex”) station. Further, the upcoming LRT 1 extension will improve urban connectivity and access to Aseana City from major transport hubs and rapidly growing population centers outside of Metro Manila, which will facilitate the development of Aseana City.

As one of the country’s foremost experts on land reclamation, we assisted the Government to reclaim the land underlying Aseana City. Pursuant to the Reclamation Agreement with the PRA, we and our majority shareholder, WHI, obtained title to a portion of the total reclaimed lands of 2,040,000.0 sq.m., comprising approximately 1,074,714.0 sq.m., including our existing land holdings in Aseana City of 569,121.2 sq.m. As an early land owner of substantial land holdings prior to the escalation of land prices in Metro Manila, our land costs are relatively low compared to current market prices, which have appreciated substantially from the time we reclaimed such land during 1993 to 2008. Out of our existing land holdings in Aseana City of 569,121.2 sq.m., 292,034.5 sq.m. of land reserves is unallocated and available for development, distinguishing us from other property developers, who have to rely on locating and acquiring suitable land for their developments at significantly higher costs, thereby providing us a premium margin advantage over our competitors. We intend to further increase our land holdings opportunistically, applying the same cost advantage, through continuous participation in land reclamation projects and strategic acquisitions.

Grounded in the firm foundation of our more than 50-year heritage, we are one of the dominant players in land reclamation and infrastructure construction in the Philippines. As an AAAA platinum contractor, our proven track record and expertise in land reclamation and construction projects have facilitated our access to the large pipeline of infrastructure projects being awarded or undergoing construction in the Philippines. As of December 31, 2017, we had completed more than 100 construction and infrastructure projects throughout the country, including ports, bridges and expressways. We offer a full range of construction-related services, including survey and planning, condition works, engineering, architectural and project management services. This scope of offerings enables us to provide integrated one-stop solutions to our customers and to compete effectively in large-scale and complex projects. Our land reclamation and construction businesses create significant synergies with our real estate development business, enabling us to optimize our execution efficiency while maintaining effective cost control over the entire real estate development process.

Our real estate business comprises of land sales and leasing, commercial building leasing, property development, and residential unit sales. Our leasing of prime land and commercial buildings provides us with a stable and recurring income source, whereas our sales of non-core land plots and residential units allow us to maximize the value of such land and developments. As of December 31, 2017, we had seven investment properties, six of which are located in Aseana City, namely Aseana One, Aseana Two, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R, with a total land area of 42,464.6 sq.m. and total leasable floor area of approximately 59,000.1 sq.m. Our pipeline of nine real estate projects, all to be completed within the next five years, consists of three residential developments and six commercial developments, which represent a total gross saleable floor area of approximately 88,315.6 sq.m. and a total gross leasable floor area of approximately 264,574.6 sq.m., respectively. Further, our first residential development, Pixel Residences, which is expected to be completed in October 2019, was 100% pre-sold as of June 2017.

For the years ended December 31, 2015, 2016 and 2017 our revenues amounted to ₱1,641.3 million, ₱2,180.3 million and ₱3,011.2 million, respectively. We have grown steadily in recent years, with net income increasing from ₱871.7 million in 2015 to ₱1,559.8 million in 2017, representing a CAGR of 34% during that period.

COMPETITIVE STRENGTHS

A strategic and sizeable land bank in Aseana City that is well positioned for future growth

We currently hold one of the largest land banks in Metro Manila and believe that our land holdings will be sufficient to meet our development needs for at least the next 10 years. As of December 31, 2017, our land holdings, existing properties and current developments in Aseana City totaled approximately 569,121.2 sq.m. and are valued at around ₱132.8 billion, according to Colliers.

Aseana City is part of the larger 2,040,000.0 sq.m. CBP-BC project, which we reclaimed. Aseana City is positioned to become the next major mixed-use or “Next Generation” CBD in Metro Manila, anchored by tourism, recreational developments and retail malls. These sectors have and continue to attract large investments into the Philippines, and we expect revenues from these sectors to increase correspondingly. Our master plan for Aseana City is designed to create a self-contained community and to specifically attract the middle-class working families and middle-income executives who work in these sectors.

Aseana City is situated close to two of the most significant recreational and entertainment districts in Metro Manila – PAGCOR’s Entertainment City and the SM Group’s Mall of Asia development. PAGCOR’s Entertainment City is a gaming and entertainment complex featuring high-end integrated casinos and tourism resorts, such as City of Dreams Manila, Solaire Resort & Casino, and Okada Manila, which attract leisure and tourist traffic to the entire area. The SM Group’s Mall of Asia is one of the largest shopping malls in the world, attracting roughly 200,000 visitors every day. We also anticipate that additional developments, including the new Westside City Resorts World casino (expected to be completed in 2021), will increase visitor traffic and drive economic growth in the area. For example, PAGCOR’s gross gaming revenues reached ₱57.3 billion in 2017, a 7.6% increase from ₱53.3 billion in 2016.

Aseana City’s strategic location is evident from its proximity and connectivity to major transportation links, including all terminals of Manila’s Ninoy Aquino International Airport (“NAIA”) as well as the NAIA Expressway, which was completed in 2016, the Southwest Integrated Bus Terminal Exchange (“SWITex”) station currently under construction and expected to be completed in April 2018, and the LRT Line 1 extension project targeted for completion in 2021. These road, bus and rail options have and will continue to improve access to Aseana City from multiple significant localities, including Metro Manila’s existing business districts and the rapidly growing population centers south of Metro Manila, such as Alabang, Cavite and Laguna. We believe all of these drivers will facilitate the development of Aseana City into a commercial and residential area of choice for those seeking a new, viable alternative to Metro Manila’s existing business districts.

In addition, the presence of some of the top regional and national recreational and property development players, such as Ayala Land, Melco Crown Entertainment, Bloomberry Resorts Corporation, Travellers International Hotel Group, Inc. (a collaboration of the AGI and Genting groups of companies), Tiger Resort Leisure & Entertainment, Inc. and Belle Corporation have further enhanced the prospects of Aseana City, facilitated its overall growth and benefited our real estate development business. In September 2014, Ayala Land entered into a 45-year land lease with us for a parcel of land of approximately 92,317.0 sq.m. for the development of the Ayala Curtis Mall, its flagship mall and hotel complex in the area. Phase 1 of the complex is expected to open by the end of 2018, with the remaining portion of the development expected to open in 2019. In 2017, we entered into additional agreements with Ayala Land to lease an additional 9,980 sq.m. - and with a lease period of over 40 years.

Favorable acquisition costs for our land holdings provide a solid foundation for value appreciation and profitability

Our land holdings form part of the 1,074,714.0 sq.m. of land that we obtained in consideration for our land reclamation services in respect of the CBP-BC project, and as a result we believe our land costs are relatively low compared to other property developers. Substantially all of our pipeline projects will also be constructed on plots from our existing land holdings, saving us additional land acquisition costs. Furthermore, due to the lack of new developable prime commercial land within Metro Manila, the availability of a substantial new land bank in Aseana City has resulted in a significant appreciation in the value of our land, which achieved a CAGR of 19.4% from ₱31,500 per sq.m. of reclaimed land in 2006 to approximately ₱228,814 per sq.m. as of the end of 2017. The price per sq.m. is expected to reach approximately ₱249,800 in 2018, according to Colliers. We believe our well-conceived and comprehensive master plan of Aseana City that contemplates the

development of homes, offices, malls, hotels, entertainment venues, as well as BPO, POGO and other commercial spaces, will further enhance the value of our land holdings going forward.

An integrated master developer with competitive advantages across business lines

We are an integrated master developer offering a wide range of services and products, covering the entire project cycle from pre-construction planning, construction and development, to post-completion property management. With a track record of more than 50 years in construction and land reclamation, our business focuses on complementary business segments which result in significant synergies:

- Land Reclamation – Our land reclamation business allows us to create and increase our land holdings, as well as achieve substantial land acquisition cost savings. We are also able to opportunistically increase our land holdings through participation in land reclamation projects, pursuant to which we have the option to obtain title to part of the reclaimed lands under applicable terms and conditions as consideration for our contracted services.
- Construction – Our Company is a certified AAAA contractor, one of less than 20 in the country as of January 4, 2018 based on statistics from the Construction Industry Authority of the Philippines (“CIAP”). Our AAAA certification allows us to undertake government and private projects of any contract value nationwide and thus capitalize on growth in both public and private sector construction in the country. We believe that this ability to bid for the largest projects, as well as our established track record and proven capabilities, leave our construction business well-positioned to capture business opportunities from the expected increase in spending on national government infrastructure projects. Moreover, our construction business equips us with ready-to-use, easily deployed construction capabilities and expertise, as well as in-house resources and personnel, such as experienced architects and engineers, for our own real estate projects (as the main contractor) and our implementation of Aseana City's master plan, which enables us to achieve substantial execution and cost efficiencies. In a number of our land sales agreements and land lease agreements, we have successfully negotiated a right to match the lowest bid for, or a right of first refusal to undertake, certain construction works required by purchasers and lessees of our land. This right, in turn, creates opportunities to generate additional revenue for our construction business.
- Real Estate Development – We are an integrated property developer and have successfully completed each stage, from planning, construction, development and management, of a growing number of real estate development projects, including our Aseana 1, Aseana 2, Aseana Powerstation and Aseana Square buildings. Moreover, for each of these projects, we were able to achieve a 100% occupancy rate within a short time after completion, as well as maintain a high occupancy rate over time. Our next commercial building, Aseana 3, expected to be completed in 2018, was 100% leased out as of the end of 2017. Our first residential building, Pixel Residences, expected to be completed in October 2019, was 100% pre-sold as of June 2017. For more information on our development properties, please see the section entitled “Business – Real Estate Developments” on page 131 of this Prospectus. Capitalizing on our role as the master planner of Aseana City, we are able to obtain the most up-to-date market intelligence and industry information, including future national development plans and focus areas, and large-scale infrastructure projects across the country, including those that could impact the prospects of Aseana City, and information relating to the supply, demand and prices of land and property developments in, and the future landscape of, Aseana City and its nearby areas.
- Provision of Ancillary Citywide Services – We also secure captive opportunities for the provision of ancillary citywide services in Aseana City such as public security surveillance and public transport, which support the overall development of Aseana City and enhance the value of our land and property developments.

A diversified earnings base with substantial and recurring revenue streams

We have a diversified earnings base comprising of rental income from our investment properties, and revenue from sales of condominium units, sales and leasing of land, and construction contracts. Our recurring income equaled ₱1,229.2 million, ₱1,326.6 million and ₱1,507.0 million as of December 31, 2015, 2016 and 2017, respectively. We expect to derive a significant majority of our revenues from the following recurring income streams going forward:

- Leasing of Land Holdings – An aggregate of 150,520.7 sq.m. of our land holdings was leased out as of December 31, 2017. In particular, our recurring income from leasing of land has grown rapidly from ₱325 million in 2014 to ₱919 million in 2017, which represented 31% of our total revenues for 2017. We typically enter into long-term land leases of 10 to 20 years and pursue suitable opportunities to grant longer term leases to high-quality tenants who can enhance the “Next Generation” element of our projects and developments. For example, our initial land lease with Ayala Land is for a 45-year term. Our land lease agreements generally stipulate fixed annual escalation rates ranging from 5% to 10% for land areas and, in some cases, provide for additional or variable rent based upon the tenant’s revenues. In addition, upon the expiry or early termination of our land leases, we generally obtain ownership of all permanent and fixed improvements made to the leased land from our tenants, including constructed buildings and structures. Such buildings can then be added to our investment properties portfolio for recurring income streams.
- Leasing of Commercial Space – As of December 31, 2017, we own a portfolio of seven investment properties with a total leasable floor area of approximately 59,000.1 sq.m., and our development pipeline consists of six commercial developments for leasing, all to be completed within the next five years and expected to add an aggregate gross leasable floor area of 264,574.6 sq.m. We typically enter into mid-term commercial space leases, ranging from five to 10 years. In addition to fixed lease rates, we may also charge our retail tenants an additional variable payment, ranging from 3% to 5%, subject to certain conditions, of a percentage of their monthly gross product sales. Our lease agreements generally stipulate fixed annual escalation rates ranging from 3% to 10% for commercial space.
- Complementary and Captive Sub-businesses Within Aseana City – We currently charge tenants and other users fees for the ancillary citywide services we provide such as gas and public transport.
- Common Use Service Area, or CUSA, Payments – We currently charge tenants a fee for their usage of certain common areas and standardized services, such as parks and security services. As we increase our number of leasable properties, we expect revenue from this source to increase correspondingly.

A proven management track record

Our Chairman, Mr. Delfin J. Wenceslao, Jr. is an influential figure in the Philippine construction and real estate industry with over 50 years of experience and expertise. As the former President of the PCA and a board member of the International Federation of Asian and Western Pacific Contractors’ Association, he has been recognized as a driving force in fostering and solidifying our success and leadership in the land reclamation and construction industry. Our senior management team comprises highly skilled and dedicated professionals with an average of over 20 years of experience in the construction and real estate industry. In particular, our Chief Executive Officer, Mr. Delfin Angelo C. Wenceslao has more than 17 years of experience in property development, property management, financial analysis and leasing and brokerage. Our Chief Finance Officer, Atty. Heherson M. Asiddao, is a lawyer and a Certified Public Accountant with more than 10 years’ experience as an auditor with Punongbayan & Araullo in the Philippines, has held executive positions in a major national construction company and a locally based real estate development company, and has a wide range of expertise in both the financial and operational aspects of the entire development process. Several members of our management team, including Mr. Delfin Angelo C. Wenceslao, are also licensed real estate brokers and possess in-depth knowledge of the Philippine property sales and leasing markets.

In addition, our management team has a deep understanding of the regulations and strong expertise in the complex approval processes associated with each project, providing us with additional competitive advantages. This expertise is evident from our track record in working seamlessly with national and local governmental and regulatory authorities and maintaining good relationships with them. Our regulatory

knowledge and industry credibility enhance our ability to expedite the time needed to obtain the relevant permits and clearances, and therefore facilitate the on-time development and delivery of the completed project. In the past seven years, we have consistently met project completion and delivery timetables and have not been assessed penalties for failing to complete our projects on time.

A strong financial position based on prudent financial management

We maintain strict financial and risk management policies in order to minimize our net borrowings to equity ratio and our financial and operational risks. Benefiting from our prudent financial policy, we have been able to maintain a strong cash position and a healthy borrowing profile. As of December 31, 2017, our consolidated balance of cash and cash equivalents was ₱1.43 billion, while our interest-bearing loans and borrowings amounted to ₱2.48 billion. Our debt to equity ratio for the years ended December 31, 2015, 2016 and 2017 was 42%, 33% and 26%, respectively. Further, more than 70% of our total existing credit facilities remain undrawn as of December 31, 2017, and we adopt a conservative approach to increasing our indebtedness. We also have relatively low borrowing rates, which ranged from 3.00% to 3.25% in 2017. Our completed construction projects and real estate developments are generally funded through a combination of existing cash balances and cash flow from our operations. Our assets are generally held at cost. Such prudent capital management has allowed us to avoid mid-construction stoppages or delays and enabled us to pursue expansion strategies and opportunities without substantial concerns regarding sources of financing.

Considering that revenue from our land sales is a key source of internal funds to finance our real estate development efforts and our external construction project costs, we have successfully negotiated with our land buyers to pay the consideration in full upon the signing of the purchase agreement. This payment policy enables us to avoid the risks of delayed payments and long time lapses between cash collections, and gives us the ability to better manage our own project expenditures. Furthermore, we carefully review the background and credibility of our new customers and suppliers. Conservative financial management has also helped us historically to sustain profitability.

Well-positioned to benefit from strong macroeconomic fundamentals and attractive industry growth trends

The growth potential of both our business operations and Aseana City is driven to a significant extent by the prospects and development of the Philippine economy. According to the Philippine National Statistical Coordination Board, or NSCB, the Philippine GDP grew 6.7% in 2017, continuing a steady trend of 6.3% average GDP growth from 2010 to 2017. The country has also earned investment grade ratings from the three major credit rating agencies, Fitch Ratings, Moody's Investor Service and Standard & Poor's, as a result of strong macroeconomic fundamentals characterized by sustained growth, low and stable inflation, and sound fiscal management.

Three important growth drivers for the Philippine economy are the significant steady flows of remittances from OFWs, the BPO sector that remains a top driver for investment in the country and the growing POGO sector. Based on data from Colliers, OFW personal remittances (including cash and in-kind transfers) amounted to US\$31.3 billion at the end of 2017 (with cash remittances of US\$28.1 billion), representing about 10% of the country's GDP. This represented an average growth of 9.5% annually since 2005. According to Colliers, revenues from the BPO sector have grown significantly, from approximately US\$11 billion in 2011 to approximately US\$22.9 billion in 2016, and the sector is expected to grow 9.2% annually over the next six years, reaching an estimated US\$38.9 billion in 2022. Similarly, about 1.8 million full-time employees are estimated to be engaged in the Offshoring and Outsourcing Industry in 2022, representing an 8% CAGR from 2016, according to Colliers.

The Philippines was also one of the first countries in Asia to legalize offshore online gambling, which has led to the recent strong growth in the POGO sector. As of the end of 2017, PAGCOR had issued 51 POGO licenses with the expectation of issuing many more due to strong demand. With the rise in the number of POGO licenses, PAGCOR expects to more than double the 2017 net revenues generated from POGO licensees in 2018. According to Colliers, it is estimated that approximately 35% of 870,000 sq.m. in office space transactions in Metro Manila in 2017 arose from offshore gaming. The POGO market took up 312,000 sq.m. of office space, a significant increase from 80,000 sq.m. in 2016. In addition, the rapid growth in the tourism and gaming industries is expected to generate more traffic in the Manila Bay area and contribute to an increase in the demand for commercial space and residential units, particularly by gaming-related companies and individuals employed at the resorts and other recreational developments.

Colliers has predicted that demand for office space in Metro Manila will remain strong in 2018 with the vacancy rate expected to be 7.6%. According to Colliers, the Manila Bay area is expected to outperform Metro Manila in terms of take-up and occupancy rates, as companies are investing in office spaces in existing and upcoming office buildings in the Manila Bay area as an alternative to Makati and Bonifacio Global City because of Manila Bay's relatively lower lease rates. In addition, as supply in other CBDs remains tight, Colliers expects rental rates in the Manila Bay area to grow by approximately 5% from ₱733 per sq.m. per month in 2017 to ₱770 per sq.m. per month in 2018, which is still lower than the 2017 lease rates of Makati CBD Premium and Grade A office buildings, which ranged between ₱997 and ₱1,427 per sq.m. per month, and Bonifacio Global City Grade A office buildings, which averaged ₱1,032 per sq.m. per month.

According to Colliers, demand for residential property in the Manila Bay area also remains high with the average selling price of actively selling mid-income, upscale and luxury projects increasing at an annual rate of 14.4% from ₱120,671 per sq.m. in 4Q15 to ₱157,981 per sq.m. in 4Q17. Colliers reports that the Manila Bay area ranked third in Metro Manila behind Makati CBD and Bonifacio Global City in terms of average residential selling prices. The average rental rate for residential property in the Manila Bay area reached ₱842 per sq.m. per month in 2017, which according to Colliers was higher than that of the Makati CBD area and Bonifacio Global City at ₱803 per sq.m. per month and ₱810 per sq.m. per month, respectively. In addition, the Manila Bay area had the highest percentage of residential units sold at 93.7% in 2017, compared to Makati CBD and Bonifacio Global City at 89.5% and 86.6%, respectively.

BUSINESS STRATEGIES

Our overall goals are to (1) become a leading property developer with complete capabilities and expertise in real estate development, land reclamation and construction, and (2) ensure the smooth development of Aseana City consistent with its master concept and planning guidelines in order to realize the full revenue potential of our business investments. We plan to implement the following future business strategies to achieve our stated growth objectives:

Grow Aseana City into a "Next Generation" CBD within Metro Manila

We believe many Filipinos have accepted the self-contained community paradigm as the basis of a new lifestyle and preferred standard of living. The development and success of Bonifacio Global City exemplifies this new paradigm. As such, we expect more middle-class working families, middle-income executives and BPO and POGO workers to seek out self-contained communities where residences, office buildings and facilities, retail outlets and even schools are located in close proximity to one another to facilitate access by residents and workers. Hence, we will continue to develop Aseana City into a vibrant, "Next Generation" district.

To achieve this, we aim to spearhead future development efforts in Aseana City, taking a holistic approach to our master plan, and to facilitate and implement key infrastructure and promote investment opportunities. Aseana City's master plan was conceived in 2010. We review it regularly to ensure broad long-term strategies are appropriately adjusted in view of macroeconomic developments, market conditions and commuter trends, which we translate into detailed plans to guide the development of land and property in the area. Based on the current master plan, we intend to capitalize on the anticipated growth in office, retail tourism, entertainment and hospitality outlets in the neighboring Entertainment City and Mall of Asia developments, and focus on developing a balanced mix of commercial and residential buildings. Our pipeline of real estate projects and our selection of tenants for our land and buildings are geared toward achieving our primary objective of developing Aseana City into the next "Next Generation" CBD of Metro Manila.

The master plan for Aseana City contemplates an attractive CBD of residential condominiums, offices, malls or other retail establishments, hotels, entertainment venues and recreational resorts within a well-developed setting of parks, common spaces and connected walkways. As such, we will continue to pursue our strategy of (i) selling non-core plots to suitable purchasers with planned developments that will contribute to the overall growth of Aseana City and generate internal cash flow for our own real estate projects, and (ii) leasing prime locations on a long-term basis to select tenants engaged in specialty businesses or with planned uses of the land, such as Ayala Land and its mall and hotel development scheduled for initial completion in 2018, that will generate and increase traffic within Aseana City. We intend to continue to implement and build common infrastructure and vibrant public spaces, such as our planned Aseana Main Street development, which will

consist of two to three story retail buildings that are adjacent to a greenway, and to provide standardized citywide services such as public transport and public surveillance within Aseana City, to drive its development into a green, safe and walkable district for quality living.

We also intend to carry out an interim land use strategy with respect to certain land areas not slated for development in the next five years as part of our real estate pipeline. We intend to make such land available for lease for a variety of purposes, which could include concert grounds, weekend assemblies, sports venues, open parking lots or a golf driving range. The period of such usage may range from a short duration of a month or two months to a longer term of years. We believe such a strategy will help increase the brand awareness of Aseana City, and also add another revenue source to our Group.

Develop a portfolio of high quality real estate projects

We aim to continue developing real estate projects that capitalize on the existing development and future potential of Aseana City, while maintaining the optimal revenue portfolio of leases and sales of both land and self-developed buildings, to achieve increased recurring income and profitability. As of December 31, 2017, our pipeline consisted of nine developments, all to be completed within the next five years, of which six are commercial buildings and three are residential complexes. Our first residential development, Pixel Residences, began pre-selling activities in July 2016, sold out its units in June 2017, commenced construction in November 2017 and is expected to be completed in October 2019.

For our commercial developments, we will continue to focus on the demand of BPOs, POGOs, logistics companies and companies in businesses relating to gaming, recreational activities, tourism, entertainment and hospitality. We believe Aseana City offers an attractive proposition to this group due to its proximity to existing retail, gaming and hotel developments, particularly in PAGCOR's Entertainment City. Further, the sites of these projects are strategically situated in close proximity to the structures constructed or being planned by our land lessees. For example, our pipeline office buildings are located near Ayala Land's Ayala Curtis Mall development, which we expect to benefit from the anticipated increase in traffic within the area. We also intend to continue developing commercial space that is highly flexible in terms of specifications, including divisibility into smaller units, large floor plates and a high efficiency ratio, i.e., the ratio of usable floor area to the gross floor area, of more than 85% - features that are able to accommodate and appeal to a wide range of tenants.

As BPOs are specific customer targets, we have obtained and will continue to strive to obtain, PEZA accreditation for our office buildings, as this allows BPOs to enjoy tax incentives for a certain number of years, thereby making our properties more attractive to them. To ensure our buildings are PEZA-compliant, we will continue to construct office properties that feature high-speed fiber-optic or data telecommunication systems, clean and uninterrupted power supply with backup generators, and computer security and building monitoring and maintenance systems, such as computer firewalls, encryption technology and fluctuation controls. Furthermore, in each aspect of the development process, we will keep refining the integration of our capabilities with our centralized resources to foster our project execution efficiency. For example, we are generally able to complete construction of a commercial project within 12 to 15 months and achieve full occupancy levels within a year post-construction for our developments.

For our residential developments, we intend to target the higher mid-end of the consumer market, including middle-class working families, executives, expatriates working at the recreational and casino developments, and foreigners looking to invest in Aseana City. For example, Pixel Residences, which is already sold out, will comprise upscale larger format apartment units, ranging in size from 36.0 sq.m. to 88.0 sq.m., in comparison to the current mass of smaller studios and compact one-bedroom options available in the area. We believe, based on our operational experience and understanding of the market landscape, that demand will increase from the targeted buyer demographics with the growth of Aseana City into a major tourism and business area. In line with our target customer segments, we intend to work closely with real estate brokers and consultancies that handle a large number of high net worth individuals seeking attractive real estate investment opportunities. For Pixel Residences, we implemented a sales model that allowed us to fully pre-sell the project within 12 months with an expected construction period of approximately 36 months.

Multi-pronged approach to growing our land bank

In order to increase our land holdings, we may pursue strategic acquisitions of land assets or purchase land from our majority shareholder, WHI, with whom we have a right of first refusal, see "Intergroup

Agreement with our Majority Shareholder, WHI,” in “Principal and Selling Shareholders” on page 203 of this Prospectus. In addition, we intend to seek out opportunities on anticipated large-scale and complex Government and Public-Private Partnership projects that involve a land reclamation component. As the market leader and industry expert in the Philippines in this specialized and highly technical field, we believe that we are well-positioned to capitalize on, and intend to pursue, such opportunities to increase our land holding for our future real estate developments.

We may also pursue strategic and opportunistic acquisition of land and other properties outside Aseana City. In 2016, we acquired a certain property located in the business district of Makati City. We believe that such acquisitions enhance the total value and quality of our property holdings for future growth.

Enhance our earnings base and grow our recurring income streams

Our pipeline of real estate projects was designed with the objective of capitalizing on the development of Aseana City and increasing our recurring income from the leasing of land and commercial space. We aim to allocate at least 5,000.0 sq.m. of prime land for long-term leasing and 2,000.0 sq.m. of non-core land for sale each year, to enable the balanced development of Aseana City. In this regard, we will focus on suitable lessees and purchasers that not only contribute to the continuous growth of Aseana City, but also complement and maximize the revenue potential of our real estate portfolio, allowing us to cross-sell our real estate offerings and realize further income growth. The six planned commercial developments are primarily office buildings targeted at BPOs, POGOs, logistics companies and gaming and tourism-related companies, demographic groups that are expected to experience an increase in demand for commercial space within the vicinity.

In addition, we will continue to enhance our diversified revenue base by maintaining our leading positions in the land reclamation and construction business and optimizing synergies with our real estate development capabilities. According to the Development Budget Coordination Committee of the Philippines, the Government aims to invest around 5.8% of national GDP on infrastructure construction projects in 2018, and we intend to continue to pursue suitable contracting opportunities. We also believe that there will be an increase in construction activity in the Manila Bay area. With the continuous depletion of commercial land supply in Metro Manila, developers need to seek alternative options and new growth areas, one of which we believe is Aseana City. As such, we will continue to strive to become the contractor of choice for projects in Aseana City. We have introduced in a number of our contracts a right to match the lowest contractor bid, or a right of first refusal for the piling, concreting and foundation works to be undertaken on our leased or sold land, commencing with our lease agreement with Ayala Land. These provisions in our land leases and land sales contracts going forward will help to generate more revenue opportunities for our construction business.

We will continue to develop our existing investments and pursue future opportunities in strategic captive sub-businesses, such as the provision of gas and security services, which provide complementary services to the tenants and businesses in Aseana City, while supporting the overall development of Aseana City. The synergies generated from such captive sub-businesses have allowed us to enhance our income from sales and leasing of our land and buildings, as we have and will continue to require tenants, pursuant to our contractual arrangements with them, to source certain services such as gas and security exclusively from our affiliates in which we have invested. For example, we intend to continue to enhance our investment in our subsidiary, U-City Technology Philippines, Inc., in collaboration with CISCO for smart city services and solutions, and to constantly refine our technologies and equipment to provide effective city-wide public surveillance and safety services. Other complementary captive services and products that we are currently exploring or intend to explore include centralized gas supply, standardized road navigation and commercial advertising signage, and construction of skywalks linking buildings to encourage “walkability”.

Adhere to prudent financial management

We intend to continue our prudent approach to financial management and cost control with emphasis on close monitoring of our capital and cash positions, and maintaining discipline in our capital commitments. This includes the continued use of financial leverage to enhance our return on equity, and to enable us to lower risk exposure yet remain poised to capture strategic market opportunities as they arise. We will continue to carefully manage key measures, such as land development costs, construction costs, cash flows, indebtedness and capital expenditures and will also continue to emphasize good management of our sales and leasing of land and buildings, and consequently, our income streams, to ensure adequate cash flow for our ongoing capital requirements. To ensure proper checks and balances on our finances, we have implemented an internal control and audit system and will continue our efforts to ensure this system is well-integrated into our organizational

structure. Through our ISO 9001:2015 certification process, we have established good controls for the maintenance of documents, books and records, which processes will be subject to continuous certification. Finally, we seek to maintain our long-standing working relationships with existing banking partners to ensure ready and available sources of financing for our future growth. We believe that our financial leverage is at a manageable level to provide us with funding headroom and financing flexibility. Following the Offer, we expect our net borrowings-to-equity ratio to decrease due to our enlarged equity base.

HISTORY

We were incorporated in the Philippines on April 7, 1965, and have extended our corporate term to April 8, 2065. As of the date of this Prospectus, we have completed more than 100 land reclamation and construction projects, as well as own six investment properties in Aseana City, four of which we have successfully self-developed, namely Aseana Powerstation Building, Aseana One, Aseana Two, and Aseana Square.

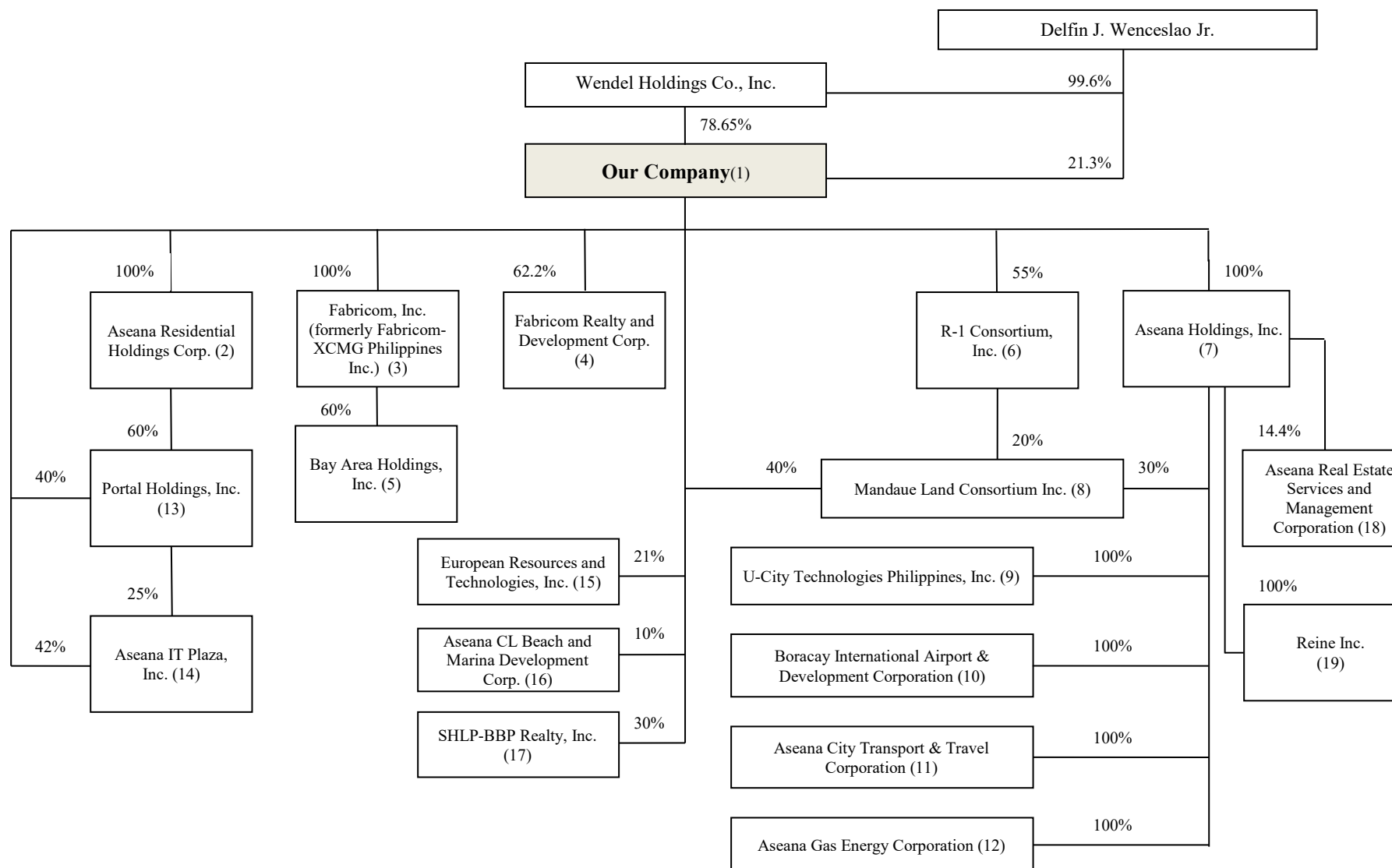
Set out below are the key milestones in our Group's history.

1965.....	Establishment of D.M. Wenceslao & Associates, Incorporated.
1965 to 1976...	Undertook multiple projects and infrastructure works with, among others, the Department of Public Works and Highways (then the Bureau of Public Works), National Housing Corporation, Province of Bulacan, Philippine Homesite and Housing Corporation, and Bureau of Customs, such as Taliptip Bridge (1976 with the province of Bulacan); Boiler House Building (1969 with the National Housing Corp.); and R.C. Wharf Extension (1961 with Bureau of Public Works, Zamboanga City).
1977.....	Constructed a 75-room Hotel Zibayan in Zamboanga City.
1979.....	Constructed a 3.151 mile long (4-lane) Marikina Bridge. Undertook pile driving works for Frabel Industrial and Commercial Fishport Complex in Navotas, Metro Manila.
1986.....	Embarked on dredging activities for Navotas Fishport Complex.
1989.....	PRA (formerly known as the PEA) entered into a Memorandum of Agreement with R-1 Consortium, a consortium formed by our Company, TOA Corporation, Inc., Royal Asia Development Co., Inc. and Jan de Nul N.V., to finance, upgrade and complete the construction of the R-1 Expressway into a toll-grade facility.
1991.....	Through R-1 Consortium, entered into the Reclamation Agreement with the PRA for the reclamation of CBP-BC.
1995.....	Completed our first land sale transaction in Aseana City with Manila Bay Park Developers, Inc. (a subsidiary of Belle Corporation) and commenced recognition of revenue from land sales.
1996.....	Awarded the contract for the development and construction of the Alabang-Zapote Flyover Project.
2001.....	Through R-1 Consortium, entered into Implementing Agreement No. 5 with the PRA for the design and construction of Roxas Canal West (Don Eva Macapagal) Bridge.
2003.....	Entered into our first land lease with PSMT Philippines Inc. and commenced recognition of revenue from leasing of land.
2004.....	Developed our first commercial real estate project in Aseana City – Aseana Powerstation Building.
2006.....	Started recognizing revenue from leasing of space in Aseana Powerstation Building.
2008.....	All reclamation works in Aseana City were completed. Through R-1 Consortium, entered into Implementing Agreement No. 7 for the construction projects of Aseana Avenue, Aseana Bridge, Diokno Avenue and Diokno Bridge.

2010.....	Joined the Private Infrastructure Development Corporation and was awarded a contract for development and construction of an 8-km section of the Tarlac-Pangasinan-La Union Expressway Project (“TPLEX”). Commenced construction of our first mixed use office building, Aseana One.
2012.....	Completion of Aseana One and commencement of revenue recognition from leasing space in Aseana One.
2013.....	Commenced construction of our second mixed use office building, Aseana Two.
2014 to 2015...	Awarded the City of Dreams Manila site development and construction works. This project marked the 100th construction project awarded to us. Completion of Aseana Two and commencement of revenue recognition from leasing space in Aseana Two. Commenced construction of our third mixed use office building, Aseana Three. Signed a significant 45-year land lease with Ayala Land for its development of the Ayala Curtis Mall, a flagship mall and hotel complex in Aseana City. Awarded the contracts for the East Ocean and Honda Showroom pile driving works.
2016.....	Awarded the contract for the Ayala Curtis Mall project pile driving works. Commenced pre-selling activities for our first residential development, Pixel Residences. Acquired 100% equity of Reine Inc., a company which owns a parcel of land in Makati City. Started Construction of Aseana Square.
2017.....	Fully pre-sold units of Pixel Residences. Topped off Aseana Three. Completed construction of Aseana Square, achieved 100% occupancy, and started recognizing revenue therefrom. Signed an additional short-term land lease with Ayala Land. Aseana Three fully leased out.

CORPORATE AND SHAREHOLDING STRUCTURE

The chart below sets out the structure and shareholdings of our Group and certain joint ventures and affiliates as of the date of this Prospectus.



Notes:

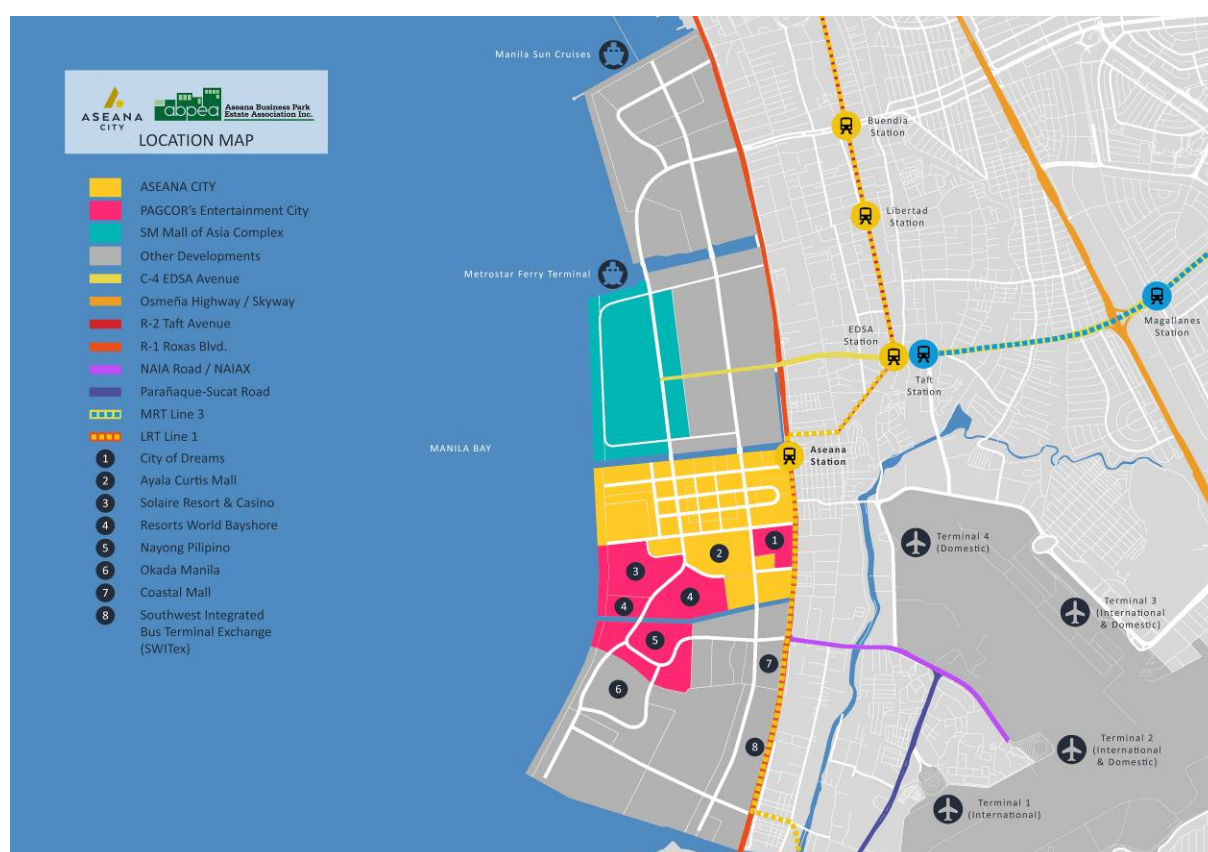
- (1) *Our Company, D.M. Wenceslao & Associates, Incorporated, is approximately 78.65% owned by WHI and 21.3% owned by Delfin J. Wenceslao Jr., inclusive of qualifying shares held by nominee directors. Our Company is the holding company of our Group and owns land assets.*
- (2) *Aseana Residential Holdings Corp., incorporated on July 6, 1999, is 100% owned by our Company, inclusive of qualifying shares held by nominee directors. It was formed to hold land assets of our Group and operates as a land holding company. It was formerly known as Bowood Holdings, Inc., but a change of name to "Aseana Residential Holdings Corp." was effected on March 22, 2016.*
- (3) *Fabricom, Inc. (formerly Fabricom-XCMG Philippines Inc.), incorporated on February 13, 1986, is a non-operating subsidiary that is 100% owned by our Company, inclusive of qualifying shares held by nominee directors. It was formed to operate the importation of heavy equipment and machinery for our Group.*
- (4) *Fabricom Realty and Development Corp., incorporated on December 23, 1999, is a non-operating subsidiary that is 62% owned by our Company, 31% owned by WHI, and 7% by Philippine Ecopanel, Inc.*
- (5) *Bay Area Holdings, Inc., incorporated on August 30, 1999, is 60% owned by Fabricom, Inc. (formerly Fabricom-XCMG Philippines Inc.) and 40% owned by WHI. It was formed to hold land assets of our Group and operates as a land holding company.*
- (6) *R-1 Consortium, Inc., incorporated on May 31, 1996, is a non-operating subsidiary that is 55% owned by our Company, 40% owned by Jan De Nul N.V. and 5% owned by Delfin J. Wenceslao Jr., our Chairman. It was formed to operate and manage our land reclamation projects.*
- (7) *Aseana Holdings, Inc., incorporated on March 20, 1996, is 100% owned by our Company, inclusive of qualifying shares held by nominee directors, and holds land assets. It is the main subsidiary operating our real estate development business.*
- (8) *Mandaue Land Consortium, Inc., incorporated on June 7, 2002, is a non-operating entity that is 40% owned by our Company, 30% owned by Aseana Holdings, Inc. 20% owned by R-1 Consortium, Inc. and 10% owned by WHI. It was formed to operate and manage our land reclamation projects.*
- (9) *U-City Technologies Philippines, Inc., incorporated on October 4, 2013, is 100% owned by Aseana Holdings, Inc. It was formed to operate the smart city services and public safety and surveillance services for Aseana City.*
- (10) *Boracay International Airport and Development Corporation, incorporated on November 26, 2008, is a non-operating entity that is 100% owned by Aseana Holdings, Inc., inclusive of qualifying shares held by nominee directors. It was formed to hold land assets of our Group and operates as a land holding company.*
- (11) *Aseana City Transport and Travel Corporation, incorporated on December 29, 2010, is 100% owned by Aseana Holdings, Inc., inclusive of qualifying shares held by nominee directors. It was formed to operate public utility transport services for Aseana City.*
- (12) *Aseana Gas Energy Corporation, incorporated on May 18, 2011, is a non-operating entity that is 100% owned by Aseana Holdings, Inc., inclusive of qualifying shares held by nominee directors. It was formed to operate the supply and distribution of liquefied petroleum gas lines within Aseana City.*
- (13) *Portal Holdings, Inc., incorporated on May 7, 1999, is 100% owned by our Company (with 40% through direct ownership and 60% indirect ownership through our wholly owned subsidiary, Aseana Residential Holdings Corp., formerly known as Bowood Holdings, Inc.). It was formed to hold land assets of our Group and operates as a land holding company.*
- (14) *Aseana I.T. Plaza, Inc., incorporated on February 21, 2001, is a non-operating entity that is 67% owned by our Company (with 42% through direct ownership and 25% indirect ownership through our wholly owned subsidiary, Portal Holdings, Inc.), and 33% owned by Bay Resources and Development Corporation.*
- (15) *European Resources and Technologies, Inc., incorporated on July 20, 2000, is a non-operating entity that is 42% owned by our Company (with 21% through direct ownership and 21% indirect ownership through our wholly owned subsidiary, Fabricom, Inc., formerly known as Fabricom-XCMG Philippines Inc.), 28% owned by WHI, 15% owned by Alfredo R. De Borja and 15% owned by Holger H. Holst. It was formed to operate and manage environmental compliance and related matters of our Group, such as applications to DENR.*
- (16) *Aseana CL Beach and Marina Development Corporation, incorporated on July 15, 2013, is a non-operating entity that is 36% owned by our Company (with 10% through direct ownership and 26% through our wholly owned subsidiary, Aseana Holdings, Inc.), 28% owned by Atlas International Marinas Asia Limited and 8% owned by TCGI Engineers. The remaining 28% are qualifying shares held by nominee directors.*
- (17) *SHLP-BBP Realty, Inc., incorporated on May 18, 2010, is a non-operating entity that is 30% owned by our Company, 10% owned by Aseana Holdings, Inc., 10% owned by Bay Area Holdings, Inc., 10% owned by Alpha Land, Inc., 10% owned by Portal Holdings, Inc., 10% owned by Bay Resources and Development Corporation, 16% owned by Delfin J. Wenceslao Jr. and 4% owned by Sylvia C. Wenceslao.*

- (18) *Aseana Real Estate Services and Management Corporation, incorporated on July 5, 2011, is 14% owned by Aseana Holdings, Inc. and the remaining 86% is owned by the Wenceslao Family, with each of the six family members owning 14.4%. It was formed to operate property management services of our Group.*
- (19) *Reine Inc., incorporated on October 18, 1996, is a non-operating entity that is 100% owned by Aseana Holdings Inc. It is a company which owns a property located in Makati City.*

ASEANA CITY

Overview

Aseana City comprises a total area of 1,074,714.0 sq.m. of reclaimed land, of which our existing land holdings of 569,121.2 sq.m. forms a part. It is located along the shoreline of Manila Bay bordering Pasay City and extending east to Roxas Boulevard within Parañaque City, and forms part of the larger 2,040,000.0 sq.m. development, otherwise known as CBP-BC, that we reclaimed through R-1 Consortium pursuant to the Reclamation Agreement with the PRA. Aseana City is also part of the Manila Cavite-Coastal Road and Reclamation Project, which is being undertaken by the PRA. Immediately north of the development is the site of SM Group's Mall of Asia. Further north lies the Cultural Center of the Philippines, Philippine World Trade Center and Philippine International Convention Center. A crucial anchor to the development of Aseana City is the adjacent Entertainment City, PAGCOR's Las Vegas-type development. This major project (part of the CBP-BC development) features high-end integrated resorts such as City of Dreams Manila, Solaire Resort & Casino, Okada Manila and Westside City Resorts World (expected to be completed in 2021). All of these resorts are expected to attract further leisure and tourist traffic to the area. In addition, the completed, ongoing and future construction of transport infrastructure within close proximity to Aseana City, including the NAIA expressway completed in 2016, the Southwest Integrated Bus Terminal Exchange ("SWITex") station currently under construction and expected to be completed in April 2018 and the LRT Line 1 extension project targeted for completion in 2021 will provide easy access to Aseana City, and further facilitate its development into a commercial and residential area of choice for those seeking a new viable alternative to the existing CBDs within Metro Manila.



Of the approximately 1,074,714.0 sq.m. of reclaimed land that we and our majority shareholder, WHI, obtained title to pursuant to the Reclamation Agreement with PRA, approximately 42% has been leased, developed or sold as of December 31, 2017. Current buildings and complexes in the greater area, however, include three completed integrated tourism resorts, City of Dreams Manila, Solaire Resort & Casino and Okada Manila, which were constructed and are being operated by major developers and gaming companies, our own commercial buildings, as well as the Department of Foreign Affairs' Passport Plaza, dealerships of Ford, Honda and Subaru, grounds of the Singapore School Manila and King's School Manila, a retail outlet of warehouse shopping company S&R, and residential developments by Anchorland Holdings, Inc. Other businesses that

occupy the area and our commercial buildings include, among others, Kenny Rogers Roasters, Chowking, Security Bank, Seven-Eleven, Starbucks and Hop-inn Hotel. These developments provide a tangible vision of the sustainable future development of Aseana City.

Master Plan

The master plan of Aseana City calls for the redevelopment of a coastal zone into a new center of commerce, which will feature residential condominiums, offices, commercial space, malls, hotels, entertainment venues, recreational outlets, and civic and cultural facilities. The urban design framework for the project embraces sustainable principles and contemplates pedestrian-oriented spaces, diversified land uses, ample public amenities, and a comprehensive road and subway transit network. We envision Aseana City as a truly walkable city with buildings connected by skywalks for easy flow of traffic, bike lanes and spacious sidewalks to encourage walking and a healthier lifestyle, and minimizing energy use and all forms of pollution. To preserve the overall design quality and environment of Aseana City, businesses that involve highly pollutive activities, industrial uses and other non-urban uses such as red light districts and crematoriums are not permitted.

Aseana City is designed to be a self-contained community serviced by a central water supply, drainage and sewage systems, electricity, telecommunication facilities, internet providers and liquefied petroleum gas. Aseana City also features smart city services, such as a public safety and security system with closed circuit television cameras positioned strategically over main focal points of the development and equipped with emergency buttons to activate a two-way emergency response call system. Eco-friendly jeepneys and public utility vehicles powered by liquefied petroleum gas are also provided for interconnectivity between Aseana City and the main transport terminals within the area, such as those situated at the Mall of Asia and the Taft Avenue metro rail transit station.

We conceived the master plan for Aseana City in 2010 and update it regularly based on the continuous growth of Aseana City and changing market conditions. This allows us flexibility in ensuring the master plan remains current and in line with the most recent trends and developments.

The table below sets out a zoning summary of Aseana City in accordance with our master plan as of December 31, 2017.

Use	Land Area (sq.m)	% of Master Plan Area⁽¹⁾
Mixed Use	282,005.1	33.2
Residential	277,943.9	32.7
Commercial	145,651.0	17.2
Entertainment – Lifestyle	38,539.0	4.5
Special development zones ⁽²⁾	36,567.0	4.3
Greenway ⁽³⁾	20,357.0	2.4
Institutional ⁽⁴⁾	16,868.7	2.0
Parking	16,187.5	1.9
Gas stations	12,292.4	1.5
Electricity substation	2,899.0	0.3
Total	849,310.6⁽⁵⁾	100

Notes:

- (1) Calculated based on total gross land area to be developed per the existing master plan as of December 31, 2017.
- (2) This refers to planned unit development areas for a mixture of land uses with specialized standards, such as gated communities, utilities, cultural and transport-oriented development.
- (3) This refers to a pedestrian promenade that stretches from Roxas Boulevard to Manila Bay.
- (4) This zone is designated for civic, religious, park and academic uses but with retail-commercial surrounding areas.
- (5) Based on the master zoning plans as of December 31, 2017, which did not necessarily contemplate usage of the entire 1,074,714.0 sq.m. Aseana City development.

The map below illustrates the landscape of Aseana City and vicinity areas with details on the locations of our investment properties and pipeline development projects in Aseana City as of December 31, 2017.



ABPEA and Master Development Standards and Guidelines

Aseana Business Park Estate Association, or ABPEA, is a non-stock nonprofit organization of lot owners and tenants in Aseana City that was organized by our Company pursuant to a Declaration of Covenants, Conditions and Restrictions we made in April 2009 (the “Declaration”). The purpose of establishing ABPEA was to promote the general welfare and growth of Aseana City, safeguard the well-being of owners, lessees and occupants of real property and buildings in Aseana City, and adopt, implement and enforce rules and regulations with respect to the development, use and occupancy of all properties in the area. The Declaration requires lot owners and lessees to comply with certain covenants and restrictions in relation to all land within Aseana City, two of which are to ensure that (i) all lot owners and lessees become members of ABPEA and therefore subject to its regulation, and (ii) all developments in Aseana City, whether undertaken by ourselves or third parties, conform to the master development standards and guidelines we drafted. We have incorporated these covenants and restrictions into our land sales agreements and land lease agreements accordingly. In order to facilitate the master planning and development of Aseana City, ABPEA also entered into a service agreement with Aseana Real Estate Services & Management Corporation (“ARESMCO”) pursuant to which ARESMCO will manage the operation and administration of ABPEA and the estate properties of ABPEA in Aseana City.

The comprehensive master development standards and guidelines, which ABPEA has subsequently promulgated, cover all material aspects relating to the development of Aseana City, including architecture and urban design, parking and vehicular access, road design, pedestrian system, lighting, signage, open space, landscape and easement areas, public art, utilities, environmental management, public transport system, security and safety, fire protection, water supply system, sewage system, electrical system, usage of liquefied petroleum gas and construction processes and guidelines. Certain prescribed requirement and restrictions relating to developments undertaken in Aseana City include the following:

- Development density – The prescribed average floor area ratio (“FAR”), which is defined as the ratio between the gross floor area of a building and the area of the lot on which it is situated, is six. FAR may vary within a cluster of developments as long as the average does not exceed six and the gross floor area does not exceed the maximum floor area.
- Gross floor area – The permitted gross floor area, or GFA, may not exceed the prescribed FAR multiplied by the area of the lot on which the building is situated. GFA is defined as the area contained within the external faces of the external walls (or in the absence of such walls, the external parameters) of any building to be erected on the relevant land lot measured at each floor or level (including any floor below the ground level), together with the area of each balcony in such building that is calculated based on the overall dimensions of the balcony (including the thickness of the sides thereof).
- Building height – All building heights must conform to the requirements of the Civil Aviation Authority of the Philippines (“CAAP”). The CAAP must be consulted with respect to the height limitation of each proposed building by the relevant developer and every development in Aseana City is required to obtain a height clearance permit from CAAP. For buildings required to have skywalks, the recommended floor-to-floor height from ground level to the second level is six meters, while for buildings not required to have skywalks, the recommended floor-to-floor height is five meters.
- Building materials – Use of environment-friendly material is encouraged. External reflective glass should be clear with an outdoor reflectance of 20% and shading co-efficient of 0.3. Mirrorized-reflective glass facades are to be avoided as exterior cladding in buildings.
- Landscaping – “Green roofing”, or provision of at least 30% of landscaped areas on podium decks and roof decks on all buildings to mitigate building energy loss and carbon emission.

OUR LAND HOLDINGS

In 1989, the PEA executed a Memorandum of Agreement (“MOA”) with R-1 Consortium, a consortium formed by our Company, TOA Corporation, Inc., Jan de Nul N.V. and Royal Asia Development Co., Inc. for the construction of the R-1 Expressway, a component of the Manila-Cavite Coastal Road and Reclamation Project. Pursuant to the MOA, the PEA entered into various implementing agreements with R-1 Consortium.

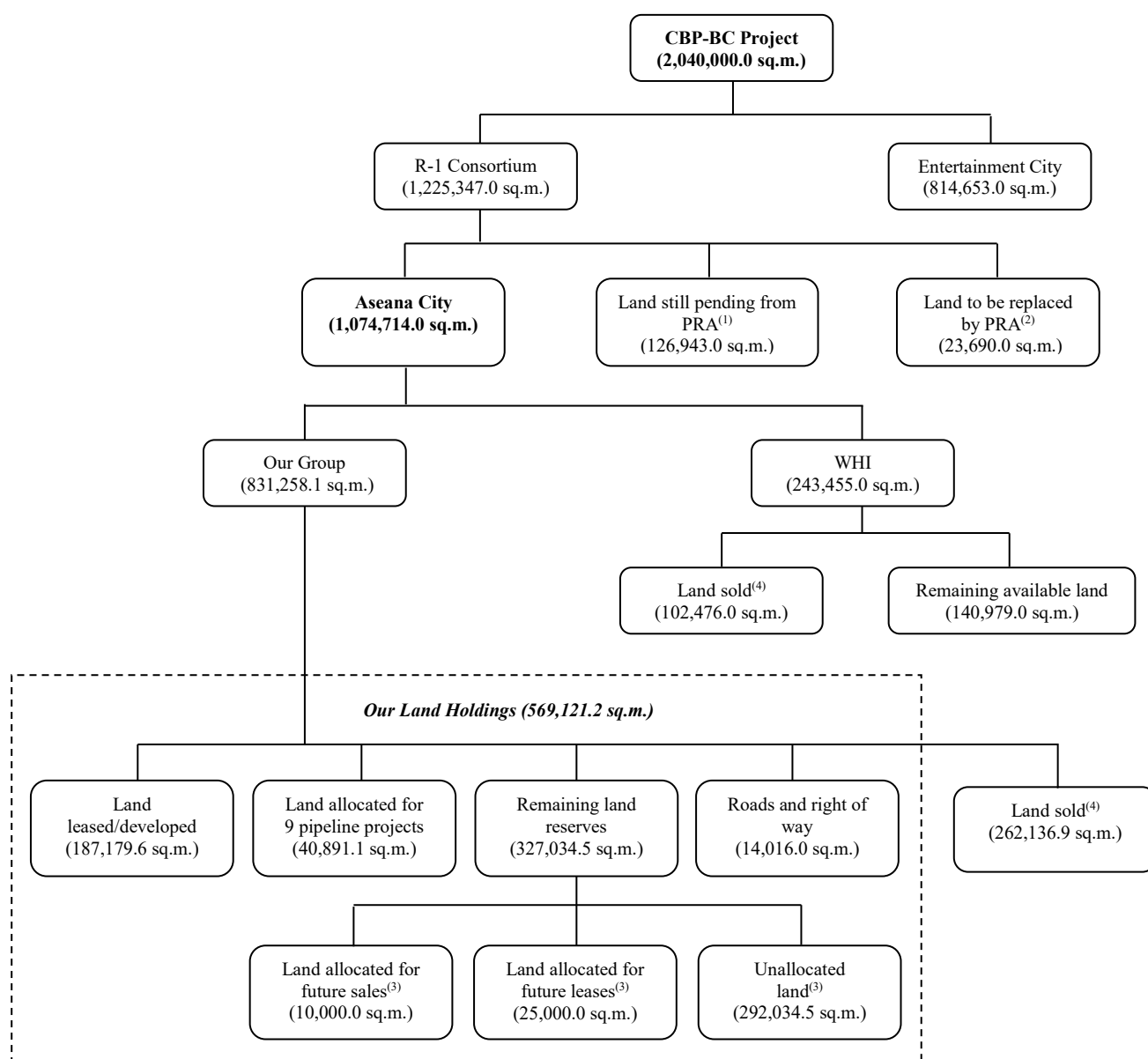
The scope of these implementing agreements is as follows:

Agreement	Scope
1990 Implementing Agreement No. 1	Financing and upgrading of the R-1 Expressway to toll standards and basically reiterated the terms indicated in the MOA.
1991 Implementing Agreement No. 2, or the Reclamation Agreement	Reclamation and development of the entire Islands B and C.
1994 Implementing Agreement No. 3	Provide theoretical and practical training for PEA personnel in relation to the reclamation works.
1996 Implementing Agreement No. 4	Formation of a joint venture company (Bay Dredging, Inc.) to own, lease, or hire dredging equipment that will be 60% owned by the R-1 Consortium and 40% owned by the PEA.
1998 Implementing Agreement No. 4-A	Implementation of Transfer of Technology by Jan de Nul N.V. for the training or education of the technical staff of Bay Dredging, Inc. in the modern technology of dredging and reclamation as practiced internationally.
2001 Implementing Agreement No. 5	Construction of the Roxas Canal West Bridge along Central Boulevard, Parañaque, for which R-1 Consortium can opt to be paid in the form of interest-bearing bonds or lands as consideration.
2002 Implementing Agreement No. 6	Construction of the Central Boulevard Road, CBP-BC segment, for which R-1 Consortium can opt to be paid in the form of interest-bearing bonds or lands as consideration.
2008 Implementing Agreement No. 7	Construction of the Aseana Avenue road and bridge, and the Bay Boulevard road and bridge in connection with CBP-BC, for which R-1 Consortium can opt to be paid in the form of cash, interest-bearing bonds or lands as consideration.

As provided in the MOA and these implementing agreements, R-1 Consortium has the option to be paid by the PRA (formerly the PEA) in cash, interest-bearing bonds or in the form of reclaimed land, as consideration for land reclamation and construction services rendered. Accordingly, R-1 Consortium was to obtain portions of the reclaimed CBP-BC land, amounting to 1,225,347.0 sq.m. As our other R-1 Consortium partners were foreigners that are unable to own land in the Philippines, we and our majority shareholder, WHI obtained the title to approximately 1,074,714.0 sq.m., with the remaining 150,633.0 sq.m. still pending from the PRA.

Pursuant to the request of the PRA, the Office of the Government Corporate Counsel issued an opinion in 2007 that our ownership and rights over the reclaimed lands had vested and could no longer be invalidated. However, it is possible that the validity of our titles to our existing land holdings may still be challenged pursuant to the Philippine Constitution and the Public Land Act, as interpreted in the PEA Amari Decision by the Philippine Supreme Court. Please see “Risk Factors – General Risks Relating to Our Business – Our title to our land holdings may be subject to various lawsuits, challenges and claims” on page 32 of this Prospectus.

The chart below illustrates how we derived our existing land holdings in Aseana City as of the date of this Prospectus.



Notes:

- (1) Total land area still pending from the PRA to our Group.
- (2) Total land area to be replaced by the PRA for Macapagal Boulevard, and pending from the PRA to our Group.
- (3) The aggregate of these land areas constitutes our land reserves totaling an area of 327,034.5 sq.m.
- (4) Refers to the total land area, the title of which our Group or WHI no longer owns. Such land titles have been transferred to non-Group entities or third parties pursuant to past sales transactions, joint ventures and other investments.

The table below sets out our land title interest, economic interest and Colliers' valuation estimates for our land holdings in Aseana City as of December 31, 2017.

Land Holdings	Land Title Interest ⁽¹⁾	Economic Interest	Valuation (as is, where is basis)	
			By Property Value (₱ million) ⁽²⁾	By Land Area (sq.m.)
Land currently leased ⁽³⁾	100%	98%	32,579.0	150,520.7
Completed properties ⁽⁴⁾	100%	100%	10,187.7	36,659.0
Pipeline properties	33% ⁽⁵⁾	100%	20,981.4	40,891.1
Remaining land reserves ⁽⁶⁾	90%	100%	69,026.8	327,034.5

Land Holdings	Land Title Interest ⁽¹⁾	Economic Interest	Valuation (as is, where is basis)	
			By Property Value (₱ million) ⁽²⁾	By Land Area (sq.m.)
Total			132,775.0	555,105.3

Notes:

- (1) Calculated based on our actual ownership of land areas constituting our land holdings.
- (2) Based on the valuation certificate prepared by Colliers as attached to this Prospectus.
- (3) Includes land held by BAH, in which we held a 60% shareholding interest through Fabricom, Inc., as of December 31, 2017. The value of the land currently leased under BAH amounts to ₱1,077.3 million.
- (4) Includes our self-developed properties and the building we obtained by operation of law due to the default by one of our previous lessees on the relevant land lease but excludes S&R Building.
- (5) Title to the land for certain of our pipeline projects is held by WHI and will be leased, for commercial projects, or acquired, for residential projects, by our Group.
- (6) Includes land held by BAH, in which we held a 60% shareholding interest through Fabricom, Inc., as of December 31, 2017. The value of the remaining land reserves under BAH amounts to ₱15,068.9 million.

The table below summarizes the land holdings of the companies in our Group in Aseana City, as of December 31, 2017.

Company	Total Land Area (sq.m.)
DMW	393,864.2
PHI	17,447.0
BAHI ⁽¹⁾	121,509.0
AHI	34,540.0
ARHC	1,761.0
Group Total.....	569,121.2

Note:

- (1) We hold a 60% shareholding interest in Bay Area Holdings, Inc., or BAH, through Fabricom, Inc. as of December 31, 2017.

In addition to our land holdings in Aseana City, our parent, WHI, holds an additional 140,979.0 sq.m. of land in Aseana City, which is subject to the Intergroup Agreement we have entered with WHI, see “Intergroup Agreement with our Majority Shareholder, WHI”, in “Principal and Selling Shareholders” on page 203 of this Prospectus.

Beyond our core land holdings situated in Aseana City, we also own land in other locations within the Philippines, amounting to an aggregate land area of 208,429.6 sq.m. As of the date of this Prospectus, none of our owned land outside of Aseana City has been developed.

The table below sets out the breakdown of our Group’s total land holdings and details of the land we own as of December 31, 2017.

Location	Total Land Area (sq.m.)	% of Total Land Area Owned by our Group
Aseana City	569,121.2	73%
Caridad, Cavite ⁽¹⁾	112,852.0	15%
Trece Martires, Cavite ⁽¹⁾	29,544.0	4%
Bulacan ⁽¹⁾	3,839.0	0%
Cagayan De Oro ⁽¹⁾	5,999.0	1%
Quezon City ⁽¹⁾	2,205.6	0%
Zamboanga City ⁽²⁾	53,453.0	7%
Makati City ⁽³⁾	537.0	0%
Total.....	777,550.8	100%

Notes:

- (1) Title registered under the name of DMW.
 (2) Title registered under the name of Fabricom.
 (3) Title registered under the name of Reine, Inc.

BUSINESS OVERVIEW

As an integrated property developer with significant land holdings and land reclamation and construction capabilities, our principal business activities are (i) land sales and leasing, (ii) leasing and management of our commercial investment properties (office and retail), (iii) real estate development and (iv) land reclamation and construction.

Land Sales and Leases

One of our strategies with respect to our land holdings is to retain prime land areas for long-term investment through land leases and development of our own real estate projects, and to sell non-core land areas to suitable purchasers that will facilitate the overall development of Aseana City consistent with the master plan. Prospective customers who are interested in purchasing or leasing our land are required to submit their planned usage of the land for our review and approval. We will carefully evaluate a prospective purchaser's or lessee's business and proposed development, and only upon being satisfied that their businesses and intended use of the land conform to our master plan for Aseana City, will we proceed to negotiate the agreements.

We classify "prime" land as those plots being bordered by the three main avenues: Aseana Avenue, Macapagal Boulevard and Diokno Boulevard. All other land areas are generally regarded as "non-core" land. Revenue from our land sales also serves as a source of internal funds to finance our capital expenditures.

The table below sets out our revenue from our land sales and leasing business segment for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	(audited) (₱ in millions)		
Rentals			
- Land.....	803.2	860.5	919.4
Land sales⁽¹⁾.....	329.8	600.7	1,088.3
Other Income (charges)⁽²⁾.....	247.3	312.5	257.7
Total.....	1,380.3	1,773.7	2,265.4

Notes:

- (1) Revenue for land sales pertains to sales of land parcels classified under land and land development costs. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Principal Components of Our Income Statement – Revenue – Land Sales" on page 84 of this Prospectus.
- (2) Income from gain on sale of investment property pertains to sales of land parcels that are held for capital appreciation and reclassified as investment properties. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Principal Components of our Income Statement – Other Income (Charges) – Gain on Sale of Investment Property" on page 87 of this Prospectus.

Contracts for Land Sales

Our land sales process is fairly standardized. We typically enter into a contract to sell with the purchaser, pursuant to which a downpayment ranging from 10% to 50% is required at signing, with the balance to be paid on a monthly basis over a specified period. Depending on the construction works planned, the length of the construction period and the size of the purchased land, we may ask for the balance to be paid within 60 days to three years from the date of signing. Once full payment is made, we execute a deed of absolute sale in favor of the purchaser and title ownership of the land is only transferred at that stage. If the purchaser commits a default or breach of its covenants and obligations, including the obligation to pay the purchase price as per the

contractual schedule, before a deed of absolute sale is executed, the contract to sell is deemed cancelled and all amounts already paid by the purchaser will be forfeited in our favor.

Pursuant to our land sales agreements, all purchasers of land situated within Aseana City are required to accept membership in ABPEA, abide by its rules and regulations and pay regular dues and assessments as necessary. As an ABPEA member, purchasers also covenant to comply with our master plan and the master design standards and construction guidelines for Aseana City. Their development plans must be submitted to us for prior approval with construction to either commence or complete within a stated period of time, usually 18 to 48 months, from the signing of the sales contract. In the event the purchaser fails to comply with its covenant to commence or complete construction as specified, our contracts typically provide for a penalty of ₱10 million a year to be imposed on the purchaser for each year beyond the original deadline. Furthermore, some of our contracts contain a right of first refusal granted to us to purchase the property development constructed on the sold land at the same price and on the same terms as those offered to other prospective buyers or transferees.

As of December 31, 2017, we had completed the following land sales transactions since 2008, involving the sale of a total land area of 59,153.7 sq.m., from our land holdings in Aseana City.

Purchaser	Total Land Area (sq.m.)	Usage of Land	Development Status	Date of Contract to Sell	Economic Interest ⁽³⁾	% Purchase Price for which Payment Received ⁽⁵⁾	Sales (₱ in millions)	Cost of sales (₱ in millions)
Embassy of the State of Qatar	7,515.0	Office/Residential	Planning	June 2008	100%	100%	566.45	320.61
Anchorland Holdings, Incorporated ⁽¹⁾	6,809.0	Primarily Residential	Operational	Dec 2009	100%	100%	238.33	145.73
Anchorland Holdings, Incorporated ⁽¹⁾	9,059.7 (Lot 3A) 8,629.0 (Lot 3B)	Primarily Residential	Under Construction	May 2011	100%	100%	849.0	509.31
Platinum Group Metals Corporation	3,367.0	Mixed Use	Under Construction	May 2012	100%	100%	319.87	188.74
Ri-Rance Realty Corporation	1,607.0	Mixed Use	Under Construction	October 2013	100%	100%	160.70	90.08
Jiaxing International Trading and Real Estate Corporation	1,958.0	Mixed Use	Under Construction	May 2014	100%	100%	195.80	96.13
Anchorland Holdings, Incorporated ⁽¹⁾⁽²⁾	4,867.0	Mixed Use	Under Construction	March 2015	100%	100%	608.38	198.21
Sequoia Manila Corp.	1,412.0	Mixed Use	Under Construction	September 2015	100%	100%	211.80	118.17
Anchorland Holdings, Incorporated ⁽¹⁾⁽⁴⁾	2,416.0 (Lot 19) 2,300.0 (Lot 20)	Mixed Use	Under Construction	November 2015	100%	100%	707.40	395.92
Bayprime Property Inc.	2,180.0	Mixed Use	Planning	August 2016	100%	100%	403.30	84.81
Harton Lyncoln Realty Inc.	874.0	Mixed Use	Planning	December 2016	100%	100%	161.69	34.00
Uni-Asia International Prime Holdings	2,521.0	Mixed Use	Planning	June 2017	100%	100%	605.04	80.10
MMA Land, Inc.	1,706.0	Mixed Use	Planning	July 2017	100%	100%	400.91	143.22
Jeco Development Corp.	1,933.0	Mixed Use	Planning	September 2017	100%	100%	483.25	61.42

Notes:

- (1) Sales of land to Anchorland Holdings, Incorporated were made through its wholly owned subsidiary, Posh Properties Development Corporation, as the purchaser. Anchorland Holdings, Incorporated had acquired land from us on repeated occasions, and accounted for 20% or more of our total land sales in each of the relevant years.
- (2) Comprised a parcel of land with area of 2,638 sq.m. sold by our Company, which was recorded as revenue from land sales in our 2015 consolidated statement of profit or loss, and a parcel of land with area of 2,229 sq.m. sold by our subsidiary, Portal Holdings, Inc., which was recorded as a gain on sale of investment property under other income (charges).
- (3) Refers to our share of the proceeds from the sale transaction.
- (4) Proceeds from our sale of land to Anchorland Holdings, Incorporated were recorded as a gain on sale of investment property under other income(charges).
- (5) As of December 31, 2017.

Land Lease Agreements

For our land leases, we generally enter into mid to long-term leases ranging from 10 to 20 years, taking into account the estimated construction periods for the developments to be built on the relevant land plots. In September 2014, however, we signed a 45-year lease with Ayala Land for a parcel of land with an area of 92,317.0 sq.m. to be used as the site for the Ayala Curtis Mall, its highly anticipated mixed use mall and hotel development. Groundbreaking on the mall occurred in 2015, and it is expected to launch in 2018. Our lease with Ayala Land provides for a minimum guaranteed rent or, if higher, an agreed percentage of the income that Ayala Land derives from the site. In 2017, we signed additional agreements with Ayala Land to lease additional land for a period that is co-terminus with the original Ayala Land lease. In our standard lease, we usually offer a construction rent-free period but as part of our revenue recognition policy, we recognize income from our land leases on a straight-line basis over the entire lease term upon the earlier of the commencement of the lease period or delivery of the leased premises to the tenant.

The typical terms of our land leases include provision for specified yearly escalation rates generally ranging from 5% to 10%, the acceptance of membership in ABPEA and payment of regular dues, payment of an advance rental deposit of up to two years' rental and a security deposit of up to two years' rental upon signing, compliance with the master design standards and construction guidelines, submission of development plans to us for prior approval before implementing construction works, commencing or completing construction within a specified period, and requiring our prior consent for any alterations, additions or improvements. Unlike with purchasers of land, however, we require our land lessees to appoint only contractors that are approved or acceptable to us. As the land areas we hold for leasing are considered "prime" land, it is critical that the developments built on such land be of a quality and standard that conform to our strategic expectations for Aseana City and are able to yield optimal returns.

Several noteworthy additional provisions in our standard leases are (i) the requirement for the lessee to put up a construction and cash bond prior to commencement of construction, (ii) our entitlement, upon the expiry, or early termination due to the default of the lessee, of the lease agreement, to all fixed and permanent improvements introduced, built or installed on the leased premises without any obligation to reimburse the lessee for the costs thereof, and (iii) our contractual lien on all properties of the lessee used on or situated in the lease premises against full payment by the lessee of all amounts due to us upon early termination of the lease agreement or the expiry thereof.

To help promote synergies between our construction and land sales and leasing businesses, we first introduced a right for us to match the lowest contractor bid for the piling, concreting and foundation works to be undertaken on our leased land in our 2014 lease agreement with Ayala Land. Subsequently, we have also introduced in a number of our contracts a similar provision requiring purchasers and lessees of our land to grant us a right of first refusal for any piling, concreting and foundation works to be undertaken on the subject land. We intend to implement such provisions in all of our land leases and land sales contracts going forward to generate more revenue opportunities for our construction business.

The table below sets forth certain basic information on our top six land lessees, in terms of revenue contribution, as of December 31, 2017.

Lessee	Term	Usage of Land	Total Land Area (sq.m.)	Economic Interest ⁽¹⁾	Commencement of Revenue Recognition	% of Total Land Rental Revenues for the year ended December 31, 2017
Ayala Land, Inc.	45 years (option to extend)	Mixed-use mall and hotel	92,317.0	100%	September 2014	82.5%

Ayala Land, Inc.	for 45 years) co-terminus with above	development Mixed-use mall and hotel development	9,980.48	100%	January 2017	See consolidated percentage above
Singapore School Manila Inc.	10 years (option to extend for 10 years)	School	4,787.0	100%	March 2014	3.0%
Globeway Property Ventures, Inc.	10 years (option to extend for 10 years)	Retail / Restaurant	4,897.0	100%	September 2015	2.4%
Seven Tall Trees Events, Inc.	10 years (option to extend for 5 years)	Events venue	5,857.0	100%	March 2013	1.9%
Pilipinas Shell Petroleum Corporation	20 years (option to extend)	Gasoline service station	5,685.0	100%	August 2003 and April 2007	1.3%

Note:

(1) Refers to our share in the income proceeds from the lease agreement.

Investment Properties

As of December 31, 2017, we had seven investment properties, six of which are located in Aseana City, namely Aseana One, Aseana Two, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R, with a total land area of 42,464.6 sq.m. and total leasable floor area of 59,000.1 sq.m.

The table below sets out certain key financial and operating data of our real estate development business segment for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
	<i>(audited)</i>		
	<i>(₱ in millions)</i>		
Rentals			
- Building	311.6	344.6	429.7
- Other revenues ⁽¹⁾	114.4	121.5	157.9
Total	426.0	466.1	587.6
	As of December 31,		
	2015	2016	2017
Total leasable floor area (sq.m.)	45,432.3	56,863.4	59,000.1
Overall occupancy rate⁽²⁾	87%	97.7%	94.1%

Notes:

(1) Other revenues primarily consist of utilities recovery and common use service area, or CUSA, fees we generally charge our building tenants.

(2) Calculated based on the ratio of total leased floor area to total leasable floor area made available.

The table below sets out certain details of these investment properties in which we have a 100% economic interest.

Property and Type	Land Area (sq.m.)	Total Leasable Floor Area (sq.m.)	Occupancy Rate as of December 31, 2017 (%)	Completion	Valuation (as is, where is basis) ⁽¹⁾ (₱ million)
Aseana One (Office for lease)	2,777.0	20,189.1	93.5%	July 2012	1,632.5

Property and Type	Land Area (sq.m.)	Total Leasable Floor Area (sq.m.)	Occupancy Rate as of December 31, 2017 (%)	Completion	Valuation (as is, where is basis) ⁽¹⁾ (₱ million)
Aseana Two (Office for lease)	1,970.0	14,288.9	98.2%	November 2014	1,170.7
Aseana Square (Mixed use for lease)	6,552.6	2,136.7	93.2%	April 2017	1,661.6
Aseana Powerstation Building (Mixed use for lease)	9,338.1	4,710.0	94.7%	December 2005	2,307.0
Aseana Town Center⁽²⁾ (Mixed use for lease)	16,021.3	12,848.6	100%	January 2012	3,415.9
DMWAI Building⁽³⁾ (Mixed use for lease)	805.6	1,041.8	20.7%	1976	76.4
S&R Building (2nd Floor)⁽⁴⁾ (Mixed use for lease)	5,000.0	3,785.1	100%	January 2017	N/A
Total	42,464.6	59,000.1			10,264.1
Total (Aseana City excluding S&R Building)	36,659.0	54,173.2			10,187.7

Notes:

- (1) Based on the valuation certificate prepared by Colliers as attached to this Prospectus.
- (2) Pursuant to our land lease agreement with Bay Pacific Neo-Chinatown, Inc., we obtained title to the two story building constructed on the leased land in 2012 upon the default by the lessee, and subsequently leased portions of it to (i) Rialton Avenue, Inc. in 2011 and (ii) Star Fuzion Management Corp. in 2016.
- (3) Our earliest self-developed property located in Quezon City that was primarily used as our Company's offices prior to our relocation to Aseana Powerstation Building in 2012. It is currently occupied by our tenants, Bank of the Philippine Islands and Play & Win.
- (4) Pursuant to a 20-year Contract of Lease with PSMT Philippines, Inc. in 2001, we leased the land for the tenant to build a commercial warehouse club. The resulting S&R Building is currently occupied on the first floor by PSMT Philippines, Inc. and on the second floor, half of which was delivered to us as part of the Contract of Lease, by Dynamic Group Gaming and Amusement Corp.

The construction period of our four self-developed properties in Aseana City ranged from six months to 20 months, and we reached an occupancy rate of 75% for Aseana One, Aseana Two, and Aseana Powerstation Building within 10 months, six months, and 15 months of their respective completion. Aseana Square had a 100% occupancy rate upon completion. As of December 31, 2017, the occupancy rates of Aseana One, Aseana Two, Aseana Square and Aseana Powerstation Building are 93.5%, 98.2%, 93.2% and 100.0%, respectively.

Leased Properties - Aseana One and Aseana Two

Aseana One and Aseana Two are 12-story office buildings, which are designed to be highly flexible in specifications, including divisibility into smaller units, large floor plates and a high efficiency ratio of more than 85%, to accommodate and appeal to a wide range of tenants. In particular, we noted the importance of PEZA accreditation to BPOs, and have made it a policy to obtain PEZA accreditation for our properties, such as Aseana One and Aseana Two, to facilitate the entry of several BPO companies. Under the law, PEZA registered BPOs enjoy the following incentives:

- Income Tax Holiday ("ITH") for four years for Non-Pioneer IT Enterprises, or six years for Pioneer IT Enterprises;
- After the ITH period, the option to pay a special 5% tax on gross income earned, in lieu of all national and local taxes, except real property taxes on land owned by developers;
- Exemption from payment of import duties and taxes on imported machinery and equipment and raw materials;

- Additional deduction equivalent to 50% of training expenses, chargeable against the 3% share of the national government in the special 5% tax on gross income;
- Permanent resident status for foreign investors with initial investments of US\$150,000.00 or more;
- Employment of non-resident aliens required in the operation of IT Enterprises; and
- Other incentives, as may be determined by the PEZA Board.

These buildings feature high-speed fiber-optic or data telecommunication systems, clean and uninterrupted power supply with backup generators, variable refrigerant flow air-conditioning, and computer security and building monitoring and maintenance systems, such as computer firewalls, encryption technology and fluctuation controls.

Our tenants for these two buildings primarily comprise BPOs and logistics companies, with retail tenants such as Jollibee fast food chain and Seven-Eleven convenience store as well as commercial tenants such as Security Bank and Bank of the Philippine Islands on the ground floor.



Photo: Aseana One



Photo: Aseana Two

Leased Properties - Aseana Square

Our first fully retail-oriented building, Aseana Square, was completed in May 2017. It has a total leasable floor area of 2,136.7 sq.m. and was fully leased out upon completion. Tenants in Aseana Square include, among others, a Seven Eleven convenience store, Security Bank and China Bank.



Photo: Aseana Square

Leased Properties - Aseana Powerstation Building

Aseana Powerstation Building was our first mixed use retail property in Aseana City, which is strategically located along Macapagal Avenue, the major thoroughfare parallel to Roxas Boulevard. Premium brands such as Shell Petroleum, McDonald's, Bank of the Philippine Islands and Starbucks are the anchor tenants of this property. Our Group also occupies a certain portion of the second story and the entire third story as our head offices.



Photo: Aseana Powerstation

Lease Agreements

Our lease agreements are generally for a term of five to 10 years with an option to extend upon giving six months' notice prior to expiry, depending on the business of the relevant tenant. The tenant is required to pay us (i) an advance prepayment of the first three months' rent upon signing of the lease, and (ii) a security deposit amounting to three months' rent, subject to top-up increases by the tenant based on the escalated monthly rent rates for subsequent years. We generally offer a rent-free period of one month for every full floor of 1,000 sq.m. to 1,500 sq.m. leased. Our lease rates are based on our market studies of the property landscape and rental prices in Aseana City and surrounding areas, and we specify a standard annual fixed rental escalation rate typically ranging from 3% to 10%, which we believe is in line with industry standards. For retail space leases, other than a fixed monthly rental rate, we may ask for additional variable percentage payments such as an additional monthly payment amounting to a certain percentage of the tenant's monthly gross product sales, or choose to be paid the higher of either the fixed monthly rental or the variable percentage payment.

Pursuant to our lease agreements, our tenants must submit their fit-out plans to us prior to handover of the leased premises. This is to ensure that the specifications and drawings comply with our internal guidelines as well as the master planning guidelines of Aseana City. We exercise strict control over this process with no alterations, improvements or modifications made to the premises without our prior approval, and we retain the right to inspect the premises over the term of the lease.

Below sets forth certain basic information on our top five commercial space leases, in terms of revenue contribution, as of December 31, 2017.

Tenant and Building			Term	Business	Total Leased Floor Area (sq.m.)	Commencement of Revenue Recognition	% of Our Total Building Rental Revenues for the year ended December 31, 2017
Starfuzion Corporation (Aseana Town Center)	Management		10 years (option to extend for 5 years)	Retail	7,646.1	December 2016	14.5%
Xerox Philippines, Inc. (Aseana One)	Business Services		5 years (option to extend for 5 years)	BPO	10,018.7	July 2013	12.1%

Tenant and Building	Term	Business	Total Leased Floor Area (sq.m.)	Commencement of Revenue Recognition	% of Our Total Building Rental Revenues for the year ended December 31, 2017
V Ships Services Oceana, Inc. (Aseana Two)	10 years (option to extend)	Logistics	6,728.1	December 2014	11.9%
Philippine Eds Techno-Service, Inc. (Aseana One)	10 years (option to extend for 5 years for two successive terms)	BPO	5,693.0	October 2012	9.2%
Teletech Customer Care Management Philippines (Aseana One)	5 years (option to extend for 5 years)	BPO	2,504.7	December 2013	6.6%

Real Estate Developments

As of December 31, 2017, we had successfully self-developed four commercial buildings in Aseana City with a total leasable floor area of approximately 41,324.7 sq.m. Due to our capabilities in construction, we typically are able to complete development of our commercial real estate properties within 12 to 15 months.

Our current planned pipeline of nine real estate projects, consisting of six commercial developments and three residential developments, is designed to capitalize on the development of Aseana City and increase our recurring income from the leasing of land and buildings.

Of the six planned commercial developments, four are mid-rise office buildings targeted at BPOs, logistics companies and gaming and tourism-related companies, demographic groups that are expected to experience an increase in demand for commercial space within the vicinity. Further, the sites of these projects are strategically situated in close proximity to the structures constructed or being planned by our land lessees. For example, our pipeline office buildings are located near Ayala Land's mall development so as to benefit from the anticipated increase in traffic within the area. Furthermore, the proposed mall development is expected to include a transport terminal, which will enable the employees of the surrounding office buildings to enjoy easy access and connectivity within Aseana City. These planned office buildings will be constructed based on similar specifications as those of our existing completed developments, Aseana One and Aseana Two. We plan to apply for PEZA accreditation for our future office buildings. We intend to start pre-leasing activities three to 10 months after commencement of construction for our commercial (office and mixed use) developments.

Our three planned residential properties will be similarly strategically located near schools, parks, transportation options and retail developments to maximize sales potential and in turn, generate consumer traffic for our tenants operating the schools and retail developments and outlets. We believe this will enable us to eventually cross-sell our real estate offerings and realize further income growth. In line with our target customer segment of middle to higher income individuals and working families, we intend to build upscale residential condominiums of larger format apartments with community gardens and on-site recreational facilities. We will work with professional design firms to incorporate modern contemporary style concepts and quality finishes into the design of our apartments. Our first residential development, Pixel Residences, which began pre-selling activities in July 2016, commenced construction in November 2017 and is expected to be completed in October 2019, will comprise 170 studios, one-bedroom and two-bedroom units ranging in size from 36.0 sq.m to 88.0 sq.m. and is designed to be more spacious than other developments in the area. Pixel Residences was designed by Spark Architects, an international award-winning studio, in collaboration with Casas Architects, one of the most prominent architecture firms in Metro Manila, and will feature a lower density of units per floor to provide residents a more exclusive and private living environment. We intend to start pre-selling activities 12 months prior to ground breaking for our residential developments. For Pixel Residences, our sales model allowed us to fully pre-sell the project within 12 months and construction is expected to take 36 months.

The table below sets forth, project by project and in chronological order based on commencement date, certain basic information of our planned commercial property development projects as of December 31, 2017.

Project ⁽¹⁾	Type	Actual / Estimated Construction Commencement Date	Targeted Completion	Total Leasable Gross Floor Area (sq.m.)	Valuation (as is, where is basis) ⁽²⁾ (P million)	Valuation (as is if completed) ⁽²⁾ (P million)	Total Project Costs ⁽³⁾ as of December 31, 2017		Estimated Disbursements of Proceeds from Firm Offer ⁽⁴⁾⁽⁵⁾ (P million)
							Incurred (P million)	To be incurred (P million)	
Aseana Three ⁽⁶⁾	Office	January 2016	June 2018	30,913.6	2,844.0	2,957.1	844.8	2,112.3	0.0
Aseana Four	Office	January 2018	July 2020	54,576.0	1,627.1	9,205.0	0.0	9,205.0	982.4
Aseana Mainstreet 1	Mixed Use	January 2018	December 2019	45,378.0	6,882.9	9,075.6	0.4	9,075.2	1,001.4
Aseana Five	Office	September 2018	March 2021	58,970.7	1,689.6	10,072.0	0.0	10,072.0	1,061.5
Aseana Mainstreet 2	Mixed Use	January 2019	January 2021	12,594.0	2,410.3	3,022.6	0.0	6,627.4	617.9
Aseana Six	Office	January 2020	July 2022	62,142.3	1,978.2	10,747.6	0.0	10,747.6	1,118.6
Total				264,574.6	17,432.1	45,079.9	845.2	47,839.5	4,781.8

Notes:

- (1) Our planned pipeline is subject to changes based on market conditions, industry trends and developments, and other considerations of our management.
- (2) Based on the valuation certificate prepared by Colliers as attached to this Prospectus.
- (3) Project costs include pre-construction costs, developments costs and costs of equipment, plant and machinery.
- (4) Based on capital injection required from our Group pursuant to our equity share in the relevant project venture, and exclusive of development costs. Such estimates are as of the date of this Prospectus and subject to changes in our planned pipeline.
- (5) The balance of each project's requirements is expected to be funded by remaining proceeds raised from the Offer, debt and cash generated from our operations.
- (6) As of December 31, 2017, Aseana Three was 95% completed.

The table below sets forth, project by project and in chronological order based on commencement date, certain basic information of our planned residential property development projects as of December 31, 2017.

Project ⁽¹⁾	Type	Actual / Estimated Construction Commencement Date	Targeted Completion	Total Saleable Floor Area (sq.m.)	Valuation (as is, where is basis) (₱ million)	Gross Development Value ⁽²⁾ (₱ million)	Total Project Costs ⁽³⁾ as of December 31, 2017		Estimated Disbursements of Proceeds from Firm Offer ⁽⁴⁾⁽⁵⁾ (₱ million)
							Incurred (₱ million)	To be incurred (₱ million)	
Pixel Residences ⁽⁶⁾	Residential	November 2017	October 2019	13,105.8	589.7	1,302.4	181.5	1,120.9	282.3
Parkside Place 1	Residential	June 2018	June 2021	46,880.8	1,864.0	8,495.3	467.7	8,027.6	1,348.9
Parkside Place 2	Residential	September 2019	September 2022	28,329.0	1,095.6	5,072.8	0.0	5,072.8	662.5
Total				88,315.6	3,549.3	14,870.5	649.2	14,221.3	2,293.7

Notes:

- (1) *Our planned pipeline is subject to changes based on market conditions, industry trends and developments, and other considerations of our management.*
- (2) *Based on the valuation certificate prepared by Colliers as attached to this Prospectus. Gross development value is the estimated value of the property assuming that the current planned and approved development scheme will be completed in a timely manner based on the current statutory approvals received and expected, and that there will be no major adverse factors affecting the construction program.*
- (3) *Project costs include pre-construction costs, developments costs and costs of equipment, plant and machinery.*
- (4) *Based on capital injection required from our Group pursuant to our equity share in the relevant project venture, and exclusive of development costs. Such estimates are as of the date of this Prospectus and subject to changes in our planned pipeline.*
- (5) *The balance of each project's requirements is expected to be funded by remaining proceeds raised from the Offer, debt and cash generated from our operations.*
- (6) *As of December 31, 2017, Pixel Residences was 18.3% completed.*

As of December 31, 2017, Pixel Residences is fully sold, and we have unrecognized revenues of ₱1,860.9 million from the project.

Standard Property Development Arrangement

When developing our commercial properties, such as Aseana Square, Aseana Powerstation, Aseana One and Aseana Two, our Company generally leases the required land parcel to our wholly owned operating subsidiary, Aseana Holdings, Inc., which acts as the main developer and undertakes the construction and development for the project. The leases require AHI to pay monthly rent to our Company and also to develop the properties in accordance with the requirements of the ABPEA. In certain other instances, including Aseana Three and Pixel Residences, we have developed our properties pursuant to a standard project venture contractual arrangement whereby the relevant entity holding the land assets contributes the required land parcel and one of our wholly owned operating subsidiaries, namely either Aseana Holdings, Inc. or Aseana Residential Holdings Corp., undertakes the construction and development of the project, as the main developer. Proceeds from such developments are shared between the land owning entity and our developing subsidiary, generally on an approximately 25-75 basis, depending on the market value of the land contributed to the project venture. Based on our knowledge of land prices and assuming that the land owning entity does not contribute any other asset or services to the project venture, we therefore typically have a default base ownership interest, through our subsidiaries, of 75% in each of our properties developed pursuant to this arrangement. In addition, depending on whether the land owning entity for a particular property development is our Company, our wholly owned subsidiary, or an associate, joint venture or affiliate of our Group, our effective ownership interest in such completed property may increase. Our economic interest in the completed property, i.e., our share of the lease or sale proceeds from the completed property, is determined based on our total ownership interest in the completed property.

The table below sets out details regarding our land title interest, economic interest and Colliers' valuation estimates for our future pipeline portfolio of real estate development projects as of December 31, 2017.

Projects	Land Owning Entity	Our Effective Land Title Interest ⁽¹⁾	Our Economic Interest ⁽²⁾	Valuation (as is, where is basis) ⁽³⁾ (P million)	Land Area (sq.m.)
Aseana Three	WHI	0%	100%	2,844.0	3,134.0
Pixel Residences ⁽⁷⁾	ARHC (814.0 sq.m.) ARHC (947.0 sq.m.)	100% ⁽⁴⁾	100%	589.7	1,761.0
Aseana Four	WHI	0%	100%	1,627.1	6,064.0
Aseana Mainstreet 1	WHI (20,405 sq.m.) Bay Area Holdings, Inc. (14,582 sq.m.) ⁽⁵⁾	25%	100%	6,882.9	34,987.0
Parkside Place 1 ⁽⁷⁾	WHI	0%	100%	1,864.0	7,157.4
Aseana Five	Bay Area Holdings, Inc.	60%	100%	1,689.6	6,552.3
Aseana Mainstreet 2	WHI (5,672 sq.m.) Portal Holdings, Inc. (5,880 sq.m.) ⁽⁶⁾ Our Company (358 sq.m.)	52%	100%	2,410.3	11,910.0
Parkside Place 2 ⁽⁷⁾	Bay Area Holdings, Inc.	60%	100%	1,095.6	3,990.0
Aseana Six	Bay Area Holdings, Inc.	60%	100%	1,978.2	7,767.8

Notes:

(1) Determined by our ownership interest in the land contributed for the property development, either through direct title ownership of the relevant land or shareholding interest in the land owning entity.

(2) For projects in which we do not hold a 100% economic interest, the respective remaining economic interests are attributable to WHI either directly or through its 40% shareholding interest in BAH.

- (3) *Based on the valuation certificates prepared by Colliers as attached to this Prospectus.*
- (4) *Calculated based on our contribution to the total land area for the property development.*
- (5) *As of December 31, 2017, through Fabricom, Inc., we held a 60% shareholding interest in Bay Area Holdings, Inc., or BAH, our subsidiary that holds land assets.*
- (6) *As of December 31, 2017, we held a 40% shareholding interest in Portal Holdings, Inc., or PHI, our subsidiary that holds land assets.*
- (7) *For our residential condominium projects, the land where the proposed projects are located will be transferred to the developer, our subsidiary Aseana Residential Holdings Corp., before construction commences.*

Land Reclamation and Construction Projects

The core foundation of our business is our more than 50-year operating history and proven track record in land reclamation and infrastructure construction. As of December 31, 2017, we had reclaimed in aggregate approximately 2,424,834.0 sq.m. of land, including our land holdings in Aseana City, and completed more than 100 construction projects, including public roads, ports and bridges.

Our expertise extends across a wide spectrum of construction disciplines, including infrastructure, geotechnical and drilling works, trenching and cable laying, piles and foundation, roads and bridges, developmental projects, vertical construction, and subdivision and housing projects.

Type of Works	Representative Projects
Construction of infrastructure, roads and bridges	Portion of the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX), the Alabang-Zapote Centennial Fly-over, the Lucena Multi-purpose Fishport Complex, Zamboanga Port, Marikina Bridge, Marikina Diversion Road, Marala Bridge, Diokno Bridge, Diokno Boulevard, and Aseana Avenue.
Trenching and cable-laying	A project with the National Electrification Administration for the excavation of submarine trenches and laying of electrical cables from a mainland power source to energize adjacent islands at the following locations: Iloilo to Guimaras Island; Cagadianao, Surigao del Norte to Bucas Grande Island, East Bucas to Dapa, Siargao Island; Esperanza, Misamis Oriental to Camiguin Island and Davao Mainland to Samal Island.
Pile-driving and foundation works	Foundation works for the Philippine National Bank Building along Roxas Boulevard, S&R and the Ayala Curtis Mall in Aseana City, and GSIS Metro Homes in Manila.
Housing	Sanville Homes, a townhouse project in Brgy. Culiati, Quezon City; Greenville Homes in Tanza, Cavite; and Woodridge Zamboanga Project, a residential project in Zamboanga City.
Vertical construction	As part of the TPLEX Project, we constructed the Toll Canopy Plaza and TPLEX Administration Building at the Gerona Interchange, Tarlac; we are also the general contractor for Aseana Three.

Construction Contracts

Most of our construction contracts are awarded and carried out on a fixed-price or fixed-unit-price basis with a fixed timetable for project completion, which cannot be exceeded. Some contracts contain price adjustment clauses to cover any increases in the costs of raw materials exceeding a pre-agreed level, any change of design or work scope, or other specific factors causing the interruption of construction such as the lack of water and electricity supplies. For construction contracts that do not include price adjustment clauses, we usually build a contingency amount into our bid price to cover any potential increases in costs.

We generally offer the same set of contract terms to our customers. Our infrastructure construction contracts generally contain provisions relating to the following features:

- **Project bonds** - We are usually required to provide a performance bond in an amount equal to 10% of the total contract value to our customers prior to commencement of the project. Our customer may present the performance bond for payment to the issuing financial institution in accordance with the relevant contract and bond terms if we default on our performance obligations. The performance bond is typically released by the customer on the date it issues the notice of acceptance of the last section of works as specified in the agreement.
- **Progress payments** - For large-scale construction projects (excluding land reclamation projects), we typically receive payment in stages based on the amount of work that we have completed. Our construction contracts usually require our customers to pay between 10% and 30% of the total contract value to us in advance. Such amounts are usually payable within a specified period after the execution of the contract. Subsequent progress payments are made in stages upon our reaching certain milestones set out in the relevant contract. Upon reaching such milestones, we will notify our customers, who then send a third party compliance engineer to certify our construction progress. We usually receive our progress payments within a specified period after certification. For land reclamation projects, we typically undertake the works at no cost to the customer, but in return for our services, we have the option to obtain title to a certain portion of the reclaimed lands as agreed with the customer at the time of signing the project agreement.

- Retention monies – As is common practice in the construction industry in the Philippines, our customers usually withhold approximately 10% of the total contract value as retention monies for any defects in the quality of our work for the length of the maintenance period. Nevertheless, some of our customers are willing to accept contractual bank guarantees from us in lieu of the whole or part of the retention monies. Such retention monies and/or bank guarantees are held for the duration of the contractual maintenance period, which is usually 12 months, and are returned to us after the issue of a completion certificate.

The table below sets out our revenue from our construction business segment for the periods indicated.

		For the year ended December 31, 2016 (audited) (₱ in millions)	
	2015	2016	2017
Construction contracts	82.3	231.2	202.1

The table below sets forth details of our recent completed construction projects as of December 31, 2017.

Project	Scope of Works	Client	Commencement Date	Completion Date	Contracted Value (P million)	% of Contract Revenue Recognized as of December 31, 2017	% of Contract Revenue for which Payment Received as of December 31, 2017
Ayala Manila Bay Project – Curtis Mall	Pile Hacking Works	Makati Development Corporation	August 2016	September 2017	3.9	100%	100%
Road Construction including Underground Utilities Block 6	Roads, Drainage & Utilities at Block 6 (Phase 1) Aseana Business Park, Paranaque City	ABPEA	August 2016	April 2017	14.9	N/A	N/A
Pixel Residences (15-Story Residential Building)	Pile Driving Works	Aseana Residential Holdings, Corp.	November 2016	March 2017	17.6	100%	100%
Sequoia Manila (12-Story Hotel Aseana Project)	Pile Driving Works	Sequoia Manila Corporation	November 2016	March 2017	18.7	100%	100%
Red Planet 2 Hotels – Pile Driving Works	Pile Driving Works	Red Planet 2 Hotels	December 2016	April 2017	23.8	100%	87%
Ayala Manila Bay Project – Curtis Mall	Pile Driving Works	Makati Development Corporation	February 2016	September 2017	253.2	100%	100%
East Ocean Restaurant	Pile Driving, Sheet Piling and Excavation Works (Sheet Steel Piles)	Globeway Properties Ventures Inc.	August 2015	October 2016	52.5	100%	100%
Hop Inn Hotel – Pile Driving Works	Pile Driving Works	Erawan Phls (ASEANA) Inc.	August 2016	October 2016	9.3	100%	100%
Drainage at Blocks 5 near Proposed Aseana Three Building	Roads, Drainages	ABPEA	July 2016	August 2016	1.3	100%	100%
Aseana Square Piling Works	Pile Driving Works	ABPEA	May 2016	June 2016	3.0	N/A	N/A
Construction of Road at Lot 9A-4	Road Construction	Bay Resources and Development Corporation	June 2016	July 2016	0.8	N/A	N/A
Bradco Streetlighting	Supply and installation of streetlights including civil and electrical works	ABPEA	April 2015	December 2015	5.7	N/A	N/A
Ecopanel fence at Block 5	Fencing works using ecopanel	Our Company (internal project)	May 2015	December 2015	2.9	N/A	N/A
Blocks 1, 7 and 8, Aseana City	Clearing and grubbing works	ABPEA	April 2015	June 2015	0.6	N/A	N/A

Project	Scope of Works	Client	Commencement Date	Completion Date	Contracted Value (P million)	% of Contract Revenue Recognized as of December 31, 2017	% of Contract Revenue for which Payment Received as of December 31, 2017
Aseana Enclave and Aseana Central	Clearing and grubbing works	ABPEA	March 2015	May 2015	0.3	N/A	N/A
Proposed Honda Dealership – Manila Bay	Supply and driving of PSC piles	Honda Cars Manila Bay	April 2015	May 2015	10.5	100%	100%
Public Safety and Security – CCTV Project	Excavation, laying of conduit pipes and wiring for CCTV and electrical power	ABPEA	October 2014	March 2015	8.1	N/A	N/A
Belle Grande Manila Bay Casino & Resort: road construction NTP-1, NTP-2, WAOs, hard landscaping and PMIs	Site development works	Belle Corporation	May 2013	December 2014	163.8	100%	100%
Dredging of berthing areas at Berths 18-19, Cebu Baseport	Dredging works and disposal of dredged silt materials including segregation	Cebu Port Authority	November 2013	September 2014	21.1	100%	100%
Tarlac-Pangasinan-La Union Expressway Project	Construction of road expressway, interchange (bridge and ramps), toll building and its facilities, underpasses and concrete drainage structures	Private infrastructure development corporation	July 2010	February 2014	967.0	100%	100%
Pile driving works for proposed Tune Hotel Building	Supply and driving of PSC piles	Red Planet Hotels Paranaque Corporation	January 2013	March 2013	6.8	100%	100%
Water distribution system and fire protection: Interim No. 1	Construction of water distribution and fire protection system	ABPEA	February 2011	April 2012	23.5	100%	100%
Implementing Agreement No. 7 1. Bay Boulevard – Roxas Canal West Bridge 2. Bay Boulevard Road 3. Aseana Avenue Bridge 4. Aseana Avenue Road	Design and construction of roads and two bridges including concrete drainage, bored piling works, street-lighting and landscaping	PRA	August 2008	August 2010	508.8	100%	0%

Below sets out certain information on our ongoing construction projects, with a total contracted value of ₱541.9 million, as of December 31, 2017.

Project	Scope of Works	Client	Commencement Date	Estimated Completion Date	Contracted Value (₱ million)	% Contract Revenue Recognized as of December 31,	% of Contract Revenue for which payment received	Project Costs (₱ million)	
								Incurred	To be incurred
Road, Drainage & Utilities at Block 5 (Phase 1)	Roads, Drainage & Utilities at Block 5 (Phase 1) Aseana Business Park, Paranaque City	Our Company (internal project)	July 2015	February 2018	53.0	N/A	N/A	42.9	10.2
Roads, Drainage & Utilities at Block 5 (Phase 2)	Roads, Drainage & Utilities at Block 5, (Phase 2) Aseana Business Park, Paranaque City	Our Company (internal project)	December 2015	May 2018	162.0	N/A	N/A	18.2	143.8
Rehabilitation of Curb Inlet within Aseana City	Rehabilitation of Curb Inlets in Bradco Ave. Roads within Block 2, 4, & 5.	Our Company (internal project)	October 2016	May 2018	4.6	N/A	N/A	2.37	2.2
Ayala Manila Bay Area Mixed Used	Pile Driving Works (Static)	Makati Development Corporation	April 2017	January 2018	91.9	96.5%	96.5%	69.5	22.4
Construction of underground Utilities at Block 2 Area	Roads, Drainage & Utilities at Block 2, Aseana Business Park, Paranaque City	Our Company (internal project)	May 2017	December 2018	164.6	N/A	N/A	6.6	158.0
Pixel Residences (15-Story Residential Building)	Sheet Piling Works	Aseana Residential Holdings, Corp.	May 2017	March 2018	21.1	68.4%	47.24%	12.9	8.2
Manila Bay-Curtis Mall Pile Driving Works at Southbridge	Pile Driving Works (Static)	Makati Development Corporation	August 2017	December 2017	10.6	96.7%	96.7%	1.7	8.9
Construction of Valera Road	Construction of Roads, Sidewalks, Drop-Offs & Ramps, and Drainage System	Our Company (internal project)	October 2017	February 2018	3.5	N/A	N/A	0	3.5
Dong Fang Jituan Corporation	Pile Driving Works	Dong Fang Jituan Corporation	December 2017	February 2018	11.1	0.0%	0.0%	0	11.1
Bay Prime Property Inc.	Pile Driving Works	Bay Prime Property Inc.	December 2017	March 2018	19.5	0.0%	0.0%	0.8	18.7

As of the date of this Prospectus, we have no ongoing reclamation projects. Our Company, however, is party to an existing Contract of Reclamation with the City of Mandaue for the reclamation of approximately 2,950,000.0 sq.m. of foreshore and submerged lands from the Ouano Reclamation in Looc northward to the boundary with Consolacion, Cebu. In 2001, the Mandaue Land Consortium (“MLC”), a consortium composed of our Company, our subsidiary, R-1 Consortium, Inc., and Jan de Nul N.V., entered into a Contract of Reclamation with the City of Mandaue, for which MLC may opt to be paid either in cash proceeds from the sale of 1,610,700.0 sq.m. of land (approximately 78% of the net usable area of the lands to be reclaimed), or in the form of land. In 2012, the City Legal Officer opined that the contracts are void, on the ground that the PRA should have been consulted and approval of the President secured. To settle the disagreement, the Parties submitted themselves to arbitration before the Construction Industry Arbitration Commission (“CIAC”), which eventually issued the Arbitral Award dated August 18, 2017 in favor of MLC. On January 16, 2018, the CIAC finally issued the Writ of Execution ordering the City of Mandaue to honor the Contract of Reclamation, and the parties to comply with their reciprocal obligations therein without prejudice to the parties agreeing to alternative reclamation sites to avoid further delay in the implementation of the Contract.

Other Ancillary Services and Products

We also provide a number of ancillary services and construction products to complement the development of Aseana City and our business operations, through the forming of joint ventures or equity investments in affiliates. We currently do not realize any revenue from such services and products, but our provision of these captive services and products enhance the value of our core services and property products, allowing us to realize cost savings and improve the margins for our principal business segments.

The table sets forth the ancillary services and products we provide and the relevant operating entity as of December 31, 2017.

Supply of Liquefied Petroleum Gas (“LPG”)	Our affiliate, Aseana Gas Energy Corporation
Public Transportation.....	Our affiliate, Aseana City Transport Travel Corporation
Public Safety and Surveillance System.....	Our subsidiary, U-City Technologies Philippines, Inc.
Cement Manufacturing	Our affiliates, 10K South Concrete and Wendel Ground Improvement, Inc.
Manpower and Labor	Our affiliate, Aseana Real Estate and Management Corporation
Manufacturing of ecopanel (building material).....	Our affiliate, Philippine Ecopanel, Inc.

CAPABILITIES AND PROCESSES

Land Reclamation and Infrastructure Construction

Contracting Process

The process of identifying and negotiating new land reclamation and infrastructure construction projects generally involves the following steps:

- Information Collection

We collect timely and reliable information to assist us in identifying potential projects. The information sources that we use to identify potential projects include our business and governmental contacts, government public tender notices, professionals in the infrastructure construction industry and on-going communication with our existing customers. Nonetheless, we are typically one of the first firms consulted and approached by customers with respect to proposed projects due to our reputation and track record as a contractor and developer, particularly when a land reclamation component is involved.

- Project Evaluation

After we become aware of a potential project, we will conduct an initial evaluation to assess: (a) whether we meet the qualification criteria specified for the project; (b) the sufficiency of our resources; (c) the costs and potential profitability of the project; and (d) certain other factors prior to deciding whether or not to pursue such project. If our initial evaluation of a potential project is favorable, we will then conduct a detailed assessment of the technical and commercial characteristics of the project, which may involve on-site inspections to allow us to accurately estimate timing and resource requirements in order to prepare a competitive and profitable bid. Such an assessment usually involves: cost analysis on raw material costs, labor costs, equipment and machinery costs and the like; site analysis with respect to water supply, electricity supply, transportation and other infrastructure; capital expenditure analysis on the equipment needed and the projected length of use; and credit analysis on our customers and the terms of payment.

- Pre-qualification (or Post-qualification) Procedures

For large-scale and national projects, we are generally required to undergo pre-qualification assessment procedures prior to being allowed to bid on a project. Such customers generally require that we meet certain minimum requirements with regard to financial position, level of construction qualifications and scale of operation before accepting our bid on a project. We are therefore typically required to submit for pre-qualification information concerning our financial position and operational history and the availability of our resources such as manpower and equipment.

- Tendering

Large-scale infrastructure construction projects in the Philippines are often put out to tender in sections. If we decide to pursue a particular project after our assessment and evaluation, and if we meet the pre-qualification criteria set out by the potential customers, we are generally required to prepare and deliver bidding documents to our potential customers. Estimating the costs involved in a project is important in covering all our costs and ensuring profitability. We carefully estimate the costs of each project before the submission of our bid. We rely on our own experience in estimating project costs and take into account factors such as the difference in site and environmental conditions as compared to those assumed in the previous bids, the geographical location of the project, the availability and pricing of raw materials, machinery and local labor and the tax expenses involved.

- Engagement Negotiation

After we are selected as a contractor on a project, we will often be served with a written notice from our customers to engage in further but limited negotiation to finalize and formalize the key contractual terms.

Construction Management

In carrying out different infrastructure construction projects, we act in varying capacities, such as the main contractor, a member of a consortium, or a sub-contractor, depending on the requirements of the project, the scale of the projects and the preferences of our customers.

We have implemented and maintain a comprehensive management and supervision system to assist our management to exercise appropriate oversight and control over every stage of a project's lifecycle, including project implementation, labor management, raw materials monitoring, quality control and compliance/certification. We carry out our work in accordance with the agreed timeline and scope of work that are set out in the tender documents and contracts. However, our customers sometimes modify the agreed work scope of a project during the construction phase due to changes in plans or correction of errors. We negotiate adjustments in payment or construction timetables with our customers to account for any work scope modification.

We commence our involvement in the project process from the pre-construction stage at which we discuss and agree with the customer, prior to start of work, on important project details such as the specifications, permits and licenses required, schedule of operation, communication plan, safety procures, progress reporting and invoicing procedures. A site visit will be scheduled so that our construction and engineering teams can do a re-survey and make any necessary adjustments to the original project estimates. This enables us to implement effective monitoring during the construction process. A detailed budget and resource allocation plan must be formulated and approved by senior management before project implementation. Subsequently, we commence mobilization efforts, including assigning on-site personnel and relocating equipment, and setting up temporary offices and other facilities at the project site.

Our team makeup for each project usually comprises a project manager and a project engineer, who are fully supported by a technical team from our engineering department, including civil engineers, mechanical engineers, material engineers and surveyors. The project team also coordinates with our centralized functions such as procurement, accounting, and human resources to ensure that sufficient resources are deployed for each project throughout the entire construction process. The project manager is primarily responsible for the monitoring of construction works and meets with our construction department head on a weekly basis to discuss project progress, issues and necessary action plans. Such stringent monitoring ensures that any problems encountered that may impact the scope of works, project schedule or budget will be timely reported to senior management and addressed. Each project's technical support team of engineers are required to be completely familiar with the contract documents and overall construction plan, so that they can effectively track key indicators during the project process, including material usage, labor usage, equipment usage and project expenses. We believe our systematic approach to project monitoring is one of the key reasons for our consistent record in completing and delivering our construction projects on schedule.

We usually utilize our internal labor resources for our construction projects. However, given the labor-intensive nature of the construction industry, particularly during certain stages of a project, we regularly need a large amount of manpower and may engage external labor service companies to meet the labor demands of our

projects. We only engage high quality labor service companies which meet our specific standards and with whom we have established long-term and sound working relationships. We require our service providers to comply with all relevant labor laws and regulations. As of the date of this Prospectus, we have not experienced any material labor disputes in the past three years.

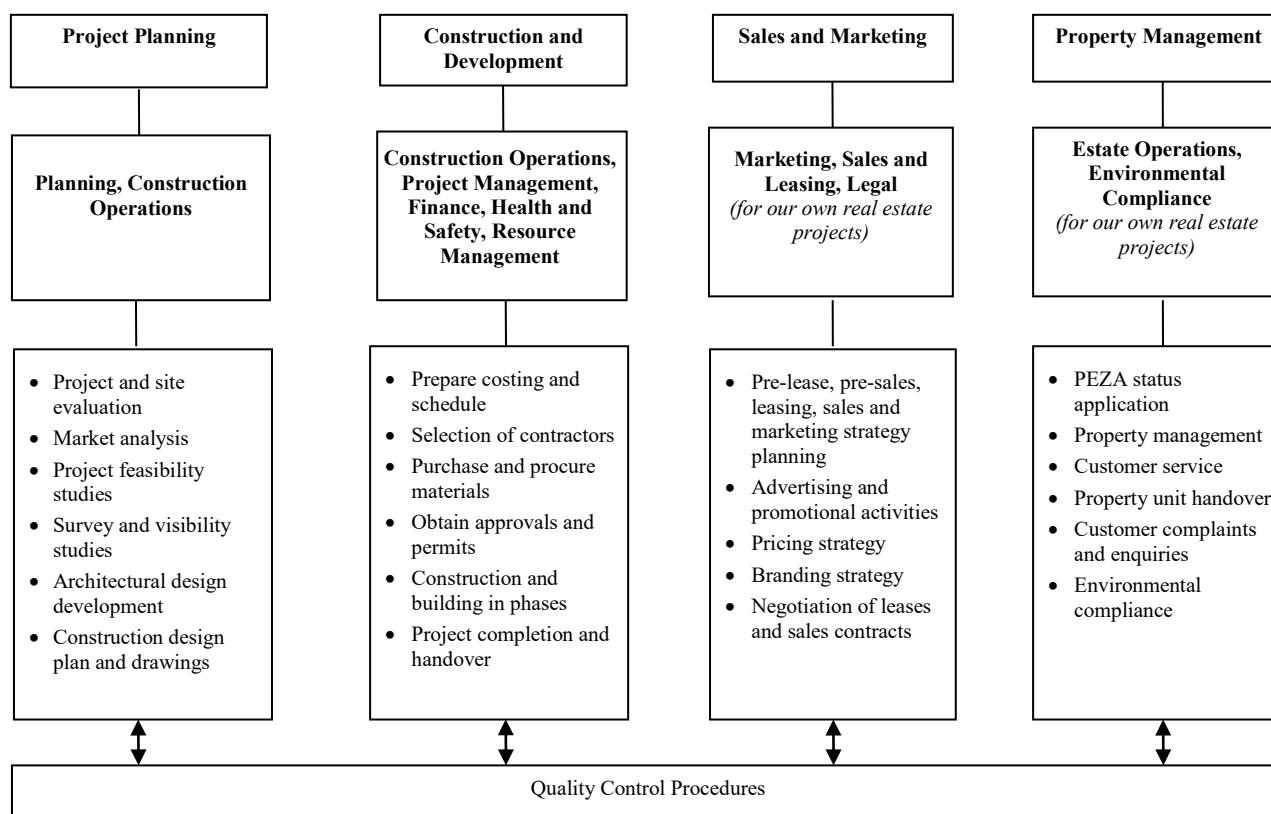
Equipment and Technology

We own and use a large variety of heavy machinery and other equipment, including dredgers, sand pump barges, bridge fabricating machines, track laying machines, and hydraulic excavating machines. We purchase our equipment both domestically and overseas. Except for certain large-scale machinery, we usually evaluate our equipment requirements on a project-by-project basis, and the costs of purchasing or replacing any machinery are taken into account when we formulate our costing analysis for the project. We place significant emphasis on the improvement of our construction efficiency, and therefore we upgrade the equipment, machinery and facilities used for our projects on a regular basis. For the years ended December 31, 2015, 2016 and 2017 we spent approximately ₱108.6 million, ₱62.8 million and ₱18.9 million, respectively, to purchase property, plant and equipment for our business. We believe our technological capabilities in land reclamation and infrastructure construction have reached international standards and are highly competitive against other national industry players.

We are continuously exploring cost effective green building technologies, which can decrease the carbon footprint and provide financial and ecological benefits to our tenants. In particular, Aseana One and Aseana Two are currently using a “grey water” two piping system that allows the buildings to utilize treated waste water from the sewage treatment plant for non-potable uses, such as water for flushing the toilets and watering the landscape. We also utilize green equipment, such as variable refrigerant flow air-conditioning and elevator system that allows the tenants to consume less electricity. The public utility vehicles, i.e., eco-jeepneys, provided by our affiliate, Aseana City Transport and Travel Corporation, are powered by LPG, a cost effective alternative that produces much lower carbon emissions, compared to traditional automotive fuels, such as diesel and gasoline.

Property Development

Although each property development is unique and planned according to tailored technical specifications, we have implemented a systematic approach to our projects that is both consistent and cost efficient. The diagram below summarizes the major stages typically involved in our development of a project.



Project Planning

Project planning work is undertaken by our Planning Department, which is currently staffed by five employees with college degrees in relevant disciplines such as architecture and engineering, who possess industry experience in property development and construction. For our construction of third-party real estate projects, we conduct a study of the proposed project, including an extensive evaluation of the technical and commercial conditions and requirements of the project followed by a site visit. For our real estate developments, we believe site selection and market evaluation are two major determining factors in the success of a particular property development. We conduct preliminary feasibility studies and market research to determine which particular site from our land holdings meets our project development criteria. We evaluate the potential risk and return of our investment, potential demand for a property development on such site, preferences of the target customer groups and potential competition from other property developers in the vicinity. Our planning efforts include on-site research, market analysis, product study, customer positioning and financial evaluation.

An important distinction in our evaluation criteria from the usual property developers is our additional consideration of whether the proposed development will be suitable in view of the master plan of Aseana City. All property developments in Aseana City, whether undertaken by us or third parties, must conform to and fit in with the master plan. Furthermore, we require all developers, including ourselves in our own real estate projects, to adhere to ABPEA's master development standards and construction guidelines.

We maintain close relationships with leading domestic and internationally well-known design firms to help maintain our standard in project design and material selection. We believe that by keeping abreast with the latest trends and design concepts, we will be able to better design our real estate offerings to suit changing customer preferences. Although we have established good relationships with the companies previously engaged to work on our projects, we do not enter into long-term agreements with them. By engaging companies on a project-by-project basis, we are able to select the most qualified and suitable design firm for that particular project and adopt customized themes and plans in the design of our properties. Our strong hands-on role in design management and overall supervision of every aspect of the full project cycle further ensures the design quality of our property developments.

Construction and Development

We usually take on the main contractor role in our projects, including our own real estate developments, and divide our project construction workload between our in-house capabilities and resources, and outsourcing to independent third parties for those components where we do not possess core competencies, such as plumbing, electrical works or interior design. Similar to our approach to construction management and project monitoring for our land reclamation and construction projects, we adopt the same comprehensive management and supervision system with respect to our real estate development projects to assist our management in exercising oversight and control throughout the project's lifecycle, including project implementation, labor management, raw materials monitoring, quality control and compliance/certification.

We usually set up a tender process to select sub-contractors for our projects. Typically, more than three construction sub-contractors are invited to participate in the tender process. When selecting sub-contractors, factors that we take into account include the reputation of the sub-contractors, track records in similar projects, credit worthiness, technical capabilities, proposed construction blue print and price. We maintain long-standing relationships with well-regarded contractors with strong finances and high work quality. This enables us to secure a certain level of quality standard in respect of the construction work, and assists us in the speedy and efficient development of our properties. Our project management team ensures that construction is carried out in accordance with the specifications and plans, and that work is completed smoothly on a timely basis. This monitoring function is particularly important because all developments in Aseana City are required to adhere to and comply with the master planning and construction guidelines administered by ABPEA.

The contracts we enter into with sub-contractors typically contain warranties with respect to quality and timely completion of the construction works. We require such sub-contractors to comply with Philippine laws and regulations relating to the quality of construction as well as our own standards and specifications such as appointment of on-site project representatives to oversee the progress, quality and safety of the construction, pre-examination of construction materials before they are used in the project, and on-site inspection. Our dedicated team of construction professionals closely monitors quality and cost control and construction progress, and reports regularly to our senior management.

We generally enter into a fixed contract price agreement with our sub-contractors, and the fixed contract price is not subject to escalation, other than due to additional work that is mutually agreed between us and the sub-contractor, regardless of, among others, increases in cost of materials, cost of fuel and currency devaluation. The contract price generally is paid to the sub-contractor in the form of a downpayment upon signing of the agreement, with the balance payable in monthly progress payments based on actual works completed. The monthly progress payments are also subject to retention monies, typically amounting to 10% of the contract price, against the performance of the sub-contractor's obligations and completion of the works. Our sub-contractors are usually required to deliver a performance bond equivalent to 25% of the contract price, as well as a guarantee repayment bond equivalent to the downpayment paid by us.

Sales, Leasing and Marketing

Our sales, leasing and marketing department is responsible for determining appropriate sales and lease plans for our land and properties. The main responsibilities of our sales staff, many of whom are licensed brokers, include analyzing market conditions, gathering and analyzing customers' information and profiles, preparing and executing marketing and promotional campaigns, recommending lease rates, unit prices and pricing-related policies for our land and properties, and negotiating the contracts for our sales and leases. They are in regular communications with accredited brokers and reputable third-party sales agents regarding our properties. On a per project basis, we assess the need for an exclusive marketing or leasing agent. These third-party real estate brokers are primarily responsible for introducing our developments to potential customers, but our sales and leasing staff is also readily available to answer any customer inquiries regarding our projects. Commission charged by the third-party brokers generally range from one to four months' rent for commercial space leases, depending on the length of the lease, and a flat one month's rent for land leases. We have in place a strict monitoring system with weekly reports on our leasing efforts and progress, so that senior management and our sales and leasing team can make timely and appropriate adjustments to our strategies to improve results.

Like other property developers, we pre-lease our commercial properties prior to the completion of their construction. For commercial developments, there are no statutory conditions that we have to comply with prior to commencing pre-leasing for our properties. For our commercial properties, we usually target to commence pre-leasing activities seven to 10 months after commencement of construction, and we aim to achieve full occupancy within a year post-construction. For Aseana One and Aseana Two, we managed to achieve close to full occupancy within 12 months after completion. As of December 31, 2017, the occupancy rates for Aseana One and Aseana Two remained high at 93.5% and 98.2%, respectively. Similarly, Aseana Square was fully leased out upon completion in May 2017 and maintained a 93.2% occupancy rate, as of December 31, 2017. Revenue from our leasing of building space is recognized based on the same policy as for our land leases – namely, we recognize income from our building space leases on a straight-line basis over the entire lease term upon the earlier of the commencement of the lease period or delivery of the leased premises to the tenant.

We also intend to conduct pre-sales of our future residential properties, with pre-selling activities to generally begin six to 12 months prior to ground breaking of the project. For example, we commenced pre-selling efforts for Pixel Residences, our first residential development in July 2016, completed pre-sales in June 2017, and subsequently broke ground on the project in November 2017. We expect this project to be complete in October 2019. For our residential sales, we have implemented several payment schemes appropriate for our target market. In line with our target customer segments, we work closely with real estate brokers and consultancies that handle a large number of high net worth individuals seeking attractive real estate investment opportunities. We implement a sales model that commences pre-selling activities at least 12 months prior to ground breaking with 18 to 24 months of construction and delivery.

An important responsibility of our sales and leasing team is the negotiation of sales and lease contracts and the provision of post-signing services to customers. This team works closely with our legal team and senior management to ensure that the contract negotiation and signing process progresses smoothly and efficiently. The typical negotiation period for our leases ranges from one month to a year, depending on the requirements and concerns of the relevant customer. The negotiation process for our commercial space leases tend to be much shorter than that for our land leases, primarily due to the additional time needed to discuss the lessee's construction and development plans for the leased land area.

Our sales and leasing team is also responsible for managing our marketing initiatives, mainly through the use of print media and social media. They conduct market analysis to identify the appropriate target customer base and determine the advertising and sales plans for a particular property development and for a particular phase of the sales cycle. We appoint a media marketing agent on a yearly basis who carries out our advertising and promotional campaigns in accordance with a pre-approved annual plan and budget. We have

adopted a standardized branding and marketing strategy covering advertisements, slogans and publicity materials in respect of our property developments in Aseana City. This approach enables us to uniformly promote our Aseana City concept of living and effectively builds up our brand image in line with our overall strategy of national growth.

Customers

Our principal customers for our commercial building leases are BPOs, POGOs, logistics companies and companies engaged in gaming- or recreational-related businesses. Based on our understanding of industry trends and the market landscape, we believe the demand from such sectors will continue to grow, and our strategy remains to target such customer groups for our commercial developments.

For our residential developments, we believe the development growth of Aseana City and the establishment of more entertainment, hospitality and tourism outlets in the area will lead to a demand for suitable residential units by the executives and expatriates employed at such operations, foreigners looking to invest in the prospects of Aseana City and the surrounding areas, and the expanding Filipino middle-income segment seeking a viable housing alternative to the usual business districts within Metro Manila.

Please see “– Business Overview – Real Estate Developments” and “– Business Overview – Land Sales and Leases” on pages 131 and 124 of this Prospectus, respectively, for more details of our top five commercial space leases and top five land leases as of December 31, 2017.

Property Management

We manage the properties we develop and have a dedicated team experienced in real estate operations and management services. Prior to handover of the premises, we conduct pre-delivery property inspections to ensure quality and timely delivery. Post-delivery, we assign an estate officer and a utilities manager from our internal resources, who work closely with a property manager, typically outsourced from a reputable real estate consultancy firm such as Jones Lang Lasalle, to cater to our tenants’ needs and to monitor our properties and on-site facilities. Instead of a limited list of services, we strive to help with any requests or problems they may have, within our capabilities. Our customers have multiple communication channels for their feedback and demands. We have a clear system in place to timely address customer complaints and resolve their concerns. In addition, our estate operations team is responsible for maintenance of common areas and facilities, including roads, parks and landscape grounds. In this regard, we have entered into agreements with certain third-party contractors for services such as landscaping and security, to ensure professional and committed resources for our developments.

RAW MATERIALS AND SUPPLIERS

We require substantial amounts of construction and raw materials in our businesses. The raw materials we use mainly consist of steel, cement, sand, concrete and timber. Construction and raw materials cost constituted approximately 18.5%, 38.1% and 19.5% of the total cost of services and sales of our Group for the years ended December 31, 2015, 2016 and 2017, respectively.

We typically enter into raw material supply contracts on a project-by-project basis. Our raw material supply contracts are typically on a fixed-price or cost-plus basis, depending on the type of product supplied, and with varying durations depending on the life cycle and nature of the underlying project. Some of our contracts, including most of our construction projects, contain price adjustment clauses. Such clauses allow us to reclaim a portion of any additional costs incurred due to an increase in raw material costs. However, to the extent that such clauses do not cover additional raw material costs, or our contracts do not include price adjustment clauses, we bear the risk of raw material price fluctuations. We have experienced fluctuations in the price of certain key raw materials in recent years, in particular steel. However, our supply chain has not been interrupted.

We select our suppliers based on the quality of their products and services and the competitiveness of the prices, and have a shortlist of accredited preferred suppliers. We have maintained long-term relationships with most of our major suppliers. We source our raw materials through our centralized purchasing function. Mass orders of raw materials help us to lower our costs and standardize the materials used for the construction of each project, which in turn ensures that the quality of each development is maintained at a similar standard, a particularly important issue at this early stage of our real estate developments. For the years ended December 31, 2015, 2016 and 2017 payments to our five largest suppliers in aggregate accounted for approximately 39.0%, 39.8% and 39.9%, respectively, of our consolidated total cost of services and sales.

QUALITY CONTROL

We place great emphasis on quality control of our products and services, and have established an ISO 9001:2015 certified quality management system to ensure that our services and properties meet national and industry standards. Our construction operations and project management teams are responsible for overall quality control and construction supervision of all our projects. We typically contract with reputable design firms and sub-contractors, and procure materials from highly regarded suppliers.

We have quality control procedures in place for every stage of our project cycle from the initial planning, to completion of construction, to post-completion estate operations. We have established stringent internal guidelines which apply to the quality of materials used in our property projects. For example, our resource management department will carry out extensive industry research on the materials we intend to use, before final selection. All materials undergo the procedures of submission, sampling and testing before they are used in our projects. Prior to the commencement of any major individual construction work, including the construction of floors, roof, installation of doors and windows, landscaping and street work, our internal construction personnel and sub-contractors are required to submit a full proposal including details such as construction progress timetable, safety measures, water and electricity planning and financing costing, for our inspection and approval. Full scale construction may only begin once the submitted samples have been examined and approved.

During construction, every work phase including foundations, structures and interiors must undergo regular and frequent inspection. Our sub-contractors are required to ensure that their construction work satisfies construction specifications and the guidelines laid down by ABPEA and us. We also conduct quality and safety control checks on our sites to ensure that the construction is undertaken in strict accordance with our requirements and in compliance with all applicable rules and regulations. When the project is completed, we will review the inspection reports prepared by the respective departments at each stage of construction followed by a thorough final property check before concluding that the property is ready for handover. We maintain strict and fully documented guidelines in respect of all procedures involved in the construction process, to which all external contractors are required to adhere. Any exceptions must be reported immediately, so that we can address any problems with expediency.

As of the date of this Prospectus, we have not experienced any material disputes or accidents relating to quality issues in the past three years.

HEALTH AND SAFETY

We regard occupational health and safety as one of our important social responsibilities. Our business operations involve significant risk or hazards which could result in damage or destruction of properties, death and personal injury, business interruption and possible legal liabilities. See “Risk Factors – General Risks Relating to Our Business – Injury or damages to third parties may arise from construction accidents” on page 47 of this Prospectus. Our business operations may, in the future, be subject to accidents resulting in employee fatalities and injuries caused by falls from height, toxic gas, tunnel collapses, typhoons and mudslides. As of the date of this Prospectus, we have not experienced any such instances.

We have a centralized health and safety department, including a registered nurse, which is responsible for formulating and implementing rules, regulations and standards on occupational safety. This department coordinates with our human resources department to provide training to our employees with respect to occupational safety. We also set up a safety team for each of our projects to ensure on-site implementation and compliance with safety-related rules, regulations and internal policies and other safety-related matters.

We believe that our businesses are in compliance with currently applicable national and local health and safety laws and regulations in all material aspects. As of the date of this Prospectus, we are not aware of any penalties associated with the breach of any existing health and safety laws or regulations that are imposed on us. We recognize that our primary operations involve the carrying out of inherently hazardous activities which may cause accidents resulting in harm to persons, property and the environment, and we are committed to continuously meeting health and safety standards required by the applicable laws and managing such health and safety-related risks.

INSURANCE

We purchase construction all-risk and third-party liability insurance for the projects we undertake. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In addition, with regard to our construction business, we generally purchase insurance for our fixed assets, such as our key equipment, vessels, stock and office buildings, and employer's liability insurance/worker's compensation insurance. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and industry practice. Consistent with what we believe to be customary practice in the Philippines, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Please see "Risk Factors – General Risks Relating to our Business – Damage to, or other potential losses involving, our assets may not be covered by insurance" on page 40 of this Prospectus.

ENVIRONMENTAL COMPLIANCE AND PROTECTION

We are subject to Philippine national and local environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by national, provincial and municipal government and authorities. Please see "Regulatory and Environmental Matters" on page 183 of this Prospectus for more details. For our construction and property development projects, we are required to carry out environmental assessments and submit environmental impact assessment documents to the relevant government authorities for approval before we commence construction. We believe that we have obtained the relevant government approvals and submitted the necessary environmental impact assessment documents for our ongoing projects. All third-party developers who purchase or lease land or building space from us are also required to obtain and submit the environmental compliance certificate issued by the DENR for our clearance to commence construction, and to continue with regular submissions to the DENR. They are requested to provide us with a compliance monitoring report evidencing their compliance with the applicable rules and regulations.

We also place great emphasis on environmental protection. Some of our environmental protection measures include the following:

- establishing and implementing environmental protection procedures for our construction and real estate projects, which must be approved by our environmental compliance team;
- disposing of pollutants discharged from our operations in accordance with the local standards to reduce water, atmospheric and solid waste pollution and recycling such wastes where possible;
- investing in noise-reduction equipment, anti-vibration devices, sound-proofing and noise absorption methods to reduce noise pollution;
- using only equipment and products that comply with national environmental protection standards and encouraging the use of environmental-friendly resources where practicable;
- providing training to key technical personnel on green building practices and ratings system; and
- utilizing eco-friendly construction practices where practicable, for example, the use of porous materials for internal and secondary roads and the use of non-permanent and reusable pavement blocks on secondary roads.

We believe that our businesses are in compliance with currently applicable national and local environmental laws and regulations in all material aspects. As of the date of this Prospectus, we are not aware of any penalties assessed in connection with the breach of environment laws and regulations.

COMPETITION

The principal competitive factors affecting the property development industry include the location of the developments, the quality, workmanship and variety of designs, the sales and marketing strategies adopted by the developers, branding and the after-sale property management services.

Our developments are predominantly located in Aseana City, and we believe we compete with other property developers and commercial property operators in close proximity within the Manila Bay area, such as SM Development Corporation, DoubleDragon Properties Corp., Filinvest Land Inc., Megaworld Corp. and Federal Land Incorporated. In addition, the commercial and residential property market in Metro Manila is highly competitive and fragmented. As such, we face competition posted by other property developers and threats of new players entering the property development industry in Metro Manila. Some of our competitors may have greater brand recognition and financial, technical and marketing resources than us.

Our principal method of competition is flexibility in our negotiation of commercial terms with customers. We maintain flexibility on payment terms, the amount of the downpayment required and the payment period to make our land available for sale more attractive to customers. For our commercial projects, we are open to tenant negotiations on the length of the rent-free period or fit out period as well as rent escalation rates. Despite the high level of competition, we believe that the experience built up by our management, our track record in real estate development, leasing and management, and our understanding of local market preferences and conditions will enable us to compete effectively.

We believe that our land reclamation and infrastructure projects focused construction business is capital intensive in nature and requires significant technical expertise, operational and management know-how and financial resources, which all represent substantial barriers to entry. Furthermore, we have an over 50 years operating history and a proven track record in land reclamation and infrastructure construction, rendering us, we believe, one of the leading players in this sector in the Philippines. We primarily compete in terms of our flexibility on our target profit margin for the project, which affects our overall project pricing, and the amount of downpayment required from the customer.

The Philippine construction industry for the residential and commercial property markets is fragmented and highly competitive, especially in the Metro Manila area, with many construction companies competing aggressively in the same target market. These companies have existing or on-going residential and commercial projects in the Metro Manila area. We face strong competition from major domestic, Asian and international players who may have greater financial, human and other resources, larger sales networks and greater name recognition than us. The Philippines construction industry is expected to be driven by rising infrastructure demand from various industries such as BPO, POGO and tourism and, given the positive economic outlook for the Philippines, we expect greater focus on this sector from existing competitors such as DMCI Holdings, Inc., Megawide Construction Corporation and F.F. Cruz & Co., Inc., and potentially new entrants into the market. We also believe that the less technically complex sub-segments of the construction business, an area that is not our focus, will have lower barriers of entry and therefore will see more competition amongst smaller construction companies.

Notwithstanding the strong competition that we face, our Group believes that our established track record and standing in the industry and an integrated business model that allows us to fully leverage the synergies across our business segments and strategic land holdings in Aseana City will offer us a competitive advantage over our competitors and provide us with a platform for sustained future growth.

See also “Intergroup Agreement with our Majority Shareholder, WHI” in the “Principal and Selling Shareholders” section on page 203 of this Prospectus.

OUR EMPLOYEES

As of December 31, 2017, we employed a total of 156 permanent staff, of which approximately 39% are construction and operation staff. Permanent staff also includes executive and management staff, finance and accounting staff, and administrative staff. We also hire temporary staff, including staff on short-term contracts and staff paid on a part-time or hourly rated basis, particularly at the construction sites.

The following table sets forth our employees by function as of December 31, 2017.

Function	Number of Employees
Executives and Management	9
Construction and Operation	61
Finance and Accounting	21
Administration	41
Project Labor – part-time or temporary	24

In line with our expansion and property development plans, we anticipate hiring approximately 3% to 7% additional employees within the next 12 months, subject to the changing needs of our business. We believe that we are in compliance with all minimum compensation and benefit standards as well as applicable labor and employment regulations.

As of December 31, 2017, none of our employees belonged to any union nor were they parties to any collective bargaining agreements. As of the date of this Prospectus, we have not experienced any strikes or other disruptions due to labor disputes. We have consistently benefited from low staff turnover rates and strong management-employee relations.

Staff recruitment and training

We recognize the importance of having a strong team of management and technical personnel to meet our growth plans. Accordingly, we place great emphasis on staff recruitment, training and development. Our hiring process involves a series of tests whereby applicants are screened on the following criteria: (i) educational qualifications; (ii) skills and talents; (iii) relevant work experience; and (iv) potential qualities.

Our introductory orientation program offers all new employees basic training on company policies, rules and regulations, quality management and safety guidelines. In particular, our Human Resources Department prepares the Employees Skills Inventory Manual, which is used to monitor the performance of employees and summarizes their expected competencies. The Employees Skills Inventory Manual and Performance Appraisal comprise the basis for the Annual Training Plan, which maps out our overall training guidelines. Select employees undergo further training in their respective disciplines based on their scope of work. Refresher courses, including updates, are provided to employees on a regular basis thereafter.

We are committed to providing high quality service and instill this ethic in our employees through comprehensive quality management training. The basis for our quality management standards are set out in our Quality System Manual ("QSM") and the various manuals comprising the Quality System Documentation Structure ("QSDS"). These manuals serve as a reference for assessment of current practices and proposed improvement, and therefore assist us to maintain unified documented practices across all departments. The QSM covers the following areas in quality control: (i) control of documents; (ii) control of records; (iii) control of nonconforming products or services; (iv) internal quality audit; (v) corrective action; and (vi) preventive action. All employees have access to the QSM and QSDS and are required to attend training sessions on quality management and follow-up briefings. We also conduct periodic quality reviews to monitor and assess the implementation of our quality standards.

On completion of training, our employees are provided with certificates of completion of the relevant training received. We believe the effectiveness of our training program is reflected through the new or improved skills and knowledge demonstrated by our employees.

Employee Compensation and Benefits

Our Group has adopted a compensation policy which we believe to be competitive with industry standards in the Philippines. We offer our employees incentive-based compensation depending on their ability to meet the performance appraisal criteria. Employee performance is reviewed through annual performance evaluation, and we review financial incentives such as salary increment or bonus rewards accordingly based on their appraisal results. Our employees are entitled to healthcare benefits, such as scaled hospitalization rates across a number of medical centers.

INTELLECTUAL PROPERTY

As of the date of this Prospectus, we registered seven trademarks in the Philippines, as enumerated in the following table. We are also the owner of one domain name: www.dmwai.com.

Name of Trademark	Logo / Symbol	Expiry Date
“Aseana City” (4-2011-0000413)		April 5, 2022
“Aseana City” (4-2011-0000414)		April 5, 2022
“DMWAI” (04-2015-007708)	DMWAI	September 24, 2025
“MDW D.M. WENCESLAO & ASSOCIATES, INC.” (04-2015-007707)		December 17, 2025
“MDW D.M. WENCESLAO AND ASSOCIATES, INCORPORATED” (04-2015-007706)		December 3, 2025
ASEANA RESIDENTIAL (4-2016-004487)		October 27, 2026
PIXEL RESIDENCES (4-2016-004994)		November 3, 2026

PROPERTIES

As of the date of this Prospectus, we own 448 parcels of land with an aggregate land area of approximately 777,550.8 sq.m., comprising 569,121.2 sq.m. in terms of our land holdings in Aseana City and 208,429.6 sq.m. for land holdings outside Aseana City. In addition, we own seven fully-developed buildings or units with an aggregate floor area of 59,000.1 sq.m. in the Philippines. As of the date of this Prospectus, we do not lease any properties or building units from any third party.

Owned real properties

The parcels of land that we own constitute raw land that forms our land holdings and include areas that are subject to existing land leases, or which have been utilized by our Group for development of real estate projects. Please see the valuation certificate prepared by Colliers included in this Prospectus for more details on our ownership of such land. The buildings that we own are either occupied by our Group as our offices or leased to third parties pursuant to lease agreements.

As of December 31, 2017, certain parcels of our land are used as collateral in connection with our bank loans and borrowings.

TCT No.	Mortgaged Land Area (sq.m.)	Creditor	Nature of Loan
010-2013000612 to 010-2013000617	14,489.0	Bank of the Philippine Islands	Long-term loan and revolving promissory note line granted to our Company
010-2015001701 and 010-2015001703	30,212.0	Bank of the Philippine Islands	Medium-term loan granted to our subsidiary, Aseana Holdings, Inc.
100818	7,720.0	BDO Unibank, Inc.	Credit line and domestic bills purchase line granted to our Company
010-2013001646 010-2013001647	8,844.0	Security Bank Corporation	Term loan and domestic bills purchase line granted to our subsidiary, Aseana Holdings, Inc.

The table below sets forth certain basic information on our owned buildings or units as of the date of this Prospectus.

Location / Building	Total Floor Area (sq.m.)	Usage
Aseana One	20,189.1	Mixed-use office building
Aseana Two	14,288.9	Mixed-use office building
Aseana Square	2,136.7	Commercial and retail complex
Aseana Powerstation Building	4,710.0	Commercial and retail complex
DMWAI Building	1,041.8	Office with ground floor retail
Aseana Town Center	12,848.6	Commercial and retail complex
S&R Building (2 nd Floor)	3,785.1	Mixed-use office building

As of the date of this Prospectus, except as disclosed above, there were no mortgages, liens or other encumbrances attached to such owned properties or any limitations on our ownership or usage of such properties, other than liens created by operation of law, voluntary development restrictions imposed upon all tenants in Aseana City due to their acceptance of membership in ABPEA.

Owned personal properties

As of December 31, 2017, we owned certain personal property comprising of machinery and equipment as described below.

	Value (in ₱)
Machinery and construction equipment	98.1
Transportation equipment	2.9
Furniture and office equipment.....	9.4
Other machinery and equipment.....	0.7
Total.....	111.1

Leased properties

As of the date of this Prospectus, we do not lease any properties or building units from any third party. We use certain space in our property developments as our offices. Except as provided under “Related Party Transactions” on page 207 of this Prospectus, such arrangements are not subject to any lease agreements or specific lease terms, and we do not pay rent in respect of such usage.

Properties to be acquired

As of the date of this Prospectus, our intention to acquire additional properties in the next twelve months, other than with regard to certain construction equipment that we intend to acquire with an aggregate value of approximately ₱50.0 million, remains at a preliminary stage and there are no specific plans nor any definitive agreements entered into with any party to acquire any such properties in the next twelve months.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Our legal department is responsible for ensuring our continued compliance with applicable laws and regulations, including any changes or updates that may materially impact or adversely affect our operations and

business. As of the date of the Prospectus, all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities, which are necessary to conduct our business and operations, had been obtained by us.¹

Our PCAB license was renewed on August 31, 2017 with a validity period from August 31, 2017 to June 30, 2018.

Issuing Authority	Philippine Contractor's Accreditation Board
License First Issue Date and No.	March 28, 1969, No. 150
Validity Period	August 31, 2017 to June 30, 2018
Principal Classification	General Engineering
Other Classifications	General Building
Category	AAAA

Our other material licenses, permits and certifications are as follows:

Company	Issuing Agency	Permit/License/Certification	Date Issued	Date of Expiration
DMW	SEC	SEC Registration No. 26986	Certificate of Incorporation issued April 7, 1965	Articles of Incorporation amended to extend to April 8, 2065
DMW	BIR Revenue District Office No. 52	BIR Certificate of Registration (TIN 000-846-618-000)	N/A	N/A
DMW	Local Government Unit – City of Parañaque, Business Permits & Licensing Office	Mayor's Permit 21575	January 20, 2018	December 31, 2018
DMW	Local Government Unit – City of Parañaque, Office of the City Health Officer	Sanitation Permit TAM-1923-18	January 19, 2018	December 31, 2018
DMW	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance 2018-0663	January 9, 2018	January 20, 2019
DMW	Social Security System	Certificate of Membership (Employer ID No. 03-3180400-1)	August 11, 2000	N/A
DMW	Philippine Health Insurance Corporation	Certificate of Registration (Employee No. 200474309348)	July 11, 2016	N/A

¹ Based on a legal opinion, dated April 6, 2018, rendered by Custodio Cruz Puno Camara Law Offices.

<u>Company</u>	<u>Issuing Agency</u>	<u>Permit/License/Certification</u>	<u>Date Issued</u>	<u>Date of Expiration</u>
DMW	PAG-IBIG Fund	Certificate of Employer's Registration (Employer ID No. 200346960007)	February 25, 2015	N/A
DMW	Local Government Unit – City of Parañaque, Business Permits & Licensing Office	Mayor's Permit 21576	January 20, 2018	December 31, 2018
DMW	Local Government Unit – City of Parañaque, Office of the City Health Officer	Sanitation Permit TAM-1922-18	January 19, 2018	December 31, 2018
DMW	Philippine Government Electronic Procurement System	Certificate of PhilGEPS Registration	April 28, 2017	April 28, 2018
DMW	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance 2018-0662	January 9, 2018	January 20, 2019
DMW	Local Government Unit – City of Parañaque, Business Permits & Licensing Office	Mayor's Permit 21570	January 18, 2018	December 31, 2018
DMW	Local Government Unit – City of Parañaque, Office of the City Health Officer	Sanitation Permit TAM-1533-18	January 18, 2018	December 31, 2018
DMW	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance 2018-0664	January 9, 2018	January 20, 2019
DMW	Brgy. Baclaran – Office of the Brgy. Captain	Community Tax Certificate CCC2015-00178118	January 16, 2018	N/A
AHI	SEC	SEC Registration No. AS096-003152	Certificate of Incorporation issued March 20, 1996	Valid for entire corporate term
AHI	BIR Revenue District Office No. 52	BIR Certificate of Registration (TIN 004-615-853)	N/A	N/A
AHI	Social Security System	Certificate of Registration (Employer ID No. 03-9175155-0-000)	July 5, 2016	N/A
AHI	Philippine Health Insurance Corporation	Certificate of Registration (Employer No. 00100007064)	June 28, 2016	N/A
AHI	PAG-IBIG Fund	Employer Data Form (Employer ID No. 200929560008)	N/A	N/A
AHI	Local Government Unit –	Mayor's Permit 20842	January 18, 2018	December 31, 2018

<u>Company</u>	<u>Issuing Agency</u>	<u>Permit/License/Certification</u>	<u>Date Issued</u>	<u>Date of Expiration</u>
	City of Parañaque, Business Permits & Licensing Office			
AHI	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance No. 0300	January 8, 2018	January 20, 2019
AHI	Housing and Land Use Regulatory Board	Development Permit	October 7, 2015	N/A
ARHC	SEC	SEC Registration No. A199910595	Certificate of Incorporation issued July 6, 1999	Valid for entire corporate term
ARHC	BIR Revenue District Office No. 52	BIR Certificate of Registration (TIN 202-967-690)	N/A	N/A
ARHC	Local Government Unit – City of Parañaque, Business Permits & Licensing Office	Mayor's Permit 19000	January 16, 2018	December 31, 2018
ARHC	Local Government Unit – City of Parañaque, Office of the City Health Officer	Sanitation Permit TAM-1028-18	January 16, 2018	December 31, 2018
ARHC	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance 2018-0562	January 8, 2018	January 20, 2018
ARHC	Housing and Land Use Regulatory Board	License to Sell No. 032390	May 24, 2017	N/A
ARHC	Housing and Land Use Regulatory Board	Certificate of Registration No. 27380	July 19, 2016	N/A
ARHC	Housing and Land Use Regulatory Board	Development Permit (Approval of Condominium Plan)	February 28, 2018	N/A
ARHC	Social Security System	Certificate of Registration (Employer No. 03-9527908-3-000)	April 29, 2016	N/A
ARHC	Philippine Health Insurance Corporation	Certificate of Registration (Employer No. 001020006692)	May 16, 2016	N/A
ARHC	PAG-IBIG Fund	Employer Data Form (Employer ID No. 20623382004)	N/A	N/A
ARHC	Brgy. Baclaran – Office of the Brgy. Captain	Community Tax Certificate CCC2015-00176905	January 9, 2018	N/A

<u>Company</u>	<u>Issuing Agency</u>	<u>Permit/License/Certification</u>	<u>Date Issued</u>	<u>Date of Expiration</u>
Fabricom	SEC	SEC Registration No. 91042	Certificate of Incorporation issued February 13, 1986	Valid for entire corporate term
Fabricom	SEC	Certificate of Filing of Amended Articles of Incorporation (Amending Fabricom-XCMG Philippines Inc. to Fabricom Inc.)	April 21, 2016	N/A
Fabricom	BIR Revenue District Office No. 39	BIR Certificate of Registration (TIN 000-390-114)	N/A	N/A
Fabricom	Local Government Unit – City of Parañaque, Business Permits & Licensing Office	Mayor’s Permit 21577	January 20, 2018	December 31, 2018
Fabricom	Local Government Unit – City of Parañaque, Office of the City Health Officer	Sanitation Permit SD-1917-18	January 19, 2018	December 31, 2018
Fabricom	Brgy. Baclaran – Office of the Brgy. Captain	Brgy. Business Clearance 2018-0669	January 9, 2018	January 20, 2018
Fabricom	Social Security System	Certificate of Registration (Employer ID No. 10-0709597-8-000)	November 16, 2016	N/A
Fabricom	Philippine Health Insurance Corporation	Certificate of Registration (Employee No. 20047434064)	November 11, 2016	N/A
Fabricom	Brgy. Baclaran – Office of the Brgy. Captain	Community Tax Certificate CCC2015-00178121	January 16, 2018	N/A
Fabricom	PAG-IBIG Fund	Employer Data Form (Employer ID No. 200469980003)	N/A	N/A
Fabricom	PAG-IBIG Fund	Employer’s Change of Information Form (Fabricom XCMG to Fabricom, Inc.)	November 16, 2016	N/A
Fabricom Realty and Development Corp.	SEC	SEC Registration No. A199919975	Certificate of Incorporation issued December 23, 1999	Valid for entire corporate term
Fabricom Realty and Development Corp.	BIR Revenue District Office No. 39	BIR Certificate of Registration (TIN 204-629-224)	N/A	N/A

<u>Company</u>	<u>Issuing Agency</u>	<u>Permit/License/Certification</u>	<u>Date Issued</u>	<u>Date of Expiration</u>
R1 Consortium	SEC	SEC Registration No. AS096-005783	Certificate of Incorporation issued May 31, 1996	Valid for entire corporate term
R1 Consortium	BIR Revenue District Office No. 39	BIR Certificate of Registration (TIN 005-393-986)	N/A	N/A

As of the date of the Prospectus, neither our Company nor any of our subsidiaries or affiliates or any of our properties is engaged in, or a subject of, any pending material litigation, claims or arbitration, either as plaintiff or defendant, which could be expected to have a material effect on our financial position, and we are not aware of any facts likely to give rise to any proceedings which would materially and adversely affect our business or operations.

However, we are involved in certain lawsuits and legal proceedings that have arisen in the ordinary course of business as described below. Our Company does not consider any of such proceedings material as we do not believe that there would be any material adverse impact on our daily operations, business or financial position.

Legal and Arbitration Proceedings

Joint venture with ADI and WHI – ABCC

In 2007, our Company, WHI, and ADI entered into a series of agreements (the “JV Agreements”) for the establishment of a joint venture corporation, A.A. Land Properties Developers Corporation (now known as Alpha Bay City Corporation, or ABCC), to develop a 320,000 sq.m. property in Aseana City, including a marina club. The JV Agreements set out specific land contributions by each party to ABCC in exchange for shares in ABCC, including our contractual obligation to contribute the ABCC Land Commitment to ABCC, and additional land with a total area of 37,219 sq.m. that is still pending from the PRA. Our total land contribution under the JV Agreements aggregates to a total area of 133,970 sq.m.

Our Company, WHI and ADI have entered into agreements to terminate the JV Agreements and to settle related legal proceedings, subject to certain conditions. The relevant parties have filed the necessary joint motions to dismiss or secure judgment on such proceedings based on compromise. As of the date of this Prospectus, only the following proceedings remain pending, as the relevant parties await the official decisions and/or resolutions dismissing the same: (i) Alphaland Bay City Corporation (ABCC) v. Alphaland Development, Inc. (ADI), DENR Case No. 2013-1226 (FLA-0076-05-01), pending before the DENR-National Capital Region, (ii) D.M. Wenceslao & Associates, Incorporated, Wendel Holdings Co., Inc., and Alphaland Bay City Corporation v. Alphaland Development, Inc., Civil Case No. 15-77, pending before the Regional Trial Court of Parañaque City, Branch 196, and (iii) Aseana Business Park Estate Association, Inc. v. Alphaland Development, Inc., Civil Case No. 13-0323, pending before the Regional Trial Court of Parañaque City, Branch 257.

Adverse claim regarding certain properties

On July 12, 2013, Atty. Rodolfo A. Ponferrada (“Atty. Ponferrada”), in his capacity as corporate secretary of Philweb Corporation (“Philweb”), and on behalf of Philweb Tourism and Entertainment Corporation (“PTEC”), and Manila Bay Tourism and Leisure Corporation (“MBTLC”), filed an affidavit of adverse claim with the Register of Deeds, Parañaque City, for the annotation of Philweb’s adverse claim on TCT Nos. 100815, 100816, 100817, 100818 and 135242 covering five parcels of land in Aseana City with a total land area of 59,000 sq.m. The case filed is entitled “Rodolfo A. Ponferrada v. The Register of Deeds for Parañaque City”, Consulta No. 5513. Atty. Ponferrada’s adverse claim was based on a letter dated July 30, 2007 by Roberto V. Ongpin, the Chairman of PTEC, addressed to Delfin J. Wenceslao, Jr., in relation to the Manila Bay Casino Project, which was proposed to be undertaken by Philweb, PTEC, MBTLC, and our Company. The said project, however, did not materialize. Our Company, as registered owner of the subject properties, intervened in the proceedings for the annotation of the adverse claim. The Register of Deeds denied the registration of Philweb’s adverse claim and subsequently cancelled the Memorandum of Consulta annotated on our certificate of titles. Atty. Ponferrada appealed to the Land Registration Authority, which sustained the

Register of Deed's decision denying the registration. Atty. Ponferrada filed a motion for reconsideration, which the Land Registration Authority denied in an Order dated June 23, 2015.

Tax Assessment

Our Company and certain entities within our Group had received certain assessments and Letters of Authority from the BIR, pursuant to which the BIR has sought to investigate certain tax periods against us and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business.

As of the date of this Prospectus, our Company has ongoing tax examinations and pending tax assessments. With respect to taxable year 2009, our Company received a Final Decision on Disputed Assessment involving an assessment for deficient taxes in the total stated amount of ₱308,835,204.52, inclusive of surcharges and interest.⁽¹⁾ For taxable year 2013, our Company received Assessment Notices and a Formal Assessment Notice involving an assessment for deficient taxes in the total stated amount of ₱457,029,979.91, inclusive of surcharges and interest.⁽²⁾ For taxable year 2015, our Company received a Formal Letter of Demand involving an assessment for deficient taxes in the total stated amount of ₱119,046,321.13, inclusive of surcharges and interest.⁽³⁾

PHI also received a Formal Assessment Notice involving an assessment for deficient taxes in the total stated amount of ₱185,783,209.21, inclusive of surcharges and interest, with respect to taxable year 2014.⁽⁴⁾ Lastly, Fabricom has an ongoing tax examination and assessment with respect to taxable year 2012, based on two Formal Letters of Demand, both dated January 11, 2016, for the total stated amount of ₱113,366,029.79, inclusive of surcharges and interest.⁽⁵⁾ On May 15, 2017, the BIR informed us that the case will be forwarded to the Office of the Regional Director for issuance of a Final Decision on Disputed Assessment for failure to submit documentary evidence. As of the date of this Prospectus, we have not received any such Final Decision on Disputed Assessment.

None of these tax assessments are final and collectible against our Company or our Group. Our Company, PHI and Fabricom are pursuing our respective protests or appeals, or both, for each of the tax assessments, arguing that each assessment is without basis in fact and law. As such, we believe that these tax examinations and assessments lack merit, and considering that we have previously resolved similar issues for other taxable years in our favor, we believe these should not warrant or cause any disruption in our ordinary business. In accordance with our policies of addressing such matters, we have engaged the necessary tax counsels and advisers.

As of the date of this Prospectus, these claims in aggregate amount to approximately 4.08% of our consolidated total assets as of December 31, 2017. However, if we are not successful in reducing these assessments or if we are made to pay any appurtenant interest and other penalties on any contested amounts, our net income would not be materially and adversely affected.

Notes:

- (1) The stated amount is as of August 29, 2013 and is based on the Final Decision on Disputed Assessment, dated July 17, 2013.*
- (2) The stated amount is as of October 30, 2016 and is based on the Assessment Notices and Formal Assessment Notice, dated November 18, 2016.*
- (3) The stated amount is as of April 30, 2018 and is based on the Formal Letter of Demand, dated April 18, 2018.*
- (4) The stated amount is as of January 12, 2018 and is based on the Formal Assessment Notice, dated December 15, 2017.*
- (5) The stated amount is as of February 11, 2016 and is based on the Formal Letters of Demand, dated January 11, 2016.*

INDUSTRY

The information below has been derived in part from publicly available Government sources, market data providers and other independent third party sources. In addition, this section and other sections of the Prospectus contain information extracted from a commissioned report prepared by Colliers for inclusion in this Prospectus and such information reflects estimates of market conditions based on publicly available sources and trade opinion surveys. References to Colliers should not be considered as the opinion of Colliers as to the value of any security or the advisability of investing in our Group. The Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information set out in this section has not been independently verified by our Group, the International Lead Manager and Underwriter, the Domestic Lead Managers and Underwriters or any other party involved in the Offer, and neither they nor Colliers give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

Overview of the Philippine Economy

The Philippine economy, as measured by real GDP, grew at an average of 6.3% annually from 2010 to 2017. During this period, the Philippines was among the fastest-growing economies in Asia Pacific. The country's highest recorded GDP growth over the past three years was in 3Q 2017, where GDP grew 6.9%, largely driven by manufacturing, trade and real estate, and business activities. By 4Q 2017, GDP growth fell to 6.6%, resulting in GDP growth of 6.7% for 2017. Though it fell short compared to the prior year's growth, the Philippines' economy still ranked second in Asia in terms of GDP growth for 2017, behind Vietnam and ahead of China.

The services sector continued to be a primary contributor to overall GDP growth, recording 9.6% growth for 2017, followed by Industry, which ended the year growing 8.2%. Agriculture grew by 9.1% as a result of the positive outlook in production of rice and corn. Colliers believes that continuous infrastructure spending will further boost economic growth in the medium term.

The table below sets out the Philippines' GDP for 2008 to 2017 at constant 2000 prices.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Growth Rates (in %):										
Gross National Product	6.0	6.5	8.4	3.2	6.4	8.1	5.8	5.8	6.7	6.5
Gross Domestic Product	4.2	1.1	7.7	3.7	6.8	7.1	6.1	5.9	6.9	6.7
Personal Consumption Expenditure	3.7	2.3	3.4	6.1	6.6	5.6	5.4	6.3	7.0	5.8
Gov't. Expenditure	0.3	10.9	4.0	1.0	15.5	5.0	1.7	7.8	8.4	7.3
Capital Formation	23.4	-8.7	31.6	8.1	-5.3	27.7	5.4	15.1	23.7	9.0
Exports	-2.7	-7.8	21.0	-4.2	8.5	-1.0	11.3	9.0	10.7	19.2
Imports	1.6	-8.1	22.5	0.2	4.9	4.4	8.7	14.0	18.5	17.6
AHFF*	3.2	-0.7	-0.2	2.7	2.8	1.1	1.6	0.1	2.2	9.1
Industry	4.8	-1.9	11.6	2.3	7.3	9.2	7.9	6.0	8.5	8.2
Services	4.0	3.4	7.2	5.1	7.4	7.2	5.9	6.8	9.9	9.6
Other Indicators:										
Average Inflation	8.3	4.1	3.9	4.6	3.2	3.0	4.1	1.4	1.8	3.2
₱:USD (Average)	44.7	47.6	45.1	43.3	42.3	42.5	44.4	45.4	50.4	50.5
Average 91-Day T-Bill Rates (in %)	5.2	4.0	3.7	1.4	1.6	0.3	1.2	1.8	1.5	2.1

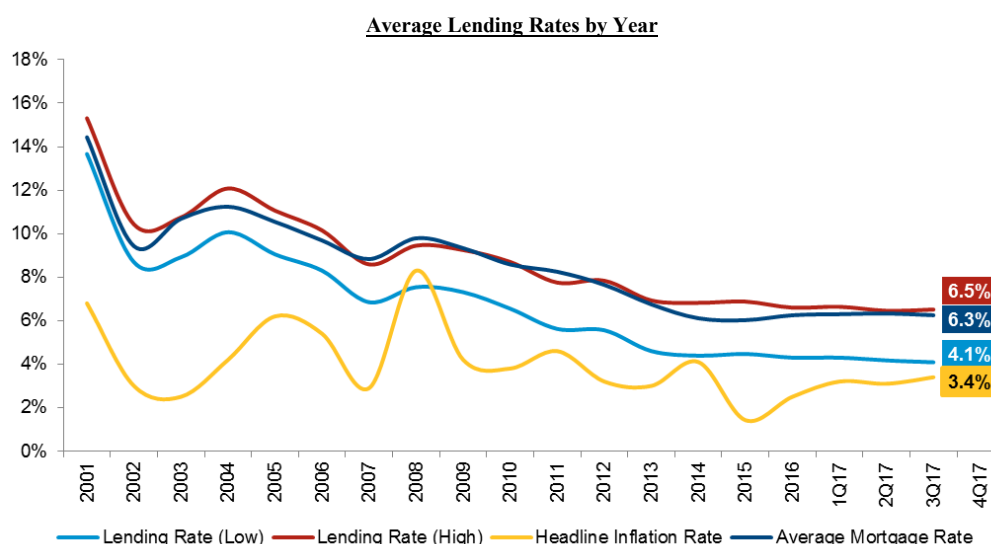
*Agriculture, Hunting, Forestry, Fishing

Source: Philippine Statistics Authority; Bangko Sentral ng Pilipinas

Interest Rates and Inflation

Low interest rates have been a key contributor to the growth of the Philippine economy. Lending rates have dropped to historical lows, allowing businesses to access capital at very attractive rates. As of 4Q 2017, average mortgage rates were 6.3%, while bank lending rates ranged from 4.1% to 6.5%. In 2017, the BSP announced that interest rates would remain steady. However, inflation rose 3.4% in 4Q 2017 as a result of a general increase in prices and depreciation of the Peso. The inflation rate was also impacted by the recently

passed Tax Reform for Acceleration and Inclusion (TRAIN) law, which is expected to result in higher prices for basic necessities.

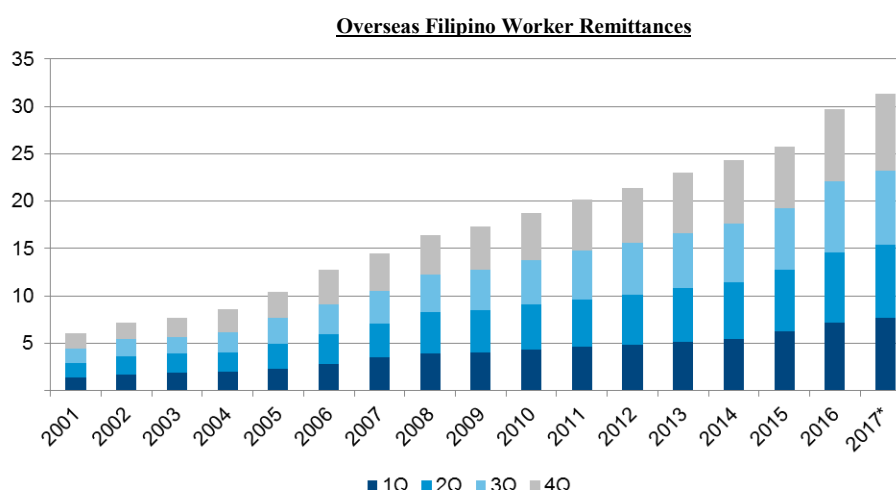


Source: BSP

Overseas Filipino Remittances

The number of Filipinos pursuing jobs abroad has grown to a tenth of the Philippine labor force, causing remittances by Overseas Filipino Workers, or OFWs, to grow annually by an average of 9.5% since 2005. The majority of remittances come from OFWs in the United States, Canada, Saudi Arabia, Japan, the United Kingdom, United Arab Emirates, Germany, Italy and Hong Kong.

OFW personal remittances, including cash and in-kind transfers, amounted to US\$31.3 billion in 2017, including cash remittances of US\$28.1 billion, representing in total about 10% of the country's GDP. Overseas remittances continue to reach all-time highs each year with a CAGR of approximately 8% from 2012 to 2017.



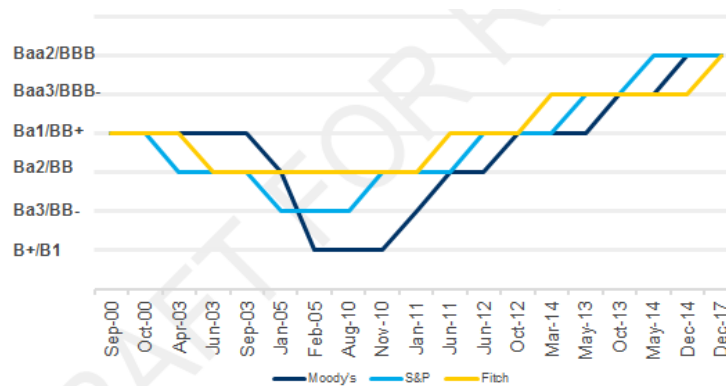
Source: BSP

* Preliminary data

Investment Grade Ratings

The Philippines has garnered several ratings upgrades since 2010, which has led to a more favorable climate for attracting foreign investment into the country. Since 2014, the country has sustained its BBB rating from Standard & Poor's and Moody's. The Philippines also experienced an upgrade of its Fitch rating from BBB- to BBB in December 2017. The country's continuing debt reduction policies, improvement in fiscal management, positive economic growth forecasts, and limited vulnerability to common risks that affect emerging markets, have led to ratings upgrades by the three major credit agencies.

Philippines' Credit Rating



Sources: Moody's, Standard & Poor's and Fitch Ratings.

Overview of the Philippine Gaming Industry

The Philippines continues to expand its role in the global gambling market as gaming revenue in the country continues to grow year on year. In 2017, PAGCOR recorded gross gaming revenue of ₱57.3 billion, a 7.6% increase from ₱53.3 billion in 2016. This growth can be attributed to the entry into the market of the Philippine Offshore Gaming Operators, or POGOs, and the improvement of the country's relationship with China and other neighboring countries, which helped in promoting the Philippine gaming industry to people abroad.

Newly arrived integrated resort casinos such as Resorts World Manila, Solaire Resort and Casino and City of Dreams Manila have taken a significant share of the gaming market in Metro Manila and have dislodged the older casinos that were once dominant.

Philippine Offshore Gaming Operators ("POGOs")

The Philippines has seen new entrants in the gaming industry as a result of a surge in online gaming. PAGCOR started providing online licenses for offshore-based operators from any foreign country, provided that people based in the Philippines are not permitted to play. As of November 2017, there were 51 approved POGOs in the Philippines. With the increasing number of POGOs in the country, PAGCOR set a target aggregate gaming revenue of ₱61.7 billion for 2018, which would represent a 34.7% increase from 2017. Most of the POGOs are located within the emerging Central Business Districts, or CBDs, such as the Manila Bay Area and Alabang and typically occupy office spaces ranging from 10,000 sq.m. to 30,000 sq.m.

Upcoming Gaming Establishments

New gaming developments are mainly composed of the integrated resort projects of PAGCOR's Entertainment City in Manila, including Okada Manila, previously known as Manila Bay Resorts, which opened in December 2016, offering 87 gaming tables and 911 slot machines, and Westside City Resorts World, which is expected to open in 2021 with 221 tables and 1,440 gaming machines.

Integrated Resorts Casino Supply in PAGCOR Entertainment City

Casino	Developer	Completion	No. of Tables	Slot Machines
Solaire Resort and Casino	Bloomerry	1Q 2013	394	1,883
City of Dreams Manila	Melco Crown	4Q 2014	267	1,754
Okada Manila	Tiger Leisure and Entertainment	4Q 2016	87	911
Westside City Resorts World	Travellers International Hotel Group	2021 (est.)	221	1,440

Source: Colliers International Research

New gaming developments are also planned outside of the Manila Bay Area. In April 2016, Enrique Razon Jr. of Bloomerry Resorts announced that his group plans to build a mixed-use development with a casino and hotel component in the North Triangle Area in Quezon City. Seen as a follow-up to the Solaire Resort and Casino in the Manila Bay Area, Bloomerry's second casino will be built on a 1.5-hectare site that was acquired from the National Housing Authority. Bloomerry was able to obtain a permit that allowed them to expand outside of PAGCOR's Entertainment City; however, organized groups have protested the

development of a casino in Quezon City. Construction is targeted to begin in 2018, although the land is still occupied by informal settlers.

Gaming Industry Outlook

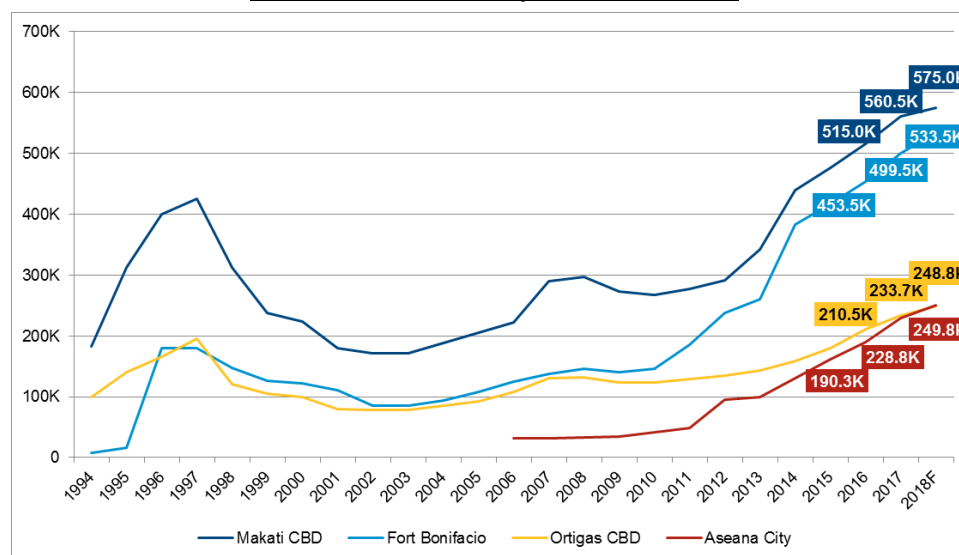
The growing interest in the Philippine gaming industry is fueled by a mix of favorable economic and technological developments. Key trends and drivers of the sector are briefly highlighted below:

- Large Local Consumer Market
The Philippines remains one of the largest and most promising consumer markets in South East Asia with a total population of over 100 million.
- Entry of POGOs in the Gaming Industry
With the introduction of POGOs, the Philippine gaming industry has increasingly attracted international operators and players. Strong growth in the POGO sector has driven demand for employees and office space in the Manila Bay Area. However, as licenses are issued for only five years, future growth may be limited if the Government does not issue new, or renew existing, POGO licenses.
- Favorable Cost Structure
Under Revenue Memorandum Circular No. 102-2017 of the BIR, “the entire gross gaming earnings/receipts or the agreed or predetermined minimum monthly revenues/income from gaming operations under existing rules, whichever is higher, shall be subject to a franchise tax of 5 percent, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description. This income is therefore exempt from any kind of tax, income or otherwise, as well as fees, charges or levies of whatever nature, whether national or local”. POGO operators, however, will be subject to normal income tax and other applicable taxes for income derived from non-gaming operations.
- Growing Real Estate Demand
The entry of POGOs in the Philippines balanced the decline in demand for BPO offices in 2017. For 2017, it is estimated that roughly 35% of the 870,000 sq.m. in office space transactions in Metro Manila was related to offshore gaming. POGOs took up 312,000 sq.m. of office space, a significant increase from 80,000 sq.m. in 2016.
- Diverse Locations
POGOs are currently located throughout Metro Manila, but have concentrated mainly in the Manila Bay Area, because of Entertainment City, as well as proximity to the fringes of Makati and the complementary casino and hospitality developments within the area. Moreover, this area still offers significant office space and residential options for such operators.

Overview of the Metro Manila Land Market

Land values in Metro Manila CBDs generally follow the course of economic activity in the country. During the years leading up to the Asian Financial Crisis, land values more than doubled from 1994 to 1997. Following the economic recession, however, values declined rapidly to below the 1994 levels. Starting in 2004, land values began to recover and have grown steadily through 2017.

Historical Land Values in Major Metro Manila CBDs



Source: Colliers International Research

Among the CBDs, Makati, as the premier financial business district in the country, still commands the highest land values. Land values in Makati declined in 2009, due mainly to the global financial crisis, but have since escalated, growing by 4% annually from 2011 to reach an average of ₱514,997 per sq.m. by the end of 2016. By the end of 2018, average land values in Makati are expected to grow to ₱574,996 per sq.m., reflecting a CAGR of approximately 9% from 2009 through 2018. Based on the maximum FAR of 16 in the Makati CBD and the projected land values, accommodation values could reach ₱35,937 per sq.m. for the Makati CBD by the end of 2018.

Land values in Fort Bonifacio were on par with Ortigas Center until after the Global Financial Crisis in 2009 when investments in office developments and BPOs led the economy's recovery from the recession and caused land values in Fort Bonifacio to rise more quickly than those in Ortigas Center from 2009 to 2014. In 2014, the purchase of Government-owned lots at ₱500,000 per sq.m. in Fort Bonifacio led to an increase in land values by 47% year-over-year and caused land prices in Fort Bonifacio to approach those of the Makati CBD. By the end of 2018, land values in Fort Bonifacio are expected to grow to ₱533,467 per sq.m., a CAGR of 16% from ₱140,000 per sq.m. in 2009. With a maximum FAR in the Fort Bonifacio area of 15, an average accommodation value of ₱38,105 per sq.m. is estimated by the end of 2018.

For Ortigas Center, the maximum FAR is generally 10 with an average land value of ₱233,678 per sq.m. in 2017. Average land values in Ortigas Center are expected to grow to ₱248,833 per sq.m. in 2018, with an estimated accommodation value by the end of 2018 of ₱24,883 per sq.m.

Manila Bay land values at the end of 2017 reached an average of ₱228,814 per sq.m. Within Aseana City, land values range from ₱150,000 up to ₱250,000 per sq.m. From 2009 to 2018, land values in Aseana City grew at a CAGR of 24% to ₱250,000 per sq.m. The trajectory of growth is evidenced by the numerous developments within the area, which have led Aseana City to be identified as an emerging CBD in Metro Manila. With an average FAR of seven, accommodation values in Manila Bay will range from ₱24,979 to ₱41,632 per sq.m in 2018.

Land Supply and Demand Dynamics

Outside of the impact of economic crises, land prices in Metro Manila are mainly affected and driven by scarcity. Scarcity and unmet demand in the Makati CBD, which is now largely developed with very few remaining developable lots, have led major developers such as Ayala Land and Megaworld Corporation to repurpose lots with existing uses, such as the parking spaces and structures at Legaspi and Salcedo villages. Ayala Land has also begun the redevelopment of its land holdings and properties at the northern portion of Ayala Avenue, and commenced development of a portion of Ayala Triangle, one of the large open spaces within Makati CBD, thereby unlocking a brand new prime area.

The scarcity of land has also led to the resurgence of land reclamation in the Manila Bay Area as a viable option for large scale developments. The SM Mall of Asia Complex was transformed from a large retail establishment to a commercial district following the introduction of office buildings by the SM Group that complement its flagship retail project. The 204-hectare Aseana City and Entertainment City is an emerging vibrant commercial district where three casinos and several residential and office developments have been completed. The area is also being developed as a CBD for the Manila-Pasay reclamation area, particularly with the emergence of office buildings that are designed to cater to the IT-BPO industry.

The table below sets out a summary of several recent market transactions with respect to Aseana City.

Project	Location	Size (sq.m.)	Total Contract Price (₱)	₱/sq.m.	Accommodation Value (FAR 7) (₱)
Property 1	Beside Golden Bay	26,000	5,460,000,000	210,000	30,000
Property 2	D. Macapagal Boulevard, Aseana City	7,400	2,199,997,800	297,297	42,471
Property 3	Aseana City	6,421	995,255,000	155,000	22,143
Property 4	Aseana City	5,000	1,250,000,000	250,000	35,714
Property 5	Near Sea Residences and Phoenix Fuels	3,082	924,600,000	300,000	42,857
Property 6	Aseana City	2,519	503,800,000	200,000	28,571
Property 7	Aseana City	2,301	460,200,000	200,000	28,571
Property 8	Block 2, Lot 4, Aseana City	2,080	520,000,000	250,000	35,714
Property 9	Aseana City	1,706	341,200,000	200,000	28,571
Property 10	Block 2, Lot 18, Aseana City	1,706	426,500,000	250,000	35,714
Average		5,822	1,308,155,280	231,230	33,033

Source: Colliers International Research

The biggest transaction in Aseana City was for the 26,000 sq.m. empty lot beside Golden Bay. Amongst these transactions, the average total contract price for lots in Aseana City was ₱1.3 billion with an average price per sq.m. of ₱231,230 and average accommodation value of ₱33,033.

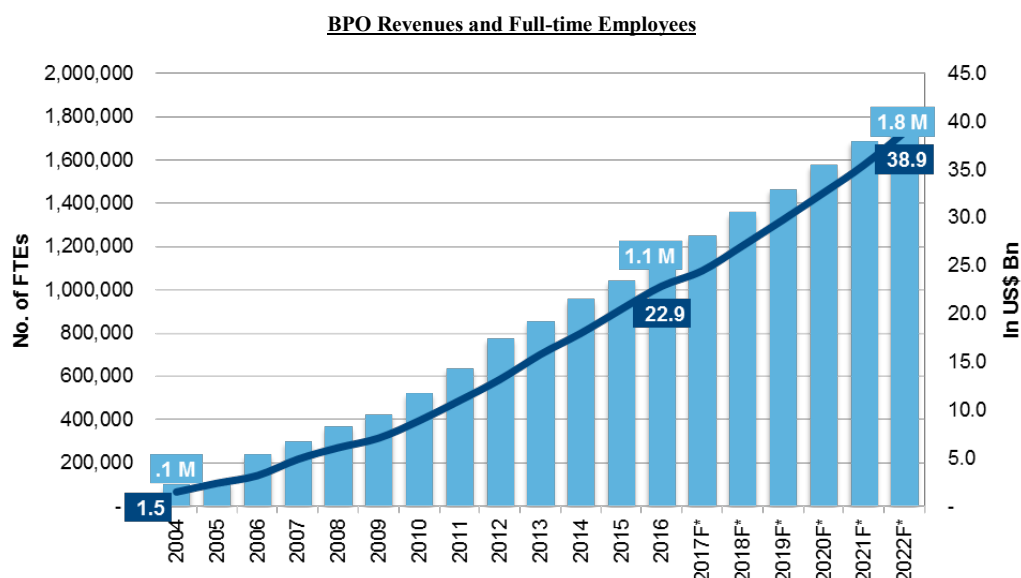
Overview of the Metro Manila Office Market

For the past decade or so, growth in the office market in Metro Manila, as well as in other key cities in the Philippines has been driven by the BPO industry. BPO companies prefer to operate in the Philippines due to its deep English-speaking talent pool and relatively low cost of operations. The strong demand coming from this sector has encouraged developers to provide facilities that meet the demands of the BPO industry, including by obtaining accreditation of their office buildings as ecozones from the Philippine Economic Zone Authority, or PEZA. In addition to established business districts in Metro Manila, developers have also built office buildings in new commercial districts located in other areas of Metro Manila as well as key cities in other regions.

Growing BPO Sector

The Philippine IT-BPO sector grew at a rapid rate with a CAGR of 29% from 2006 to 2010. Over seven years, BPO revenues increased by a factor of six to reach US\$11.0 billion in 2011 from US\$1.5 billion in 2004. The latest data from the Everest Group cited the Philippines as the largest exporter of voice-driven BPO in the world. As of the end of 2016, BPOs were estimated to have generated US\$22.9 billion in revenues in the Philippines.

By 2022, an estimated 1.8 million full-time employees (FTEs) will be engaged in the offshoring and outsourcing (O&O) industry, representing a CAGR of 8.0% from 2016. Amidst a recent slowdown arising from changes in Government policy, prospects for the BPO sector remain positive as it maintains steady growth with increasing demand for higher-level services. BPO demand in the Philippines has shifted from basic and non-core services, such as voice and non-voice customer care and data entry services, to higher-level, specialized services required for specific business lines such as banking and finance, insurance, real estate, legal, medical, and information technology.



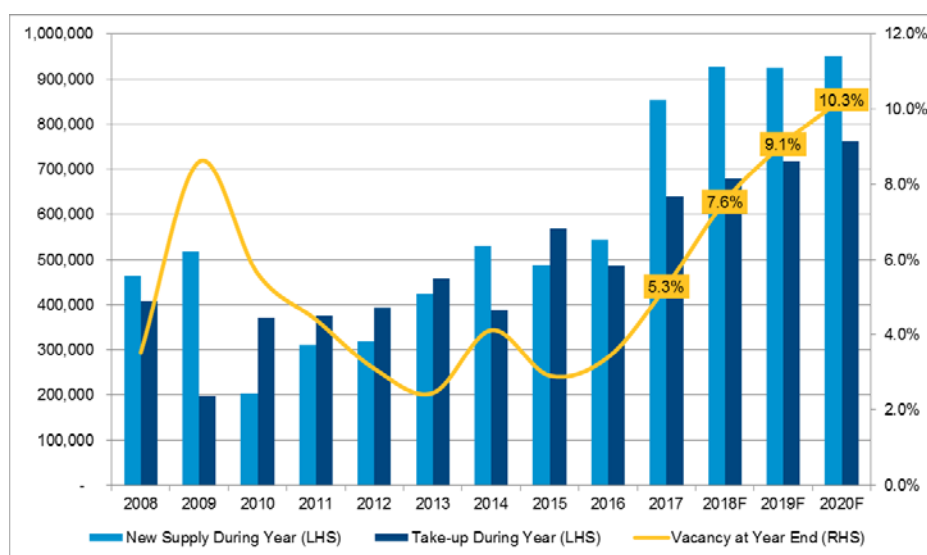
Sources: IBPAP, Colliers International Research

Demand and Supply for Major Metro Manila CBDs

Metro Manila office demand has grown gradually but consistently over the years, with net take-up generally exceeding new supply for each year between 2010 and 2015 due to fewer completions of new office buildings. In 2016, Metro Manila office stocks increased by 12%, which resulted in an increase in the vacancy rate to 3.4%. Similarly, new supply increased by 57% in 2017 resulting in an overall vacancy rate of 5.3% at year-end.

In 2017, non-BPO or traditional sectors accounted for the largest share of office transactions, accounting for 40% of the total take-up of office space. This was followed closely by POGOs, which accounted for 35% and knowledge process outsourcing, or KPOs, with 16%. Comparatively, in 2016, the largest number of transactions came from the KPO sector at 38% followed by traditional sectors with 32% and BPOs with 21%, while POGOs accounted for only 9% of transactions.

The table below sets out the office demand and supply situation within Metro Manila for the indicated periods.

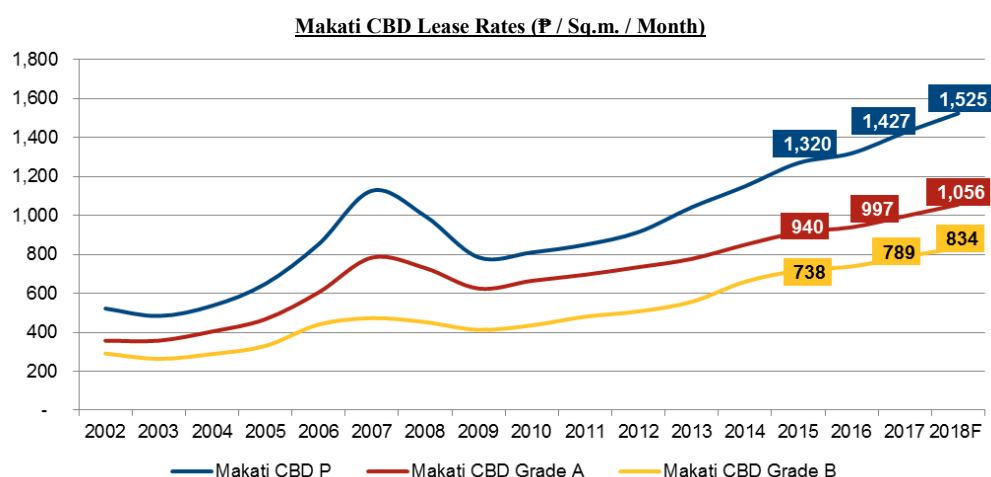


Source: Colliers International Research
 Note: in sq.m. of Gross Leasable Area (GLA)

Makati CBD

As of the end of 2017, the Makati CBD had 2.9 million sq.m. of total net usable office space. Although Makati is in an unusual location for a CBD, as it is remote from Manila's historic center, port and national institutions, most major Philippine companies are headquartered in Makati. Makati is also the preferred location for the offices of many multinational companies operating in the Philippines. Fort Bonifacio has been considered an expansion area for the Makati CBD rather than a competitive alternative, especially as it has become a viable option for multinational companies in the IT-BPO industry.

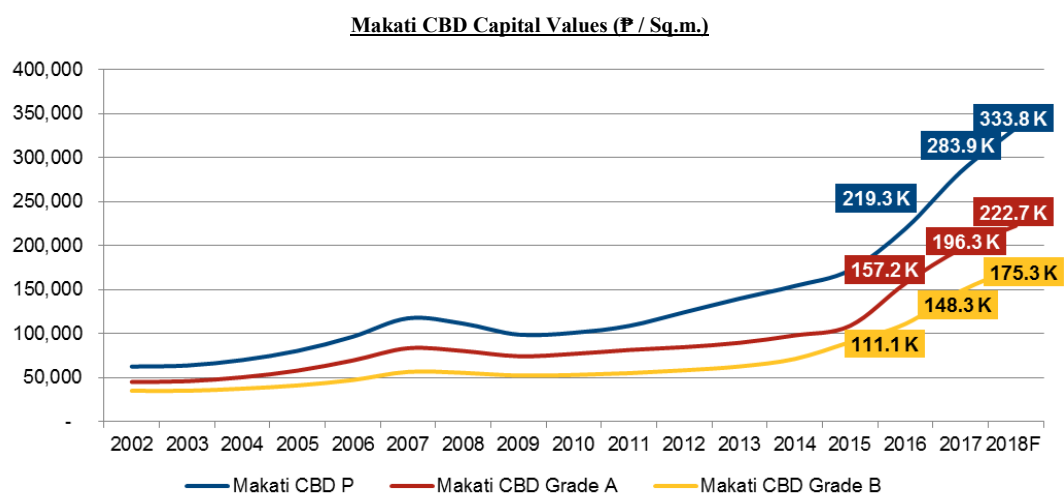
The continuous demand for office space in the Makati CBD has caused rental rates to consistently increase on a yearly basis since the 2009 Global Financial Crisis. With continuing low vacancies since that time, average lease rates are expected to increase by a 7.0% CAGR to 2018. At the end of 2017, the average lease rate for Premium office space in Makati was ₱1,427 per sq.m. per month, while Grade A and Grade B office space were ₱997 per sq.m. per month and ₱789 per sq.m. per month, respectively.



Source: Colliers International Research

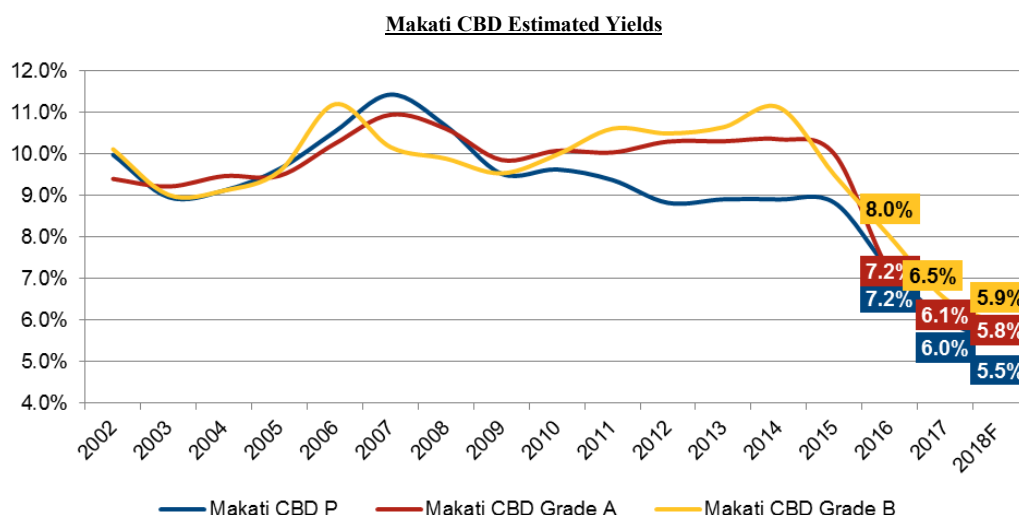
Note: Figures are base rents and do not include CUSA charges.

As of the end of 2017, the capital value of office space in the Makati CBD had grown by 25% to 34% year-on-year, with prices ranging from ₱148,325 to ₱283,883 per sq.m. According to Colliers, capital values for office spaces are expected to grow by up to 18% in 2018.



Source: Colliers International Research

Estimated yields across office grades ranged from 6.0% to 6.5% within the Makati CBD as of the end of 2017. Although lease rates continue to increase, land value appreciation continues to impact yields in rental income. By 2018, Colliers expects that yields will further depreciate to a range of 5.5% to 5.9%.

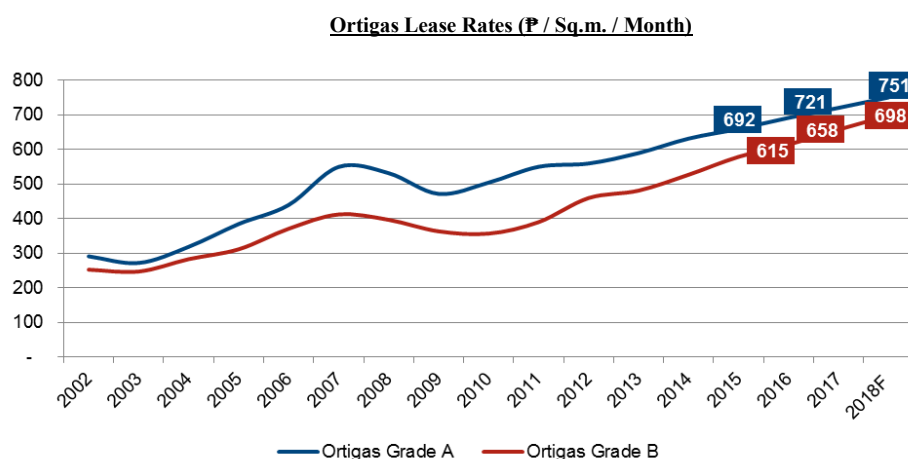


Source: Colliers International Research

Ortigas Center

Ortigas used to be a major alternative to Makati as it absorbed the spillover demand from Makati in the mid-1990s. Currently, it caters to more cost-conscious tenants as its rental rates are about one quarter less than those of Makati and Fort Bonifacio. Ortigas Center is bordered by the streets of Epifanio de los Santos Avenue (“EDSA”) to the west, Ortigas Avenue to the north, Meralco Avenue to the east, and Shaw Boulevard to the south. Developers found Ortigas to be a viable alternative owing to its location and relatively lower land values. Since the early 1990s and through 2017, absolute land values in Ortigas have remained approximately 67% less than the Makati CBD.

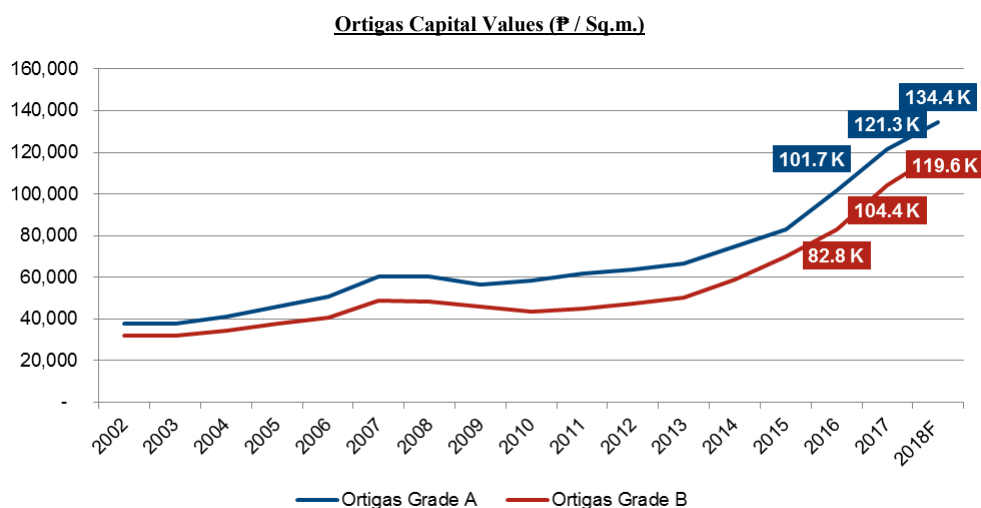
Rents in Ortigas increased for full year 2017. Rental rates for Grade A office space increased by 4% from ₱692 per sq.m. per month to ₱721 per sq.m. per month, while rates for Grade B office space grew 7% from ₱615 per sq.m. per month to ₱658 per sq.m. per month.



Source: Colliers International Research

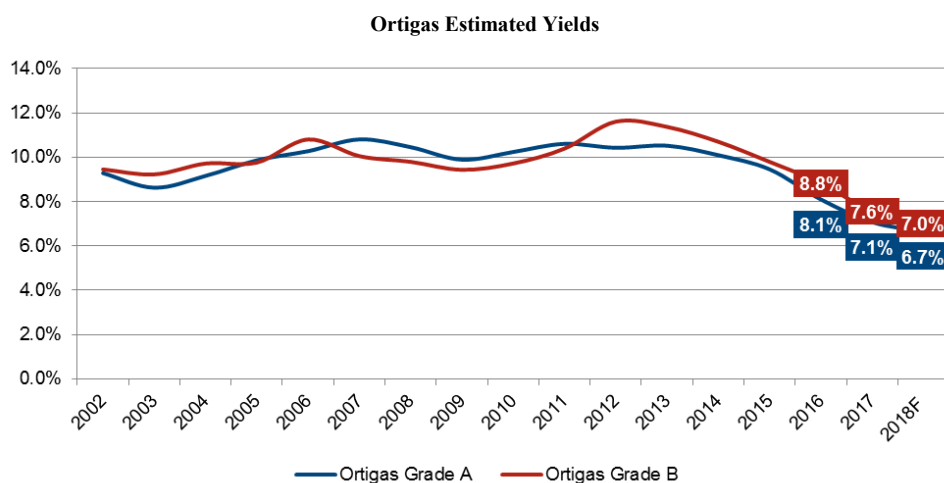
Note: Figures are base rents and do not include CUSA charges.

Capital values of office space in Ortigas increased by 19% to 26% in 2017. Higher increases of roughly 26% were seen for Grade B office space as the completion of new buildings escalated prices. Capital values for Grade A office space increased by 19%, given the limited availability of such office space in the area.



Source: Colliers International Research

In Ortigas, estimated yields for both Grade A and Grade B offices were 7.1% and 7.6% by the end of 2017, respectively. Although supply is expected to grow over the next two years, yields are expected to decline as the market has been saturated and land values are expected to appreciate in the area.

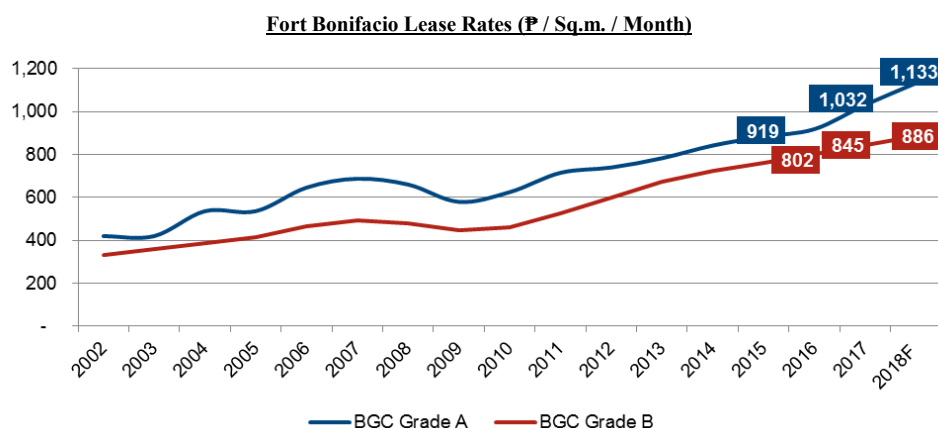


Source: Colliers International Research

Fort Bonifacio

Fort Bonifacio is a former military base located approximately two kilometers away from the Makati CBD. Fort Bonifacio is a cluster of different areas of the base that have been privatized in stages, overseen by the Bases Conversion and Development Authority. It is composed of McKinley Hill and Bonifacio Global City, which contains Veritown, North Bonifacio and Uptown Bonifacio.

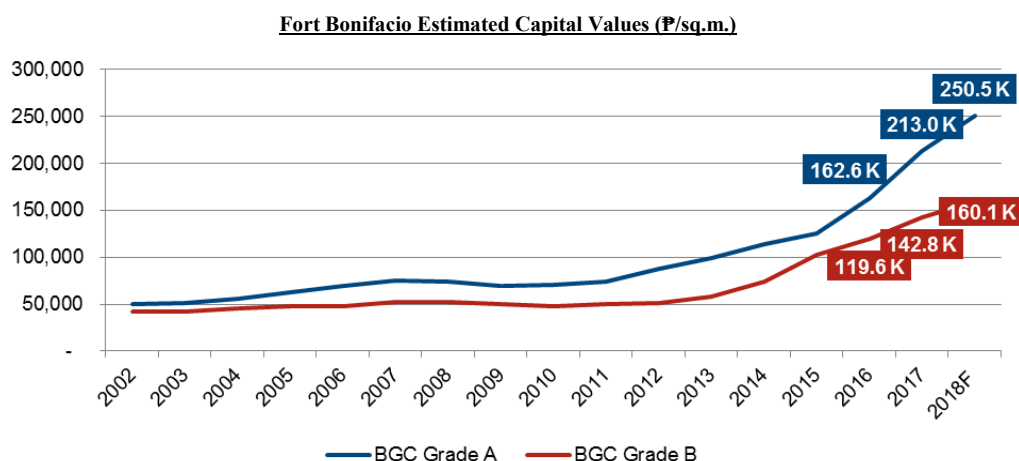
Average lease rates for Grade A office space in Fort Bonifacio grew by 12% in 2017 from ₱919 per sq.m. per month in 2016 to ₱1,032 per sq.m. per month in 2017. The significant increase was influenced by the completion of ten new Grade A office buildings. Rates for Grade B office space also have exhibited a steady increase of 5% per year since 2015.



Source: Colliers International Research

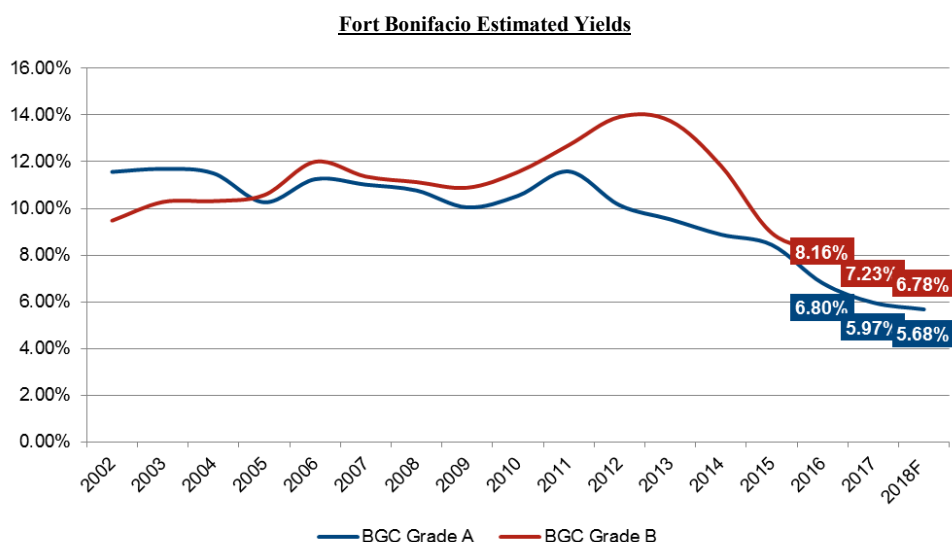
Note: Figures are base rents and do not include CUSA charges.

Capital values for offices in Fort Bonifacio continue to escalate due to the surge of demand in the area. In 2017, average prices for Grade A offices increased by 31% from ₱162,601 per sq.m. per month to ₱212,989 per sq.m. per month, while average prices for Grade B offices increased by 19%. Colliers expects that capital values will increase by another 12% to 18% due to demand driven by a strengthening outsourcing market.



Source: Colliers International Research

Similar to other markets, estimated yields are expected to decline in Fort Bonifacio. By the end of 2017, yields had declined to a range of 6.0% to 7.2% due to growth in land values overtaking growth in rental rates. Yields are expected to decline further to a range of 5.7% to 6.8% by the end of 2018.

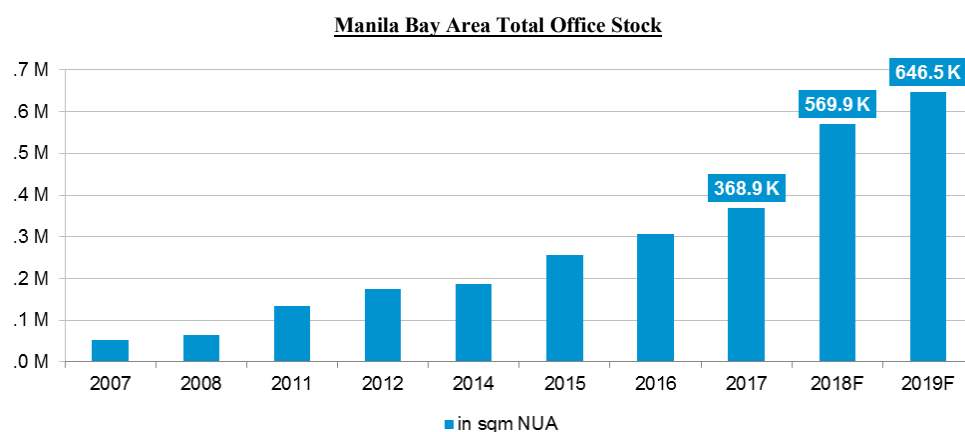


Source: Colliers International Research

Manila Bay Area

Bounded by Roxas Boulevard and Manila Bay, the Manila Bay Area originated as a large-scale land reclamation project by the Government and several private parties. A short distance from Manila, Makati and NAIA, the area's strategic location has proven to be attractive to companies and corporations looking for affordable office space. The area is also sought after due to the expected growth in the area as PAGCOR's Entertainment City continues to develop. Many corporations are looking to the Manila Bay Area as an alternative to Makati and Fort Bonifacio because of its relatively lower lease rates.

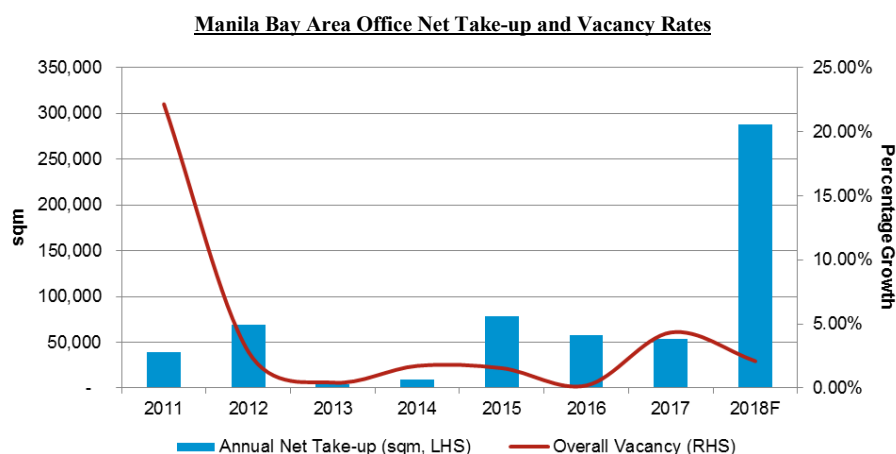
The Manila Bay Area saw a surge in office stock in 2017 with the addition of 63,293 sq.m. in net usable area of office space. The completion of Meridian Park Tower 1, Biopolis and iMet BPO resulted in a total of 368,932 sq.m. net usable area of office space in the Manila Bay Area at the end of 2017.



Source: Colliers International Research

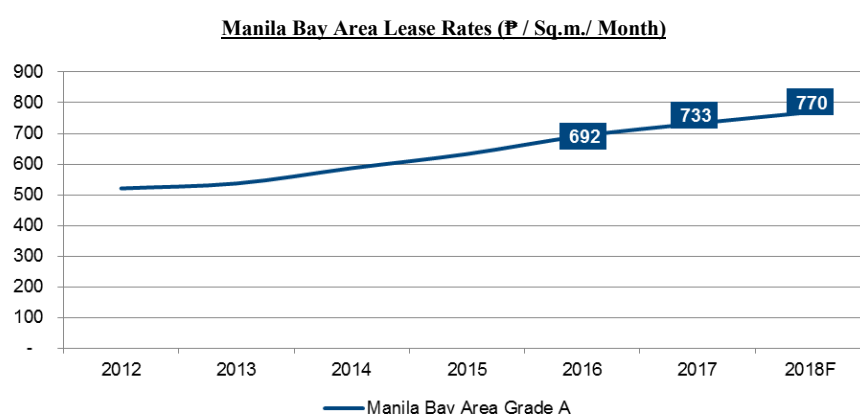
* Based on Net Usable Area (NUA)

The completion of these new office buildings also led to an increased vacancy rate in the Manila Bay Area, which rose to 4.3% by the end of 2017, the highest since 2012. Nevertheless, a drop in vacancy rates is forecasted in the Manila Bay Area in 2018. As an emerging business district, companies are investing in space in existing and newly-built office buildings in the Manila Bay Area, driving vacancy rates lower.



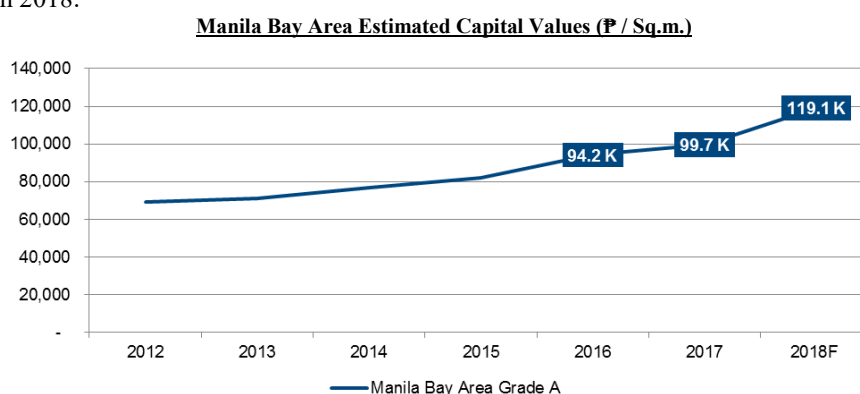
Source: Colliers International Research

Lease rates in Manila Bay grew by 6% in 2017 to ₱733 per sq.m. per month from ₱692 per sq.m. per month in 2016. Lease rates are expected to reach ₱770 per sq.m. per month in 2018.



Source: Colliers International Research

A significant increase in capital values was seen in Manila Bay in 2017. With the development of the area as an emerging CBD as well as the further development of Entertainment City, capital values increased by 6% in the area in 2017. Grade A office capital values averaged ₱99,736 per sq.m. in 2017 and are forecasted to grow by 19% in 2018.



Source: Colliers International Research

Among the Metro Manila CBDs, only the Manila Bay Area experienced stable yields in 2017. Rental yields were sustained from 2016 to 2017 at 8.8% as the area is still seeing a large number of developments under construction. However, Colliers expects that estimated yields will fall as development of the area progresses.

Manila Bay Area Estimated Yields

<u>Year</u>	<u>Grade A</u>
2015	9.2%
2016	8.8%
2017	8.8%
2018F	7.8%

Source: Colliers International Research

Overview of the Metro Manila Retail Property Market

The Philippine retail market has had strong fundamentals and is expected to continue on an upward trend due to a rapidly expanding population, growing consumer purchasing ability, better employment opportunities and significant overseas remittances. While retailing in the Philippines is not immune to general economic and political shocks that impact the country, it has historically been resilient.

At the end of 2016, there was a total of approximately 6.3 million sq.m. of leasable area (GLA) for retail in Metro Manila. This translates to a CAGR of about 4.4% since 2001. By the end of 2017, an estimated 6.8 million sq.m. of leasable space will have been completed across the various retail malls in Metro Manila. This is expected to grow by at least 3.7% by the end of 2018 as the completion of retail developments with less than 50,000 sq.m. GLA will add more supply.

New malls inside CBDs are now primarily neighborhood type developments – most of which are expansions of existing malls or ancillary facilities to existing buildings. Developers are also looking at emerging CBDs or reclaimed areas for building large-scale retail projects due to the lack of available land in Metro Manila for development.

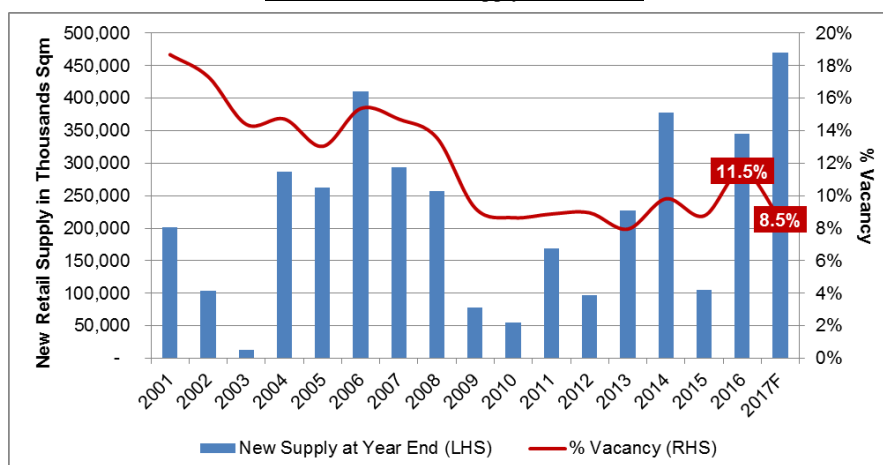
Among the major developers, SM Prime Holdings has the largest share of retail property in Metro Manila with 2.1 million sq.m. of leasable space, or roughly 43% of the total. Out of the 33 malls being operated by SM Prime in Metro Manila, the biggest in terms of retail area is the SM Mall of Asia, located in the Manila Bay Area, which has 536,000 sq.m. of retail space, making it the largest mall in Metro Manila and one of the largest in Asia. This is followed by SM Megamall in Mandaluyong and SM North EDSA in Quezon City.

Ayala Land is the second largest owner and operator of retail property in Metro Manila with 1.2 million sq.m. of space, representing a 22% market share. Out of its 18 shopping centers, Ayala Center in Makati is the biggest with 310,209 sq.m. of leasable space, followed by Ayala Trinoma in northern Quezon City, and the Vertis North and Market! Market! developments.

With its 11 shopping malls, Robinsons Land accounts for 8.7% of the total retail property stock in Metro Manila with an aggregate 486,499 sq.m. of leasable space. As of 3Q 2017, Robinsons Manila was the largest mall in its portfolio at 98,900 sq.m., while Robinsons Galleria in Ortigas Center was under renovation.

With a population of about 12 million people, Metro Manila has approximately 0.5 sq.m. of retail space per capita, which is comparatively low within the ASEAN region, with Jakarta having the lowest retail space per capita at 0.44 sq.m. According to Colliers, this suggests there remains potential for additional retail space in Metro Manila, particularly given its current population and rising income levels.

Metro Manila Retail Supply and Demand



Source: Colliers International Research

Manila Bay Area Retail Market

The Manila Bay Area has a total GLA for retail of 678,889 sq.m. SM Mall of Asia is the largest retail space with 536,000 sq.m. of GLA following the completion of its expansion in 3Q 2017.

Major Mall Developments in the Manila Bay Area

Development	Specific Location	Developer	Completion Date	Classification	GLA (sq.m.)
SM Mall of Asia	Mall of Asia Complex (CBP I-A)	SM Prime Holdings	2006	Super Regional	336,000
City of Dreams Retail Complex	Aseana City	Belle Corp.	2015	Regional	80,000
Bluebay Walk	CBP I-A	Federal Land	2015	District Centre	15,000
S Maison	Pasay, Metro Manila	SM Prime Holdings	2Q 2016	District Centre	23,004
Solaire Retail Complex	1 Aseana Ave, Parañaque	Bloomberry Resorts	4Q 2016	Neighborhood	5,000
Blue Wave Mall (Phase 1)	Diosdado Macapagal Blvd, Pasay	Federal Land	2Q 2017	Neighborhood	19,895
SM Mall of Asia (Expansion)	Mall of Asia Complex (CBP I-A)	SM Prime Holdings	3Q 2017	Super Regional	200,000
Total					678,899

Source: Colliers International Research

At the end of 2018, the first phase of the Ayala Curtis Mall is expected to open with 116,000 sq.m. of GLA and will be the first Ayala Land shopping mall in Aseana City. Also in 2018, Blue Wave Mall (Phase 2) is set to add 10,417 sq.m. of GLA within Federal Land's development. By 4Q 2019, the second phase of the Ayala Curtis Mall is expected to add an additional 116,000 sq.m. of GLA, bringing total retail stock in the Manila Bay Area to 921,315 sq.m.

Overview of the Metro Manila Residential Property Market

Increasing household incomes and unmet demand for housing have spurred a real estate boom in the Philippines since the early 2000s. Mostly fueled by OFW remittances, the housing industry has been on an upswing, dipping only during the Global Financial Crisis of 2009. In contrast to previous real estate booms, which were often fueled by speculative buying, current demand for housing comes from end users who, with increasing incomes in the Philippines, now have the means to purchase homes. Developers have also recognized that middle class housing demand has largely been untapped, and they have shifted condominium development towards more affordable options, as evidenced by the decline in average unit sizes from an average of 83 sq.m. in 1997 to 45 sq.m. in 2017.

Developers have also been more reliant on pre-selling, where project construction does not commence until a certain percentage of units have been sold. This practice insulates developers from sudden economic or

market downturns since they do not begin spending on construction until sales are somewhat assured.

The table below sets out Colliers' estimate of the housing backlog in Metro Manila by housing segment, with 2011 as the base and assuming there are no new developments.

Metro Manila Housing Projected Backlog

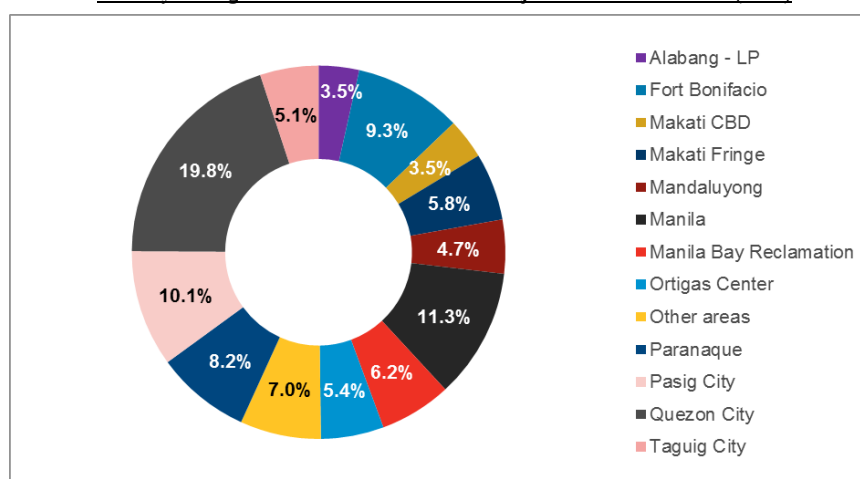
Household Incomes / Segments	% to Total	Base - 2011	2012	2013	2014	2015	2016	2017	2018	2019
Can't Afford	1%	138	828	1,533	2,251	2,984	3,731	4,494	5,271	6,064
Socialized	6%	675	4,062	7,517	11,040	14,634	18,299	22,037	25,850	29,739
Economic	60%	6,764	40,698	75,309	110,610	146,615	183,338	220,793	258,995	297,959
Low Cost	28%	3,080	18,529	34,287	50,358	66,751	83,470	100,523	117,915	135,655
Mid Income	4%	461	2,774	5,134	7,541	9,995	12,499	15,052	17,656	20,313
High End	1%	72	430	796	1,170	1,550	1,939	2,335	2,739	3,151

Source: Colliers International Research

Residential Projects Being Actively Sold

A total of 257 residential condominium projects were actively selling (meaning they had not been 100% sold) within the Mid-Income (₱3.2 million – ₱6 million), Upscale (₱6 million – ₱8 million) and Luxury (₱8 million and above) price segments in Metro Manila as of the end of 2017. Quezon City accounts for the largest share of actively selling projects with 19.8%, followed by Manila with 11.3%, and Pasig City with 10.1%.

Actively Selling Residential Condominium Projects in Metro Manila* (2017)



Source: Colliers International Research

Note: Other areas include Marikina City, San Juan City and CAMANAVA

*Active projects are projects that are not 100% sold out

Metro Manila Condominium Average Total Contract Price and Average Price per sq.m.

By 4Q 2017, the overall average total contract price of actively selling Mid-Income, Upscale and Luxury projects in Metro Manila reached approximately ₱8.6 million and ₱125,460 per sq.m. The average total contract price rose 12% from 2015, while the average price per sq.m. rose 10%.

The Makati CBD had the highest average total contract price of ₱23.1 million as well as the highest average price per sq.m. of ₱199,519. This was followed by prices in Fort Bonifacio with an average total contract price of ₱18.3 million and average price per sq.m. of ₱178,033.

The Manila Bay Area had an average total contract price of ₱6.4 million and the third highest average price per sq.m. of ₱157,981 in 4Q 2017.

Average Total Contract Price and Price per Square Meter

Area	Average TCP (4Q15) (₱ in million)	Average TCP (4Q17) (₱ in million)	Average Price/sq.m. (4Q15) (₱)	Average Price/sq.m. (4Q17) (₱)
Alabang - LP	7.61	8.37	100,383	115,406
Fort Bonifacio	14.81	18.31	151,719	178,033
Makati CBD	10.09	23.13	146,943	199,519
Makati Fringe	10.93	8.03	144,259	148,134
Mandaluyong	4.53	4.30	113,984	111,749
Manila	6.10	7.80	99,216	109,946
Ortigas Center	11.73	11.70	123,673	130,720
Paranaque	3.92	4.15	90,140	94,887
Pasig City	4.46	4.31	89,618	91,212
Quezon City	4.92	5.21	102,770	114,022
Taguig City	7.10	10.79	97,046	127,192
Manila Bay	6.01	6.40	120,671	157,981
Other areas	11.48	12.34	109,740	121,888
Overall Average	7.68	8.62	114,376	125,460

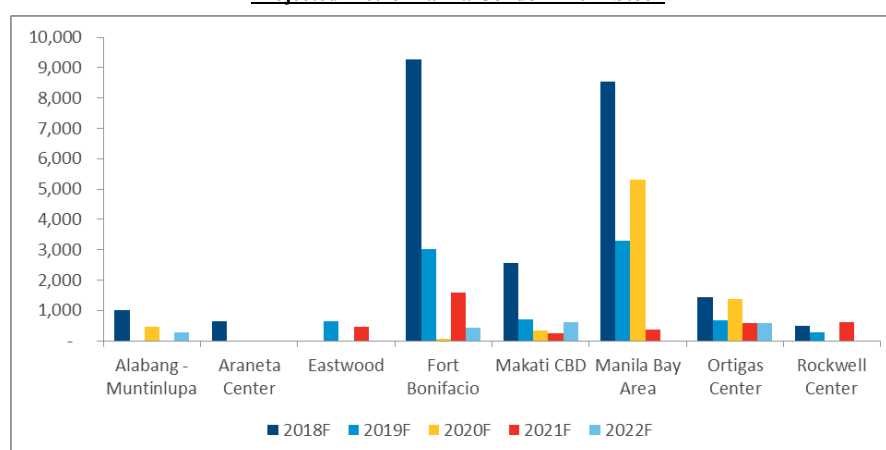
Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

Metro Manila Condominium Stock

In 2018, among the established and emerging CBDs in Metro Manila, most of the newly completed residential condominium stock will be in Fort Bonifacio with more than 9,000 new residential units. However, from 2018 to 2022, most new residential stock will be in the Manila Bay Area. The bulk of the more than 17,000 units expected to be built in the Manila Bay Area during the period will be completed in 2018, with an estimated 8,531 units. Future condominium supply in the Manila Bay Area is expected to increase by 123% from 2017 to 2022.

Projected Metro Manila Condominium Stock

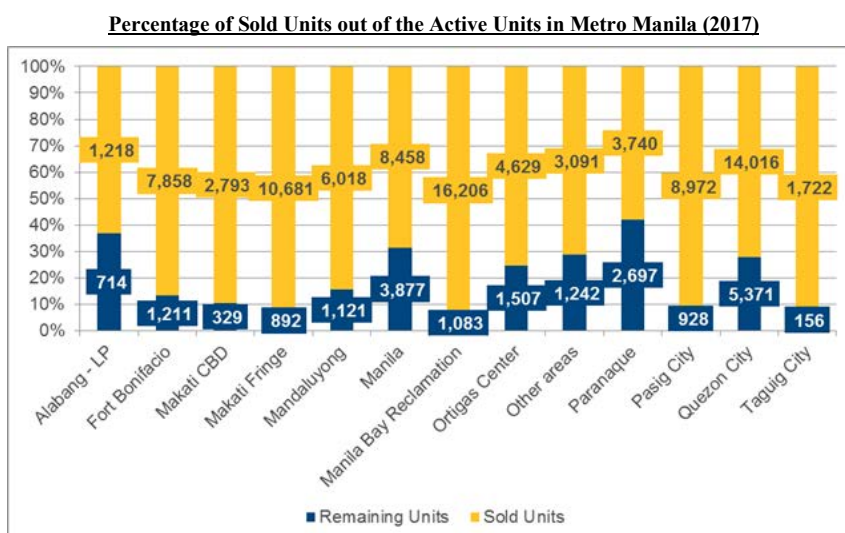


Source: Colliers International Research

Metro Manila Condominium Sales Performance/Take-Up Rates

Among actively selling projects, the Manila Bay Area had the highest percentage sold, with 93.7% of its 17,289 active units sold and slightly more than 1,000 units unsold as of the end of 2017.

Other areas that have sold more than 90% of their inventory include Makati Fringe (92.3%), Taguig City (91.7%), and Pasig City (90.6%). On the other hand, Paranaque was at 58.1% sold, which is the lowest among the areas. Quezon City had the largest unsold stock at 5,371 units.

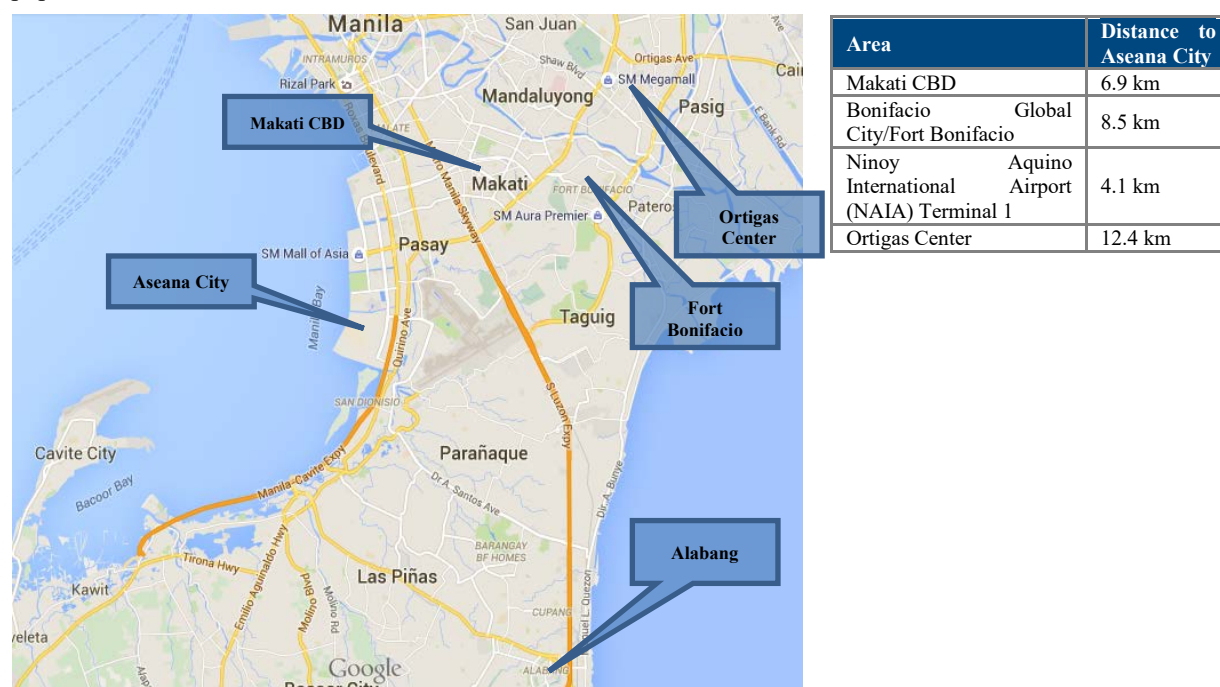


Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

Overview of Aseana City

Aseana City is a 107.5-hectare master-planned development along Manila Bay. Situated in Parañaque City, Aseana City is less than seven kilometers away from the Makati CBD, the country's premier business and finance district. Complementary transport linkages such as the NAIA Expressway, the Southwest Integrated Terminal Exchange (SWITex) station and the LRT 1 extension will facilitate the development of Aseana City and improve urban connectivity and access to Aseana City from major transport hubs and rapidly growing population centers outside of Metro Manila.



Sources: Google Maps, Colliers International Philippines Research

Aseana City is the only CBD in Metro Manila with a casino and entertainment district. Although Newport City in Pasay is considered an integrated resort casino with retail, residential and office components, it is not considered a central business district because of its limited size. Only Aseana City has the flexibility of offering both gaming and resort hotel components as well as office, retail and residential developments. The three completed casino resorts, Solaire, City of Dreams, and Okada Manila, as well as the Ayala Curtis Mall, are expected to bring substantial new traffic to Aseana City, introducing

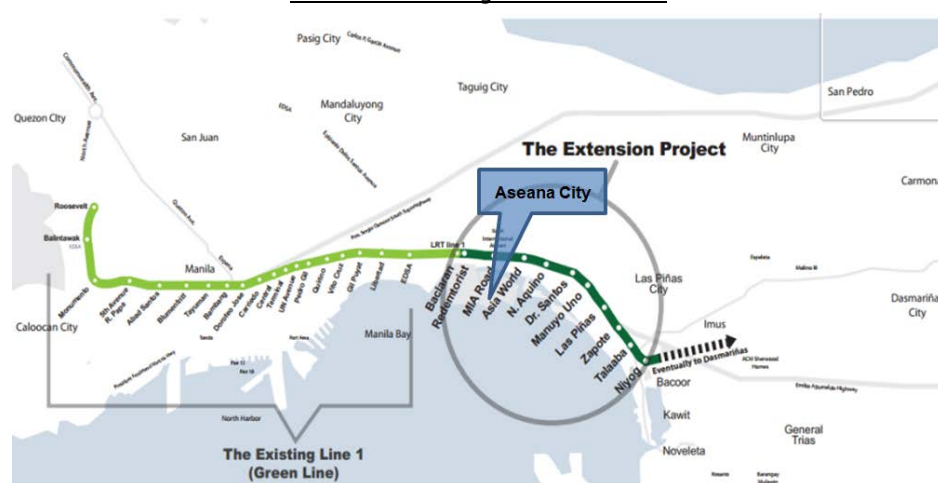
further vibrancy and drawing new tenants and residents into Aseana City.

Infrastructure and the Effect on Aseana City

The recently completed NAIA Expressway, which consists of a four-lane, 7.8 kilometer elevated expressway and 2.2 kilometer at-grade feeder road has improved access to and from Aseana City and links the Skyway and the Manila-Cavite Toll Expressway. The expressway connects NAIA Terminals 1, 2 and 3 directly to the Manila Bay Area through an exit at PAGCOR City, adjacent to Aseana City.

Several other ongoing and planned major infrastructure projects are also expected to have a significant impact on Aseana City. First, the planned LRT-1 extension will extend the existing LRT line and improve access from Cavite into Metro Manila, and will directly benefit Aseana City. The 11.7 kilometer extension to LRT Line 1 is to start at Baclaran Station and terminate at the Niyog Station in Bacoor, Cavite, thereby adding 10 new stations to Line 1 by 2021. As of September 2017, the LRT-1 extension was undergoing construction activities, right-of-way (ROW) acquisition and finalization of its alignment.

LRT-1 Extension Alignment and Stations



Source: PPP Center

As part of the Government's plan to alleviate traffic by restricting provincial buses from the metropolis, the Southwest Integrated Transport System (ITS) is being built in Central Business Park II, which is located between Aseana City and Asia World. Southwest ITS will be the terminal in Metro Manila for provincial buses coming from the south. It will connect passengers coming from Cavite to other transport systems such as the future LRT Line 1 South Extension, city bus, taxi, and other public utility vehicles that serve inner Metro Manila. The ₱3.0 billion project is expected to be completed by 2Q 2018. As of December 2017, construction was 51% complete.

The Cavite-Laguna Expressway (CALAX) will be a new toll road connecting the Manila-Cavite Expressway (CAVITEX) to the South Luzon Expressway (SLEX) and will pass through areas of Cavite and Laguna, allowing easier access to Metro Manila. Connecting two major toll roads, CALAX will start from the CAVITEX in Kawit, Cavite and will end at the SLEX-Mamplasan Interchange in Biñan, Laguna, running a total of 47 kilometers. CALAX will positively impact Aseana City by facilitating faster travel for a large portion of the nearby population. The first phase, which runs from the Mamplasan Interchange in Biñan Laguna to Laguna Boulevard, is expected to open to motorists by December 2018.

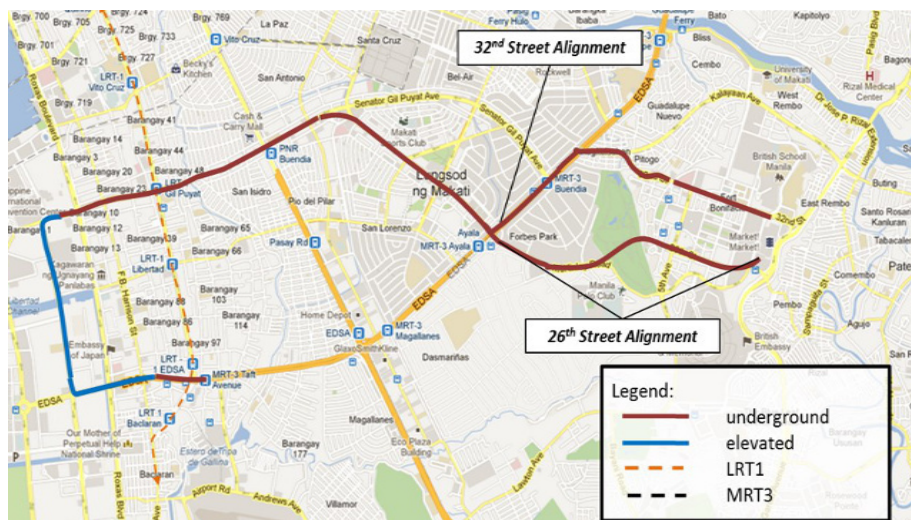
Cavite Laguna Expressway (CALAX) Alignment



Source: PPP Center

The Mass Transit System Loop subway project, a proposed 12-kilometer underground rail line that would connect the business districts of Makati, Fort Bonifacio and Bay City, is being planned by the Department of Transportation and Communications and has been initially approved by the National Economic Development Authority. If the project is successfully implemented, it may be the most expensive infrastructure project in the Philippines' history with an estimated cost of ₱374 billion. It is currently undergoing a detailed feasibility study to determine the viability of the project.

Mass Transit System Loop (MTSL) Possible Alignments



Source: PPP Center

Comparison of Aseana City with other major CBDs and emerging districts

Aseana City, located within the Manila Bay Area, has advantages as compared to other established CBDs such as Makati, Ortigas and Fort Bonifacio. Aseana City is slightly larger than Makati CBD, Ortigas Center or even the combined districts in Fort Bonifacio. Moreover, the established CBDs of Makati, Ortigas Center and Fort Bonifacio are significantly developed, leaving very little room for additional development unless significant redevelopment is undertaken. While built office stock and the number of completed residential condominiums in the established CBDs are greater than in the Manila Bay Area, the latter is still being developed and has flexibility in its untapped land. Furthermore, the Manila Bay Area epitomizes the “Next Generation” trend with SM Mall of Asia, Mall of Asia Arena, integrated resorts, such as City of Dreams, Solaire and Okada, Federal Land’s Blue Wave Mall and Blue Bay Walk, and the upcoming Ayala Curtis Mall. Homebuyers and renters are also attracted to the increasing array of residential condominium options, ranging from affordable to luxury units, as more developers enter the area.

	Makati CBD	Ortigas Center	Fort Bonifacio	Eastwood City	Alabang	Bay City/ Manila Bay Reclamation	North EDSA Quezon City Triangle
Total Land Area (approx., in hectares)	92	100	172	17	271	700	250
Total Office Space (sq.m. NUA)	2,890,318	1,455,478	1,708,801	300,264	509,080	368,932	340,533
Total Retail (sq.m. GLA)	555,141	580,977	493,256	25,000	499,969	618,899	568,304
Total Residential Condominiums (Units)	24,992	21,320	31,588	11,364	8,549	21,138	33,252
No. of Hotel Rooms within CBD	3,168	2,615	998	273	1,656	4,244	1,703
Public Transportation	Bus, Jeepney, UV Express Van, Light Rail	Bus, Jeepney, UV Express Van, Light Rail	Estate-operated Bus; Jeepney, UV Express Van (limited access); Subway (planned)	Jeepney, UV Express Van (outside of CBD only)	Jeepney, Bus, UV Express (limited access)	Jeepney, Bus, UV Express Van, Light rail (planned)	Bus, Jeepney, UV Express Van, Light Rail
Proximity to NAIA Terminal 1 (km)	8.8	14.3	10.5	17.9	16.3	4.1	21.3
Population within 5km radius (est. 2014)	1,986,506	1,862,241	1,826,569	1,210,361	746,932	1,014,300	1,792,330

Source: Various developers; Colliers International Philippines Research

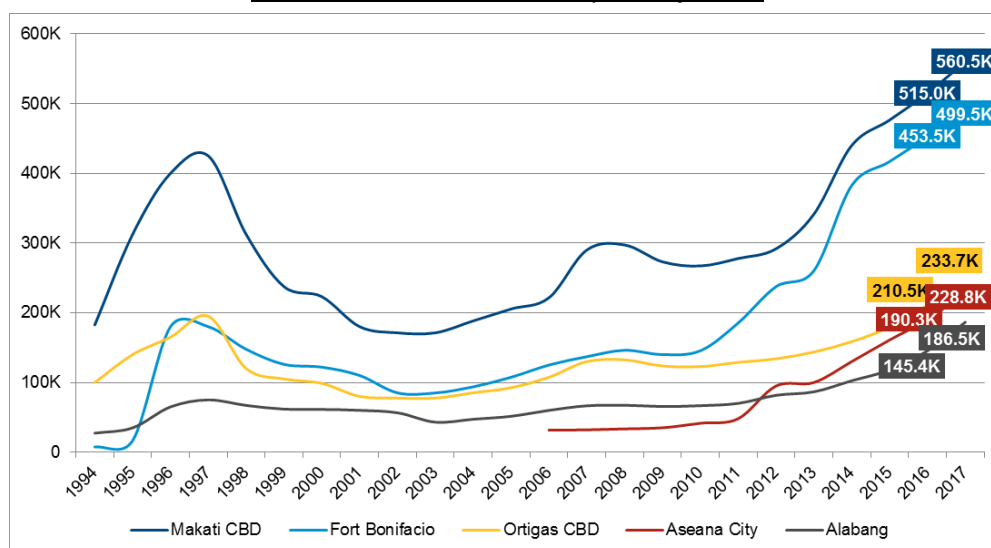
Notes: Makati CBD land area represents MACEA administered area. Fort Bonifacio includes Bonifacio Global City, Federal Land Veritown, Megaworld Uptown Bonifacio and McKinley Hill. Alabang includes Filinvest City and Madrigal Business Park. Manila Bay Reclamation includes Bay City developments such as CCP, PNB, Aseana City, Uniwide, and Asiadworld. North EDSA-Quezon City Triangle is based on the Quezon City Central Business District plans, which includes Ayala Land Vertis North & Trinoma, and Eton Centris. As of end-2017.

Although Fort Bonifacio is slowly eclipsing Makati due to its greater availability of land, better urban planning and design, and newer buildings with more interesting architecture, it is significantly restricted by its lack of public transportation and limited access roads. While there is an estate-operated bus system, the number of buses and frequency of trips are limited. As Fort Bonifacio was a former military base, it was originally designed to have limited access roads, which restricts the flow of people and traffic. Aseana City has the advantage of multiple entry points and the construction of new public transportation and road infrastructure. The NAIA Expressway puts Aseana City on par with Makati City in terms of accessibility for international travel. The planned LRT Line 1 extension and ITS with stations within Aseana City are also expected to improve access from Aseana City to other areas within Metro Manila.

Due to the depletion of land in Metro Manila and the rising demand to live and work near city centers, land values in the major CBDs have rapidly increased. The Makati CBD registered the lowest growth in land values in 2017 of 8.8% from ₱514,997 to ₱560,487 per sq.m. Ortigas Center and Fort Bonifacio’s land values

grew at rates of 10.1% and 11%, respectively. Meanwhile, Aseana City recorded the highest increase in land values at 20.2%, ending 2017 at ₱228,814. In 2018, it is forecasted that land values in Aseana City will surpass those in Ortigas Center as Aseana City is already being recognized as an emerging CBD in Metro Manila

Historical Land Values in Aseana City and Major CBDs



Source: Colliers International Philippines Research; Aseana City

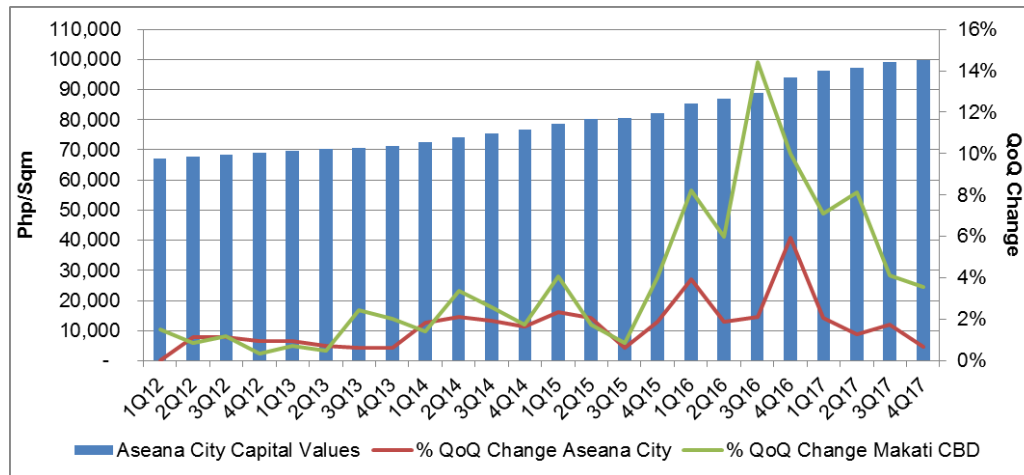
Note: Aseana City land values based on developer's transacted land sales

Some master-planned developments are developed entirely by one developer, leading to a controlled yet antiseptic or contrived environment. As D.M. Wenceslao & Associates, Incorporated ("DMWAI"), selectively sells individual land lots while retaining the majority of its land holdings, Aseana City can grow organically and become more diverse because the individual lot owners are free to pursue their own development plans so long as they are in line with the area's master design guidelines. Competing developers will not be constrained from coming into Aseana City, as they are free to buy or lease lots from DMWAI, unlike in some township developments where all lots remain controlled by one developer. This will provide a more interesting development mix akin to the likes of true CBDs such as the Makati CBD and Fort Bonifacio.

Furthermore, Aseana City distinguishes itself from the other CBDs due to the presence of Entertainment City, which features integrated resorts with expansive gaming, quality hotel accommodations and food and beverage offerings. Integrated resorts in the area are expected to add 3,000 hotel rooms by 2020, representing almost 70% of the new room supply in Metro Manila. Most importantly, the integrated resorts also host small- and large-scale meeting, incentive, convention and exhibition (MICE) events. As demonstrated by Las Vegas, MICE activities feed the gaming industry by bringing visitors to the integrated resorts, who also patronize other surrounding businesses. In that regard, it is conceivable that Aseana City and the rest of the Manila Bay Area may become the MICE capital of the Philippines, and these events will define the "Next Generation" landscape in Aseana City.

Office capital values have also been rising steadily in Aseana City, supported by low vacancy rates due to the lack of office supply in the area. Even as supply in the Manila Bay Area increases with the expected addition of around 200,000 sq.m. of stock by 2018, overall vacancy is forecasted to remain below 5%. The continuing demand, particularly from the offshore gambling industry, is anticipated to take-up the new supply of office space. Office capital value growth is still slower than in the Makati CBD, but office capital values are expected to increase by 4% to 5%, higher than Makati's 2% to 4%.

Aseana Office Capital Values and Price Growth Comparison as compared to Makati CBD



Source: Colliers International Philippines Research

Demand for housing in the Manila Bay Area continues to grow as residential developments have started appearing in the area. With the development of the Mall of Asia Complex, SM Investments Corp. through its residential development arm, SMDC, has introduced affordable residential condominiums such as Shell Residences and Shore Residences. Most of the buyers of these projects are end users and OFWs. In contrast, Metrobank's Federal Land has begun high-end condominium developments in its Met Park project. In Aseana City, Anchor Land pursues mid- to high-end developments in its Solemare Park Suites and Monarch Park Suites projects. These higher end projects attract both local and foreign investors. There has also been increased interest from investors within Asia, particularly Hong Kong and Singapore, due to the growing Philippine economy.

The presence of the integrated resort casinos also makes a compelling argument for high-end residential condominium development and investment in the area. Apart from the gaming component, these integrated resorts offer an enticing assortment of food and beverage offerings and shopping and entertainment options, rendering the area desirable for a luxury home buyer. The success of Megaworld Corporation's Newport City condominiums, which are located near Resorts World Manila, shows that these developments complement each other and can be a viable strategy for developers.

The emergence of office developments in and around Aseana City has caused demand for residential developments to increase. Construction of office developments is expected to continue in Aseana City, especially with the comparatively low price of land and proximity to large labor pools in the vicinity. These new offices will also drive demand for conveniently located housing as will nearby retail offerings, including SM Group's Mall of Asia, the S&R Membership retail outlet, the upcoming Ayala Curtis Mall, and the luxury retail stores in the various casino resorts. The presence of international schools will also be attractive to families looking at residential options in Metro Manila, and the numerous infrastructure projects that are being implemented will provide better accessibility to other established CBDs.

Further, Aseana City still has future developable sites for expansion, whether in the office, retail, residential or entertainment space. This could attract end users who do not want to be constrained by the limited available land area in established CBDs, such as Makati, Ortigas and Fort Bonifacio or who do not wish to redevelop areas in established CBDs in ways that are inconsistent with existing developments. Furthermore, land and property prices in Aseana City remain low compared to the more established CBDs.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain laws and regulations in the Philippines that are generally applicable or relevant to the real estate or construction industry. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Contractor's License Law

Republic Act No. 4566 ("R.A. No. 4566") or the Contractor's License Law was enacted in 1965 to regulate the business of construction in the Philippines through the Philippine Licensing Board for Contractors. R.A. No. 4566 was thereafter amended by Presidential Decree ("P.D.") No. 1746 on November 28, 1980, transferring the powers of the Philippine Licensing Board for Contractors to PCAB, which is the current government agency responsible for regulating and licensing contractors in the country.

A contractor is defined as any person who undertakes or offers to undertake or purports to have the capacity to undertake or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck or demolish any building, highway, road, railroad, excavation or other structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or other structures of works in connection therewith.

All contractors are required to secure either a regular or special license from PCAB.

- (a) A regular license is issued to a domestic construction firm (a Filipino sole proprietorship or a partnership/corporation with at least 60% Filipino equity) and is renewed annually, on or before June 30 of each year. PCAB has issued Resolution No. 333, Series of 2013 allowing foreign construction firms with more than 40% foreign equity to qualify for a regular AAAA license provided that such firms comply with the following requirements:

- ₱1.0 billion minimum capitalization;
- Compliance with SEC Registration and Equity Requirements;
- Engagement is limited to private domestic construction projects with contract cost of at least ₱1.0 billion;
- Procurement of civil liability insurance;
- Compliance with Philippine laws; and
- Provided there is compliance with the PCAB qualification standards for a Filipino Authorized Managing Officer, such firms may hire a Foreign Authorized Managing Officer.

A foreign contractor who is not able to meet the ₱1.0 billion capitalization may be granted a special license to engage in the construction of a specific project or undertaking with a project cost of at least ₱1.0 billion if there is limited local capability in technology as determined by the Philippine Domestic Construction Board.

Furthermore, on March 27, 2017, PCAB issued Resolution No. 079, Series of 2017 which categorizes a regular AAAA license into two types:

- AAAA Platinum – This may be granted to locally-owned contractors with at least ₱1.0 billion minimum capitalization; and
- AAAA Gold – This may be granted to foreign-owned domestic corporations with at least ₱1.0 billion minimum capitalization.

AAAA Gold contractors may undertake private projects under the following contract costs: (1) minimum contract cost of ₱5.0 billion for vertical projects; and (2) minimum contract cost of ₱3.0 billion for horizontal projects.

AAAA Platinum contractors may undertake government and private projects of any contract cost.

- (b) A special license is issued to a joint venture, a consortium, or a project owner who authorizes the licensee to engage only in the construction of a single, specific project or undertaking, and is cancelled by PCAB upon completion of the single specific undertaking or project authorized by the license.

A contractor may be classified as engaged in general engineering contracting, general building contracting or specialty contracting. The contractor's license shall indicate the limit and scope of the contractor's operations. The licensed contractor may operate under more than one classification, provided that it meets the qualifications prescribed by PCAB for the additional classification.

For the purpose of a more accurate evaluation of a contractor's capability, regular licensees are further classified as those engaged in (a) general engineering construction, (b) general building construction and (c) specialty construction and the classification of a contractor shall be determined by the training and experience of the contractor or of his sustaining technical employee. A contractor may apply for, and be issued, more than one classification, provided that one classification shall be designated by the applicant as its principal classification. The rest shall be considered as other classification(s). A licensed contractor shall operate within the classification(s) that it is authorized under its license to engage in. A regular license contractor shall, however, be allowed to undertake extra classification work, if the work is incidental and/or supplementary to a project under its contract and to be undertaken in conjunction with the implementation of such project.

In addition to classification, every contractor shall be graded and assigned a category as an adjunct to its licensing. Evaluation of category for a contractor shall be based on the following criteria quantified by equivalent credit points in scales as determined by PCAB:

- (a) its financial capacity measured in terms of net worth;
- (b) its equipment capacity in terms of book value;
- (c) its experience in terms of aggregate number of years in which it has actively engaged in construction contracting and operations, and the average annual value of work completed during the past three years; and
- (d) experience of its technical personnel.

General Engineering and General Building contractors shall be categorized based on a scale of seven grades, namely: AAAA (Platinum)/AAAA (Gold), AAA, AA, A, B, C, and D.

To qualify for a license, the applicant is required to show at least two years of experience in the construction industry and needs to have knowledge of national building, safety, health and lien laws and all other principles applicable to the contracting business that PCAB deems necessary.

PCAB is authorized to institute proper action in court and secure a writ of injunction without bond, restraining any person or firm not licensed, or whose license is under suspension or has expired or been revoked, from engaging or attempting to engage in the business of construction contracting. All duly constituted law enforcement officers of the national, provincial, city and municipal government or any political subdivision thereof must enforce provisions of relevant laws and report to PCAB any violation of the same.

Referral to Arbitration

Executive Order No. 1008 vests the Construction Industry Arbitration Commission ("CIAC") with original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. The jurisdiction of the CIAC may include, but is not limited, to violation of specifications for materials and workmanship, violation of the terms of agreement interpretation and/or application of contractual time and delays, maintenance and defects, payment, default of employer or contractor and changes in contract cost.

CIAC may acquire jurisdiction in two ways, either by providing an arbitration clause in the contract between the parties, or by agreement of the parties to submit the dispute to CIAC. Thus, the fact that the parties incorporated an arbitration clause in their contract is sufficient to vest the CIAC with jurisdiction over any

construction controversy, notwithstanding any reference made to another arbitral body. CIAC's jurisdiction over construction disputes is conferred by law, and thus, cannot be waived by mere agreement of the parties.

Liability of Engineers, Architects and Contractors

Under the Philippine Civil Code, the engineer or architect who drew up the plans and specifications for a building is liable for damages if, within 15 years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of construction defects or the use of materials of inferior quality, or due to any violation of the terms of the construction contract. If the engineer or architect supervises the construction, he shall be solidarily liable with the contractor. The acceptance of the building after completion does not imply waiver of any of the causes of action by reason of any of the aforementioned defects. The action arising therefrom must be brought within 10 years following the collapse of the building.

Nationality Restriction

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine citizens and Philippine corporations at least 60% of whose capital stock is owned by Philippine citizens. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Under R.A. No. 4566 and the relevant PCAB issuances, contractors are also subject to foreign ownership restrictions, which are discussed in detail in "Regulatory and Environmental Matters – Contractor's License Law" on page 183. Further, under the implementing rules and regulations of Executive Order No. 146 dated November 13, 2013, a corporation applying for land reclamation must submit proof that it is 60% owned by citizens of the Philippines.

Moreover, as provided in the Tenth Regular Foreign Investment Negative List promulgated on May 29, 2015 (in relation to Commonwealth Act No. 541, Letter of Instruction No. 630), contracts for the construction and repair of locally funded public works shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 75% owned by citizens of the Philippines, except (a) infrastructure or development projects covered in R.A. No. 7718 (which amended R.A. No. 6957 or the Build-Operate-Transfer (BOT) Law); and (b) projects that are foreign funded or assisted and required to undergo international competitive bidding (Section 2(a) of R.A. No. 7718)).

The Implementing Rules and Regulations of the Government Procurement Reform Act also provides that only Philippine corporations, the shareholding interests of which are at least 75% owned by citizens of the Philippines, shall be allowed to bid for infrastructure projects, subject to the relevant exceptions.

Land Reclamation

The Philippine Reclamation Authority, or PRA, is the agency responsible for recommending for approval by the National Economic Development Authority all possible reclamation projects.¹ Reclamation refers to the deliberate process of converting foreshore land, submerged areas or bodies of water into land by filling or other means using dredge fill and other suitable materials for specific purposes.

¹ By virtue of Executive Order No. 380-A issued on April 3, 2006, PEA was renamed the Philippine Reclamation Authority, or the PRA. The PRA continues to perform the powers and function of PEA pursuant to Presidential Decree No. 1084 (PEA Charter) as amended under Executive Order No. 525 and Executive Order No. 654.

Reclaimed lands are, upon reclamation, inalienable lands of the public domain. Mere reclamation of foreshore and submerged areas by the PRA does not convert these inalienable natural resources of the State into alienable or disposable lands of the public domain. Such lands must first be classified as, and converted into, alienable land of the public domain before they can be sold to Filipino citizens. Certain legal requirements (i.e. presidential proclamation and special patent) and procedures must be complied with to convert reclaimed lands into alienable lands of the public domain.

Reclaimed land that has already been classified as alienable land of the public domain and has been declared to be no longer needed for public service may be leased to Filipino citizens or to corporations with capital that is at least 60% owned by Filipino citizens. A private corporation (i.e. a corporation with capital that is at least 60% owned by Filipino citizens) may not hold but may only lease agricultural lands of the public domain for a term of 25 years and renewable for another 25 years, and not to exceed 1,000 hectares in area in accordance with Section 3, Article XII of the Philippine Constitution. Filipino citizens may lease not more than 500 hectares, or acquire not more than 12 hectares thereof by purchase, homestead or grant. Such land may also be transferred to an end user government entity (i.e. not an agency tasked to dispose of public lands).

In an application for land reclamation, the applicant should submit a feasibility study of the proposed reclamation project as well as an environmental impact statement or an environmental compliance certificate ("ECC"), among other documents. The application must also be supported by the following documents: (i) a project description; (ii) a preliminary geo-hazard assessment of the area; (iii) certification on the status of the area and the land classification of the adjacent land by the City Environment and Natural Resources Office ("CENRO"); (iv) panoramic view of the land and adjoining areas, including existing landmarks and identifying features; (v) *sanggunian* resolution authorizing the conduct of the reclamation in the case of a local government unit, or board of directors' resolution in the case of a government corporation; and (vi) clearances from concerned government agencies such as the PRA (if the applicant is not the PRA), the Philippine Ports Authority (in areas under its jurisdiction), the Department of Tourism (in areas declared as tourist zones), the Bureau of Fisheries and Aquatic Resources, the Department of Energy (for submarine pipelines and power cable connections), the concerned local government unit (if the area is within municipal waters and the project is not local government unit-initiated), the Department of Public Works and Highways, and others, as necessary.

The following are qualified applicants for a reclamation permit in foreshore and submerged areas, or for issuance of proclamation and special patents over existing reclaimed lands: (i) the PRA, created under Presidential Decree No. 1084, as amended; (ii) cities, provinces, and other local government units that are authorized under law to undertake reclamation projects; and (iii) other government entities or instrumentalities authorized by law to conduct reclamation activities. Any applicant falling under (ii) and (iii) must first secure clearance or favorable endorsement from the PRA before applying with DENR. For private corporations applying to conduct land reclamation, they must submit proof of 60% shareholding ownership by Filipino citizens.

Prior to approval of any reclamation project, the PRA is required to coordinate with, and secure from, DENR, a permit authorizing or clearing a particular area to be the site of the proposed reclamation project, otherwise known as the area permit or sale clearance. Moreover, prior to implementation of the duly approved reclamation project, an ECC has to be secured from DENR. No reclamation works can commence unless such certificate has been obtained. DENR is the entity that has exclusive jurisdiction to manage and dispose of all lands of the public domain, and is the sole agency responsible for classification, sub-classification, surveying and titling of lands.

Upon completion of the reclamation project, the PRA and DENR are required to undertake the survey of the completed reclaimed land in accordance with DENR rules and regulations. Thereafter, upon request and/or clearance from the PRA, DENR will endorse to the President of the Philippines, the issuance of proclamation declaring some portions of reclaimed land to be alienable or disposable and retaining some portions thereof for public use and public service.

PRA Administrative Order No. 2008-3, also known as the Rules and Procedures for the Processing of Applications for Titling of Completed Unauthorized or Illegal Reclamation through the PRA ("PRA A.O. 2008-3"), govern reclamation projects throughout the Philippines undertaken and completed by private parties and/or government agencies or entities, that are not authorized to reclaim under existing laws, without the required permit from the PRA and approval by the President of the Philippines, which were or are being undertaken prior to the effectiveness of PRA A.O. 2008-03.

Under PRA A.O. 2008-3, the reclaimed area will be forfeited in favor of the PRA, for and on behalf of the Government, by securing title thereto in the name of the Republic of the Philippines or the PRA, subject to reimbursement by the Republic of the Philippines or the PRA of the actual cost incurred in undertaking the reclamation. At the option of the PRA and subject to the legal qualification of the parties concerned, the reimbursement may be in the form of (a) reclaimed land, which will not exceed 50% of the total area of the reclaimed land; (b) proceeds of the sale of the reclaimed land; or (c) a lease of the reclaimed land over an equivalent time.

For this purpose, an entity may apply for an issuance of proclamation and special patents over existing reclaimed lands by following the procedures outlined below:

- (a) *Survey of Existing Reclaimed Lands.* The applicant must secure a survey authority from the relevant office of DENR. If the applicant is not the PRA, it must secure clearance or favorable endorsement from the PRA prior to its request for the survey authority.
- (b) *Payment of Filing Fee.* Upon filing of the application, the applicant must pay the corresponding fee.
- (c) *Filing of Application.* The application must be accompanied by the following documents: (i) an approved survey plan with technical description; (ii) a panoramic view of the reclaimed land; (iii) clearances from other concerned government agencies; (iv) certifications by CENRO regarding the status of the area and the land classification of the adjacent land; (v) a copy of Environmental Impact Statement/ Environmental Clearance Certificate/ Certificate of Non-Coverage, as the case may be; (vi) a local council resolution authorizing the conduct of the reclamation in case of a local government unit, or board of directors' resolution, in the case of a government corporation; and (vii) a narrative history of the reclamation.
- (d) *Processing of application.* A preliminary evaluation will be made, followed by an ocular inspection to ascertain the appropriate land use of the reclaimed area. The evaluating team will then prepare a report, and submit its recommendation, which shall include (i) the legal status of the area and (ii) the effect of the reclaimed land on the coastal environment and proposed mitigating measures.
- (e) *Issuance of Proclamation and Special Patent.* The Secretary of DENR will issue the special patent applied for, upon the approval and signature of the proclamation by the President of the Philippines.

Property Registration

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Title to registered lands cannot be lost through possession or prescription. Presidential Decree No. 1529, as amended, otherwise known as the Property Registration Decree, codified the laws relating to land registration to strengthen the Torrens system and streamline and simplify registration proceedings and the issuance of certificates of title.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Similarly, in an administrative proceeding, the land is granted to an applicant by DENR through issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents (i.e. homestead, sales and free patent) must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new transfer certificate of title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

Zoning and Land Use

Land use may be limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (“DAR”), land classified for agricultural purposes as of, or after, June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Laws on Housing and Land Projects

Presidential Decree No. 957, or the Subdivision and Condominium Buyers’ Protective Decree (“P.D. 957”), as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. P.D. 957 covers condominium and subdivision projects for residential, commercial, industrial and recreational areas as well as open spaces and other community and public areas in the project. The Housing and Land Use Regulatory Board (“HLURB”) is the administrative agency of the Government which, together with local government units, enforces the said law and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant local government unit of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer’s financial, technical and administrative capabilities. Alterations of approved condominium plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the HLURB and the city or municipal engineer

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements, which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, the locational clearance, permits issued by DENR, such as the ECC or Certificate of Non-Coverage, conversion order from the DAR, permit to drill from the National Water Resources Board, and any other permits and approvals. A development permit is valid for a period of three years from the date of issue, provided no physical development is introduced.

Developers that sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As an industry practice, however, developers conduct preliminary selling activities to test market viability of projects, such test being required by financial institutions prior to the approval of proposed development loans. In order to enable developers to conduct preliminary selling activities, HLURB, through Board Resolution No. 756, resolved to make building permits a post-requirement for the issuance of a certificate of registration and license to sell, and, to allow issuance of a temporary license to sell those projects without a building permit. In 2017, however, the HLURB through Board Resolution No. 948, revoked Board Resolution No. 756. Upon the appeal of private and public sectors for a transitory period within which developers could still be allowed to avail of the benefits of Board Resolution No. 756, the HLURB, through Board Resolution No. 957, granted developers of condominium projects a non-extendable period until December 31, 2017 within which to avail of the temporary license to sell. Thereafter, the regional offices of the HLURB are no longer allowed to accept applications and process applications for temporary licenses to sell.

Non-compliance with the foregoing conditions, as well as non-submission of the building permit within the period stipulated in the temporary license to sell, constitutes sufficient grounds for withdrawal of the temporary license to sell, the refusal of a regular license, the issuance of a cease and desist order, and the imposition of other administrative sanctions as are authorized under existing laws and regulations.

To ensure that the owner or developer of a proposed subdivision or condominium project shows firm commitment to proceed with a project, current HLURB regulations require minimum developments prior to the issuance of a license to sell: (a) for subdivision projects– proof of land clearing and grubbing, road tracing and entrance gate (if included in the brochure or advertisement), and (b) for condominium projects– excavation per

approved plan/excavation permit are required.

An owner or developer cannot mortgage any unit or lot without prior written approval of the HLURB. The approval shall not be granted unless it is shown that the proceeds of the mortgage loan will be used for the development of the condominium or subdivision project and effective measures have been provided to ensure such utilization. The loan value of each lot or unit covered by the mortgage shall be determined and the buyer thereof, if any, shall be notified before the release of the loan. The buyer may, at his option, pay his installment for the lot or unit directly to the mortgagee who shall apply the payments to the corresponding mortgage indebtedness secured by the particular lot or unit being paid for, with a view to enabling such buyer to obtain title over the lot or unit promptly after full payment.

Urban Development and Housing Act of 1992

Republic Act No. 7279, as amended recently by R.A. No. 10884, also known as the Urban Development and Housing Act of 1992, requires developers of proposed subdivision and condominium projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost, and at least 5% of the condominium area or associated project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by HLURB and other existing laws. Alternatively, the developer may opt to, among others, develop socialized housing in a new settlement or enter into joint venture arrangements with other developers engaged in socialized housing development.

Real Estate Sales on Installments

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots). Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

- (a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.
- (b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); provided that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Downpayments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Condominium Act

Republic Act No. 4726, or the Condominium Act ("RA 4726"), governs the creation of condominiums and its incidents. The owner of the condominium project shall register a master deed on the said condominium project with the Register of Deeds of the province or city where the property lies and duly annotate in the TCT of the land the following:

1. A description of the land on which the building or buildings and improvements are, or are to be, located;

2. A description of the building or buildings, stating the number of stories and basements as well as the number of units and their accessories, if any;
3. A description of the common areas and facilities;
4. A statement of the exact nature of the interest acquired or to be acquired by the purchaser in the separate units and in the common areas of the condominium project. Where title to or the appurtenant interests in the common areas is, or is to be, held by a condominium corporation, a statement to this effect shall be included;
5. A statement of the purposes for which the building or buildings and each of the units are intended or restricted as to use;
6. A certificate of the registered owner of the property, if he/she is other than those executing the master deed, as well as of all registered holders of any lien or encumbrance on the property, that they consent to the registration of the deed;
7. The following plans shall be appended to the deed as integral parts thereof:
 - a. A survey plan of the land included in the project, unless a survey plan of the same property had previously been filed in said office;
 - b. A diagrammatic floor plan of the building or buildings in the project, in sufficient detail to identify each unit, its relative location and approximate dimensions; and
8. Any reasonable restriction not contrary to law, morals or public policy regarding the right of any condominium owner to alienate or dispose of his condominium.

The master deed may be amended or revoked upon the registration of an instrument executed by the registered owner(s) of the property (i.e. condominiums in the project) and with the consent of all the registered holders of lien and/or encumbrance on the land, building or any portion thereof.

The owner of the condominium project shall register a declaration of restrictions, which is a prerequisite to any conveyance of the condominium by the owner of the condominium project. Said declaration shall constitute a lien upon each condominium unit and/or interest in the condominium project, and shall inure to and bind all condominium owners of the said project. Such liens, unless otherwise provided, may be enforced by any condominium owner in the project or by the management body of such project. The Registrar of Deeds shall annotate the declaration of restrictions upon the certificate of title covering the land included within the project.

The declaration of restrictions shall be a set of rules for the management of the condominium project by a management body (i.e. a condominium corporation, an association of the condominium owners, a board of governors elected by condominium owners, or a management agent elected by the owners or by the board named in the declaration). It shall also provide for voting majorities, quorums, notices, meeting dates, and other rules governing such body or bodies.

Further, any transfer or conveyance of any unit or an apartment, office or store or other space, shall include the transfer or conveyance of the undivided interests in the common areas, or, where relevant, the membership or shareholdings in the condominium corporation. A condominium corporation shall not, during its existence, sell, exchange, lease, or otherwise dispose of the common areas owned or held by it in the condominium project unless authorized by the affirmative vote of a simple majority of the registered owners with prior notification to all registered owners. Further, the condominium corporation may expand or integrate the project with another upon the affirmative vote of a simple majority of the registered owners, subject only to the final approval of HLURB.

Fire Code

Republic Act No. 9514, or the Fire Code of the Philippines ("R.A. 9514"), aims to ensure public safety and prevent and suppress all kinds of destructive fires. It provides that building owners or administrators must comply with the following:

1. Inspection requirements;
2. Safety measures for hazardous materials;
3. Safety measures for hazardous operation/processes;
4. Provision on fire safety construction, protective and warning system; and
5. Abatement of fire hazards.

In addition, R.A. 9514 provides for penalties for violation of its provisions.

Real Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. An additional special education fund tax of 1% of the assessed value of the property may also be levied annually by the local government unit. The basic real property tax and any other tax levied on real property constitute a lien on the property subject to tax, superior to all liens, charges or encumbrances in favor of any person, irrespective of the owner or possessor thereof, enforceable by administrative or judicial action, and may only be extinguished upon payment of the tax and the related interests and expenses. Should the reasonableness or correctness of the amount assessed be questioned, a protest in writing may be filed with the treasurer of the local government unit, but the taxpayer must first pay the tax, and the tax receipts shall be annotated with the words "paid under protest."

Certificate of Public Convenience

A Certificate of Public Convenience is an authorization granted by the Land Transportation Franchising Regulatory Board ("LTFRB") for the operation of land transportation services for public use.

All public service operators must obtain a Certificate of Public Convenience from the LTFRB. An applicant for a Certificate of Public Convenience shall be a Filipino citizen or a corporation with at least 60% of its capital owned by Filipinos. The LTFRB also requires proof of the following for the grant of Certificate of Public Convenience:

- (a) Financial capacity;
- (b) Route Measured Capacity (RMC) Certification from the Department of Transportation and Communications (*except for Truck-for-Hire, Shuttle Service and School Transport Service*); and
- (c) Sufficient insurance to protect the riding public.

Special Economic Zone Act

The State recognizes the indispensable role of the private sector, encourages the growth of private enterprise and providing incentives to needed investments.

The Philippine Economic Zone Authority ("PEZA"), is a government corporation that operates, administers and manages designated special Ecozones around the country. Ecozones, which are generally created by proclamation of the President of the Philippines subject to the evaluation and recommendation of PEZA, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. An Ecozone enterprise, on the other hand, includes, among others, export enterprises, domestic market enterprises, pioneer enterprises, facilities enterprises, and developers or operators.

An Ecozone developer or operator refers to a business entity or concern duly registered with or licensed by PEZA to develop, operate and maintain an Ecozone or any or all of the component industrial estates, export

processing zones, free trade zones or tourist or recreational centers and the required infrastructure facilities and utilities such as light and power systems, water supply and distribution systems, sewerage and drainage systems, pollution control devices, communication facilities, paved road networks, administration buildings and other facilities as may be required by PEZA. An Ecozone developer or operator may be an information technology park developer or operator, among other types of developers or operators.

LABOR LAWS

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights that are specifically guaranteed by the Philippine Constitution are as follows:

- (a) Right to organize;
- (b) Right to conduct collective bargaining or negotiation with management;
- (c) Right to engage in peaceful concerted activities, including strikes in accordance with law;
- (d) Right to enjoy security of tenure;
- (e) Right to work under humane conditions;
- (f) Right to receive a living wage; and
- (g) Right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

Presidential Decree No. 442, as amended, or the Labor Code of the Philippines (“Labor Code”) seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor.

The Department of Labor and Employment (“DOLE”) is the lead agency in the enforcement of labor laws.

The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Retirement Benefits

All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. An employee’s retirement benefits under a collective bargaining agreement and other agreements must not be less than those provided under the Labor Code. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service.

Social Security System or the Social Security Law

Republic Act No. 8282 created the Social Security System (the “SSS”), a security program that provides financial benefits to qualified members in cases of contingencies such as retirement, disability, death, sickness, maternity and other employment-related injury. All employees not over 60 years of age are automatically covered by the SSS. Under this law, an employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations. Every employer required to deduct and to remit the contributions shall be

liable for the payment of a penalty in addition to the contributions, if any of the contributions are not remitted to the SSS, and shall also be held criminally liable.

National Health Insurance Act

This act provides for the National Health Insurance Program of the Philippines, administered by the Philippine Health Insurance Corporation (“PhilHealth”), a government corporation under the Department of Health (“DOH”). It provides for universal and compulsory health insurance coverage and it ensures affordable, acceptable, available and accessible health care services for all Filipino citizens. The law provides that a member should have paid his contributions for at least three months within the six months prior to the first day of availment, including those of his dependents, to be entitled to the benefits of the program.

Home Development Mutual Fund

The Home Development Mutual Fund, otherwise known as Pag-IBIG Fund and currently governed by Republic Act No. 9679, is a savings system for employees and other earning groups, supported by matching mandatory contributions from the employer with housing as the primary investment. All employees covered by the SSS and the Government Service Insurance System are mandatorily covered by this law. The basis of the corresponding contributions of both the employer and the employee is the employee’s monthly compensation.

Workers’ Health and Safety

The Rules for Occupational Safety and Health Standards (“OSHS”) issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values (“TLV”) for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV also pertains to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees’ exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS, or must not exceed the eight-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided in the Labor Code. The Labor Code imposes a fine of not less than ₱1,000.00 and not more than ₱10,000.00, or imprisonment of not less than three months and not more than three years, or both such fine and imprisonment, at the discretion of the court. If the offense is committed by a corporation, the penalty will be imposed upon the guilty officers of such corporation.

Depending on the size of the workforce and the nature of the work place as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries with workers of 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay on the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic within 25 minutes of travel, and

ensure that it has facilities readily available for transporting its workers to the hospital or clinic in case of an emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must provide to DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with, and approved by, the employees.

ENVIRONMENTAL LAWS

Environmental Impact Statement System

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement. DENR, through its regional offices or through the Philippine Environmental Management Bureau (“EMB”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB. A project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences to human welfare as well as ecological and environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While an EIS or IEE may vary from project to project, as a minimum, it must contain all relevant information regarding the project’s environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

As it is standard in our industry, we incur minimal expenses for purposes of complying with relevant environmental laws that consist primarily of payments for Government regulatory fees. See a more detailed

discussion of our Company's environmental, safety and health laws and regulations compliance under the section entitled "Risk Factors" on page 32 of this Prospectus.

Discharge Permit

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

Philippine Clean Air Act

The Philippine Clean Air Act of 1999 (the "Clean Air Act") provides for specific emission standards for stationary sources of air pollution, for motor vehicles and other sources. It also sets specifications for fuel and fuel-related substances; bans incineration; provides for phasing-out of ozone-depleting substances; reduction and elimination of greenhouse gas emissions and persistent organic pollutants; and proper handling of radioactive emissions. To implement the foregoing, the Clean Air Act requires establishments with machinery or equipment that are sources of regulated air pollutants to obtain a permit to operate from the EMB. This permit is valid for one year, renewable at least 30 days prior to its expiration date. The permits issued by DENR shall state the limitations for regulated air pollutants to achieve and maintain air quality standards.

Philippine Clear Water Act

The Philippine Clean Water Act of 2004 applies to water quality management in all bodies of water.

DENR implements a wastewater charge system in all management areas. DENR requires owners or operators of facilities that discharge regulated effluents to secure a permit to discharge. This permit for the discharge of effluents shall state the quality and quantity of effluent that the facilities are allowed to discharge into a particular body of water, compliance schedule and monitoring requirement.

The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. In addition, they have the right to (a) enter any premises or have access to documents and relevant materials; (b) inspect any pollution or waste source, control device, monitoring equipment or method required; and (c) test any discharge. If there is fish kill, the Department of Agriculture may also enter the establishment reported to have caused the incident.

Toxic Substances and Hazardous and Nuclear Wastes Control Act

DENR, through its authority granted by Republic Act No. 6969, or the Toxic Substances and Hazardous and Nuclear Wastes Act, is mandated to regulate, restrict or prohibit the importation, manufacture, processing, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk and/or injury to health or the environment. Entities that generate or produce hazardous wastes must register as Hazardous Waste Generators with the EMB Regional Office having jurisdiction over the location of the waste generator and submit quarterly reports to DENR specifying the type and quantity of hazardous waste generated, produced or transported outside, and such other information as may be required.

DATA PRIVACY LAWS

Data Privacy Act

The Philippines government enacted legislation with the aim to protect the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the "Data Privacy Act of 2012," applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term data collectors refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while

the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

ANTITRUST LAWS

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act (the “PCA”) came into effect August 5, 2015 and is the primary competition law in the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial activities. This law created the Philippine Competition Commission (the “PCC”) which is tasked with the implementation of the PCA and regulating, among others things, the conduct of business entities in the market as well as mergers and acquisitions. The PCA prohibits and imposes sanctions on:

- (a) Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
- (b) Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and
- (c) Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

A dominant market position is presumed by law if an enterprise has at least 50% of the relevant geographic or product market.

Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the PCC before consummating the transaction if specified thresholds set out under the PCA and its implementing rules are met. An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Further, penalties for violation of the law consist of administrative fines which can be as high as ₱100 million for the first offense and ₱250 million for the second offense. The law also grants private parties who suffer damages as a result of a violation the right to file an action for damages against the violating parties. The law subjects violations of the provisions on price fixing and bid rigging between and among competitors to criminal liability in addition to the administrative and civil liabilities provided thereunder.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board undertakes the overall management and supervision of our Company by setting our goals, strategies and policies, and regularly monitoring their effectiveness and implementation. Our executive officers and management team support the Board by preparing appropriate information and documents concerning our business operations, financial condition and results of operations for its review.

The Board and Senior Management

The Board consists of seven members, two of whom are independent Directors. The independent Directors, Alberto E. Pascual and Alberto P. Fenix, Jr., were elected at special shareholders' meetings held on January 20, 2017 and February 23, 2018, respectively. The Directors shall serve for one year from date of election until their successors are elected and qualified.

The following table sets out certain information regarding the members of the Board and our senior management. All members of the Board and executive officers listed below are citizens of the Philippines.

Name	Age	Position
Delfin J. Wenceslao, Jr.	74	Director, President and Chairman of the Board
Delfin Angelo C. Wenceslao	38	Director and Chief Executive Officer
Carlos Delfin C. Wenceslao	46	Director and Vice President for Logistics
Edwin Michael C. Wenceslao	42	Director and Vice President for Treasury and Administration
Sylvia C. Wenceslao	72	Vice President for Corporate Social Responsibility
Alberto P. Fenix, Jr.	74	Independent Director
Alberto E. Pascual	64	Independent Director
Paolo Vincent C. Wenceslao	41	Director and Chief Operating Officer
Atty. Heherson M. Asiddao, CPA	38	Chief Finance Officer
Atty. Paul Mar M. Quinto	48	Chief Legal Officer and Corporate Secretary
Rachelle C. Paunlagui	32	Investor Relations Officer
Jorge Vincent G. Manalili	35	Compliance Officer

The business experience for the past five years of each of our Directors and executive officers is set out below.

Delfin J. Wenceslao, Jr., *Director, President and Chairman of the Board*

Mr. Delfin J. Wenceslao, Jr. is the President, Chairman of the Board and co-founder of our Company. He is also the President or Chairman of all of our Group companies. In addition, he is the former President of the Philippine Constructors Association, a board member of the International Federation of Asian and Western Pacific Contractors' Associations, and a member of the Chamber of Real Estate & Builders' Associations, Inc. Mr. Wenceslao, Jr. is a licensed real estate broker and holds a Bachelor of Science degree in Economics from the Ateneo De Manila University, a Master of Business Administration degree and a Doctorate of Business Administration from Pamantasan Lungsod ng Maynila.

Delfin Angelo C. Wenceslao, *Director and Chief Executive Officer*

Mr. Delfin Angelo C. Wenceslao is a Director and the Chief Executive Officer of our Company. He is the President of Aseana Holdings, Inc., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He is also the Managing Director of Aseana Real Estate and Management Corp. He serves as the Chief Executive Officer of ABPEA and Vice President of Property Management of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He also serves as an executive officer for almost all of our Group companies. Mr. Wenceslao is a licensed real estate broker and holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and a Master of Science degree in Real Estate Development from Massachusetts Institute of Technology.

Carlos Delfin C. Wenceslao, *Director and Vice President for Logistics*

Mr. Carlos Delfin C. Wenceslao is a Director of our Company. He is the President of Urban Agro Products, Inc., the Executive Vice President of SHLP-BBP Realty Inc., and the Corporate Secretary of ABPEA. He is a director and Vice President of Logistics of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He is a director of Aseana Holdings, Inc., WHI, and other affiliates of our Company. Mr. Wenceslao holds a Bachelor of Science degree in Elementary Education from the Centro Escolar University and passed the Licensure Exam for Teachers in 1999.

Edwin Michael C. Wenceslao, *Director and Treasurer*

Mr. Edwin Michael C. Wenceslao is a Director and the Treasurer of our Company. He is the President of Aquadisk Corporation and Managing Director of S Foods Corp., D. Foods Corp., P. Foods Inc., Alphainvest Corporation and Grandwen-B Gas Corp. He is the Chief Financial Officer of ABPEA. He also serves as a director and Treasurer of Aseana Holdings, Inc., Fabricom, Inc., BAH and other affiliates of our Company. He is a director and Treasurer of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He likewise serves as a director of Portal Holdings, Inc., WHI and other affiliates of our Company. Mr. Wenceslao holds a Bachelor of Arts degree in Humanities with specialization in Entrepreneurial Management from the University of Asia and the Pacific and a Master of Business Administration degree from the Ateneo Graduate School of Business. Mr. Wenceslao also received financial training at Jupiter Asset Management in London, England.

Sylvia C. Wenceslao, *Vice President for Corporate Social Responsibility*

Ms. Sylvia C. Wenceslao is the Vice President for Corporate Social Responsibility of our Company. She is the President of S Foods, Inc. and D Foods, Inc., the Vice Chairman of Wendel Construction Company Inc., a director and Vice President of Fabricom, Inc., the Treasurer of Philippine Ecopanel Inc., Wendel Holdings Company Inc. and Wendel Osaka Realty Corporation, and a director of Aseana Holdings, Inc. She also holds executive positions in almost all of our Group companies. Ms. Wenceslao holds a Doctor of Medicine from the University of Santo Tomas.

Alberto P. Fenix, Jr., *Independent Director*

Dr. Alberto P. Fenix, Jr. is an independent Director of our Company. He has over 40 years of experience in various industries such as manufacturing, mining, commercial and investment banking, and real estate. He is a director of SPC Power Corporation and was also a director of Victorias Milling Company, Inc. He is also the Chairman and President of Fenix Management and Capital, Inc. and Alpina Realty, Inc., as well as President of Ivoclar Vivadent, Inc. Dr. Fenix holds a master's and doctorate degrees in Industrial Management from Massachusetts Institute of Technology's Sloan School of Management and a bachelor's degree in Mathematics from the Ateneo de Manila University.

Alberto E. Pascual, *Independent Director*

Mr. Alberto E. Pascual is an independent Director of our Company. He was a Senior Vice President and Corporate Banking Division Head at the Bank of the Philippine Islands and also a Senior Vice President and Retail Mortgage Division Head at BPI Family Savings Bank. In addition, he held various key positions in the following companies and committees: a member of Unibank Credit Committee, Chairman of Division I Sub-Credit Committee, Vice Chairman of Unibank ROPOA Sub-Credit Committee, President of Santiago Land Development Corporation, a director of BPI Leasing Corporation, a director of BPI Rental Corporation, a member of both BPI Leasing Corporation and BPI Rental Corporation's respective risk management, audit and asset liability committees, and a member of the credit committee of BPI Family Savings Bank. Mr. Pascual graduated with a Bachelor of Science degree in Business Administration, major in Financial Management, from the University of the Philippines, Diliman, and also holds a Master of Business Administration degree from the Ateneo Graduate School of Business.

Atty. Heherson M. Asiddao, CPA, *Chief Finance Officer*

Atty. Heherson M. Asiddao is the Chief Finance Officer of our Company. He had extensive experience as an auditor with Punongbayan & Araullo in the Philippines prior to joining us. Atty. Asiddao is a member of the Philippine Institute of Certified Public Accountants and the Integrated Bar of the Philippines. He holds a Bachelor of Science degree in Accountancy and a Bachelor of Laws degree from San Beda College.

Paolo Vincent C. Wenceslao, *Director and Chief Operating Officer*

Mr. Paolo Vincent C. Wenceslao is a Director and the Chief Operating Officer of our Company. He is the President of Wendel Ground Improvement, Inc., and Vice President of Operations of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Portal Holdings Inc. and ABCC. He is also the Chief Operating Officer of ABPEA and serves as a director of a majority of our Group companies. Mr. Wenceslao is a licensed civil engineer and real estate broker. He holds a Bachelor of Science degree in Civil Engineering from De La Salle University.

Atty. Paul Mar M. Quinto, *Chief Legal Officer and Corporate Secretary*

Atty. Paul Mar M. Quinto is the Chief Legal Officer and Corporate Secretary of our Company. He is our in-house Legal Counsel for all of our Group companies and also possesses legal private practice and other in-house working experience prior to joining us. Atty. Quinto graduated with a Bachelor of Laws degree from the College of Law of the University of the Philippines and is a member of the Integrated Bar of the Philippines.

Rachelle C. Paunlagui, *Investor Relations Officer*

Ms. Rachelle C. Paunlagui is the Investor Relations Officer of our Company. Prior to joining our Company, she served as the head of investor relations for a global manufacturing solutions company and for a holding company engaged in mineral resources. She began her career at Thomson Reuters where she worked with various public companies in the real estate, financials, and technology sectors globally. She holds a Bachelor of Science degree in Commerce and a Master of Business Administration from De La Salle University.

Atty. Jorge Vincent G. Manalili, *Compliance Officer*

Atty. Jorge Vincent G. Manalili is the Compliance Officer of our Company. He has extensive experience in negotiating and handling administrative investigations and hearings. Atty. Manalili is a member of the Integrated Bar of the Philippines. He holds a Bachelor of Laws degree from Arellano University School of Law and a Bachelor of Arts in International Studies Major in Philippine Government and External Relations from San Beda College Alabang.

Significant Employees

We consider the collective efforts of our employees as vital to our success. We do not solely rely on key individuals for the conduct of our business. Therefore, the resignation or loss of any non-executive employee will not have any significant, adverse effect on our business. No special arrangement with non-executive employees to assure their continued stay with us exists, other than standard employment contracts.

Family Relationships

Mr. Delfin J. Wenceslao, Jr. and Ms. Sylvia C. Wenceslao are spouses and the parents of Messrs. Carlos Delfin, Edwin Michael, Paolo Vincent and Delfin Angelo, all surnamed Wenceslao. Ma. Victoria W. San Luis is the sister of Mr. Delfin J. Wenceslao, Jr. Further, Wendel Holdings Co., Inc. is majority owned by Mr. Delfin J. Wenceslao, Jr.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, executive officers and shareholders.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of our knowledge and belief and after due inquiry, none of the Directors, nominees for election as director, or executive officers of our Group have in the five year period prior to the date of this Prospectus (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or

comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Corporate Governance

We adopted the Manual to ensure our compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by the Board on May 20, 2015 and made effective from August 1, 2015.

The Manual features the following provisions:

- *Protection of investors.* The Manual provides for shareholders' rights and protection, investor relations, dividend policy and a disclosure system to ensure transparency and accountability.
- *Board of directors and management.* The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- *Checks and balances.* The Manual contains the vision, strategic objectives, key policies, procedures for the management of our Company, and mechanisms for monitoring and evaluating management's performance.
- *Compliance with the Manual.* The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- *Creation of committees.* The Manual mandates the creation of the Executive Committee, the Audit and Risk Committee, and the Compensation and Remuneration Committee to ensure the performance of certain important functions of the Board and management.

A copy of the Manual containing the foregoing provisions was submitted to the Philippine SEC together with the registration statement filed with respect to the Offer Shares.

Committees of the Board

Pursuant to our Manual, the Board has created each of the following committees. Each member of the respective committees named below will immediately assume office upon approval by the Philippine SEC of our application to register the Offer Shares and will serve until a successor shall have been elected and appointed.

Executive Committee

Our Executive Committee shall, according to the authority granted by the Board or during the absence of the Board, act on specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee under our Company's By-Laws, except with respect to: 1) the approval of any action for which shareholders' approval is also required; 2) the filling of vacancies on the Board or the Executive Committee; 3) the amendment or repeal of By-Laws or the adoption of new By-laws; 4) the amendment or repeal of any resolution of the Board of Directors that cannot be amended or repealed based on the terms of the resolution; 5) the distribution of cash dividends; and 6) the exercise of powers delegated by the Board exclusively to other committees, if any. Members of our Executive Committee comprise Mr. Delfin J. Wenceslao, Jr. as the Chairman, Mr. Delfin Angelo C. Wenceslao and Mr. Paolo Vincent C. Wenceslao.

Audit and Risk Committee

Our audit and risk committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The audit and risk committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The audit and risk committee shall have functions and powers prescribed by the Board and in accordance with applicable laws and regulations, including, among others, assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with laws, rules and

regulations, oversight over the external auditors, the nature, scope and expenses of the audit, and evaluation and determination of any non-audit work and review of the non-audit fees paid to the external auditors.

The audit and risk committee shall also be responsible for promulgating a charter which shall set out its purposes, membership, structure, operations, reporting process, resources and other relevant information in accordance with Philippine SEC Memorandum Circular No. 4 (2012). The charter shall be submitted to the Board for approval in accordance with our Manual and implemented upon the listing of the Offer Shares. The audit and risk committee must comprise of at least three members, including at least one independent Director. The chairman of the audit and risk committee must be an independent Director. The audit and risk committee reports to the Board.

The appointments of the members of the audit and risk committee will take effect immediately upon the issuance by the Philippine SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our audit and risk committee comprise Mr. Alberto E. Pascual as the Chairman, Mr. Delfin J. Wenceslao, Jr. and Mr. Delfin Angelo C. Wenceslao.

Compensation and Remuneration Committee

Our compensation and remuneration committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and our key executives to enable them to run our Group successfully. The compensation and remuneration committee must comprise at least three members, including one independent Director. The compensation and remuneration committee reports directly to the Board.

The appointments of the members of the compensation and remuneration committee will take effect immediately upon the issuance by the Philippine SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our compensation and remuneration committee comprise Mr. Paolo Vincent C. Wenceslao as the Chairman, Mr. Alberto E. Pascual and Mr. Edwin Michael C. Wenceslao.

Nomination and Election Committee

Our nomination and election committee is responsible for providing our shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination and election committee must comprise at least three members, including one independent Director. The nomination and election committee reports directly to the Board. The nomination and election procedures of independent Directors are in accordance with SRC Rule 38 and related regulations.

The appointments of the members of the nomination and election committee will take effect immediately upon the issuance by the Philippine SEC of the Permit to Sell the Offer Shares of our Company, without any further action required. Members of our nomination and election committee comprise Mr. Delfin J. Wenceslao, Jr. as the Chairman, Mr. Alberto P. Fenix, Jr. and Mr. Carlos Delfin C. Wenceslao.

Executive Compensation Table

Compensation

The following table sets out our Chief Executive Officer (“CEO”) and the four most highly compensated executive officers for the year ended December 31, 2017:

Name	Position
Delfin Angelo C. Wenceslao	Director and Chief Executive Officer
Paolo Vincent C. Wenceslao	Director and Chief Operating Officer
Edwin Michael C. Wenceslao	Director and Treasurer
Carlos Delfin C. Wenceslao	Director and Vice President for Logistics
Atty. Heherson M. Asiddao, CPA	Chief Finance Officer

The following table identifies and summarizes the aggregate compensation of our CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2015, 2016 and 2017:

	Year	Total (₱ million)
CEO and the four most highly compensated executive officers named above	2015	21.3
	2016	24.0
	2017	24.0
	2018 (estimated)	26.4
Aggregate compensation paid to all other officers and Directors as a group unnamed.....	2015	40.5
	2016	44.6
	2017	44.6
	2018 (estimated)	49.1

Standard Arrangements

Other than payment of reasonable per diem of ₱50,000 for every Board meeting, there are no standard arrangements pursuant to which our Directors are compensated directly or indirectly, for any services provided as a director.

Other Arrangements

There are no arrangements pursuant to which any of our Directors is compensated, directly or indirectly, for any service provided as a director.

Warrants and Options Outstanding

As of the date of this Prospectus, there are no outstanding warrants or options held by our CEO, the named executive officers, and all other officers and Directors as a group.

PRINCIPAL AND SELLING SHAREHOLDERS

Shareholders

As of the date of this Prospectus, the Wenceslao Family owns and controls almost 100% of our Company with 21% by direct ownership and 79% by beneficial ownership. The following table sets out our shareholders, their respective number of Shares and their corresponding percentage ownership in our Company.

Shareholders as of the date of this Prospectus

Name of Shareholder	Number of Shares Held	% of Shareholding
Wendel Holdings Co., Inc. ⁽¹⁾	2,136,554,780	78.65%
Delfin J. Wenceslao, Jr.....	578,808,847	21.31%
Estate of Delfin M. Wenceslao, Sr.	676,526	0.02%
Ma. Victoria W. San Luis.....	622,245	0.02%
Sylvia C. Wenceslao	15,825	0.00%
Leticia B. Mazon.....	4,746	0.00%
Efren C. Carag.....	1,583	0.00%
Carlos Delfin C. Wenceslao	1,583	0.00%
Edwin Michael C. Wenceslao	1,583	0.00%
Paolo Vincent C. Wenceslao	1,583	0.00%
Delfin Angelo C. Wenceslao.....	1,583	0.00%
Serafin U. Salvador, Jr.	158	0.00%
Alberto E. Pascual	158	0.00%
Alberto Victor P. Fenix, Jr.	100	0.00%
Total	2,716,691,300	100%

Note:

- (1) *WHI is beneficially owned by: Delfin J. Wenceslao, Jr. – 99.6%; Sylvia J. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and Delfin Angelo C. Wenceslao – each 0.1%; and Efren Carag – 0.0%.*

Intergroup Agreement with our Majority Shareholder, WHI

To better manage our relationship with our majority shareholder, WHI, and eliminate any potential competition with us, we have entered into an intergroup agreement (the “Intergroup Agreement”) dated November 9, 2015 with WHI in connection with the following:

(A) Non-Compete Undertaking

WHI irrevocably undertakes and covenants with our Company not to, and will procure its associates, affiliates and other entities controlled by WHI not to be involved, directly or indirectly, in any property development within Aseana City in any form or manner, other than in joint development arrangements with us, as our Company may deem proper. For the avoidance of doubt, “property development” includes but is not limited to acquiring, holding, developing, leasing, transferring, disposing of or otherwise dealing in, whether directly or indirectly, residences, retail and commercial properties, mixed use properties and hotel developments.

This undertaking and covenant shall be valid for 40 years from the date of the Intergroup Agreement and may be exercised by our Company only, provided that WHI, Delfin J. Wenceslao, Jr., Sylvia C.

Wenceslao, Delfin Angelo C. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and their successors or assignees hold, directly or indirectly, in aggregate a 51% shareholding interest in our Company.

(B) Right of First Refusal

Our Company shall have a right of first refusal to:

- (i) lease, develop and purchase any or all properties in Aseana City owned by WHI, and
- (ii) purchase shares owned by WHI in any or all joint venture companies with assets situated in Aseana City, including but not limited to Bay Area Holdings, Inc., or BAH, and Alphaland Bay City Corporation, or ABCC.

The abovementioned rights of first refusal shall be valid for 40 years from the date of the Intergroup Agreement and may be exercised by our Company only, provided that WHI, Delfin J. Wenceslao, Jr., Sylvia C. Wenceslao, Delfin Angelo C. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and their successors or assignees hold, directly or indirectly, in aggregate a 51% shareholding interest in our Company.

(C) Assignment by WHI

WHI shall covenant to assign to us, at our request, all of its voting rights in respect of any or all joint venture companies with assets situated in Aseana City. This option to have WHI assign its voting rights shall be exercisable by our Company at any time during the 40 year-term of the Intergroup Agreement, provided that WHI, Delfin J. Wenceslao, Jr., Sylvia C. Wenceslao, Delfin Angelo C. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and their successors or assignees hold, directly or indirectly, in aggregate a 51% shareholding interest in our Company.

Selling Shareholder

The table below sets forth, for the Selling Shareholder, the number of Shares held by it before the Offer, the number of Shares to be sold by it in the Offer and the number of Shares to be owned by it immediately after the Offer.

Selling Shareholder	Common Shares held before the Offer	% of Common Shares outstanding before the Offer	Common Shares to be sold pursuant to the Over-allotment Option	No exercise of Over-allotment Option		Full exercise of Over-allotment Option	
				Common Shares held after the Offer	%	Common Shares held after the Offer	%
WHI.....	2,136,554,780	78.65	101,876,000	2,136,554,780	62.9	2,034,678,780	59.9

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares.

The following shareholders are covered by the aforesaid 180-day PSE lock-up requirement:

Name of Shareholders	Number of Common Shares Held before the Offer	% Total of Shareholding before the Offer	% Total of Shareholding after the Firm Offer	% Total of Shareholding Assuming Full Exercise of the Over-allotment Option	Shares subject to 180-day lock-up assuming no exercise of Over-allotment Option	Shares subject to 180-day lock-up assuming full exercise of Over-allotment Option
WHI	2,136,554,780	78.65	62.9	59.9	2,136,554,780	2,034,678,780
Delfin J. Wenceslao, Jr.	578,808,847	21.31	17.0	17.0	578,808,847	578,808,847

In addition, if there is any issuance of shares or securities such as private placements, assets for shares swap or a similar transaction or instruments which would lead to the issuance of shares or securities such as convertible bonds, warrants or similar instrument that are completed within 180 days prior to the start of the offer period, and the relevant transaction price is lower than the offer price in the initial public offering, then all such shares or securities shall be subject to a lock-up period of at least 365 days from full payment of such shares or securities.

The following shareholder is covered by the aforesaid 365-day lock-up requirement:

Name of Shareholders	Number of Common Shares Held before the Offer	% Total of Shareholding before the Offer	Lock-Up Period
Alberto P. Fenix, Jr.	100	0.0	365 days from the full payment of his shares

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository (“PCD”) participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

In addition to the foregoing lock-ups, our Company and the Selling Shareholder have agreed with the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters that, except in connection with the Offer and the Over-allotment Option, none of our Company, its affiliates, nor any person acting on their behalf, will, without the prior written consent of the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares owned as of the Listing Date or securities owned as of the Listing Date convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the First Closing Date.

Security ownership of certain record and beneficial owners holding more than 5% of our Company’s voting securities as of the date of this Prospectus

Title of Class	Name and address of record owners and relationship with our Company	Name of beneficial owner and relationship with record owner	Citizenship	No. of Shares held	% of total outstanding Shares
Common.....	WHI 306 E. Rodriguez Sr. Blvd., Quezon City	See Note 1 below	Filipino	2,136,554,780	78.65
Common.....	Delfin J. Wenceslao, Jr. Cruzada St., Urdaneta Village, Makati City	Record owner is also beneficial owner	Filipino	578,808,847	21.31

Note:

(1) *WHI is beneficially owned by Delfin J. Wenceslao, Jr. – 99.6%; Sylvia J. Wenceslao, Carlos Delfin C. Wenceslao, Edwin Michael C. Wenceslao, Paolo Vincent C. Wenceslao and Delfin Angelo C. Wenceslao – each 0.1%; and Efren Carag – 0.0%.*

Security Ownership of Management as of the date of this Prospectus

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	% of total outstanding Shares
Common.....	Delfin J. Wenceslao, Jr.	578,808,847 Shares	Filipino	21.31%
Common.....	Sylvia C. Wenceslao	15,825 Shares	Filipino	-
Common.....	Carlos Delfin C. Wenceslao	1,583 Shares	Filipino	-
Common.....	Edwin Michael C. Wenceslao	1,583 Shares	Filipino	-
Common.....	Paolo Vincent C. Wenceslao	1,583 Shares	Filipino	-

Common.....	Delfin Angelo C. Wenceslao	1,583 Shares	Filipino	-
Common.....	Alberto E. Pascual	158 Shares	Filipino	-
Common.....	Alberto Victor P. Fenix, Jr.	100 Shares	Filipino	-

Except as disclosed above, none of our other executive officers own shares directly or indirectly in our Company. Ownership in our Company is limited to that indicated in the foregoing.

Voting Trust Holders of 5% or more

We have no knowledge of any person holding more than 5% of shares under a voting trust or similar agreement.

Recent Issuances of Securities Constituting Exempt Transactions by our Company

Not applicable.

Change in Control

As of the date of this Prospectus, we do not know of any arrangements that may result in a change in control of our Company.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we engage in a variety of transactions with related parties.

Our related parties include our majority shareholder, WHI, our associates, joint ventures, related parties under common ownership and management, shareholders and key management personnel. As provided in our Manual, our policy with respect to related party transactions is to ensure that these transactions are entered into on terms, which are not more favorable to the related party than those generally available to third parties dealing on an arm's length basis, and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving body, as determined by the Board, to ensure that our resources are not misappropriated or misapplied. In the event of a related party transaction involving a Director, the relevant Director is required to make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

The table below sets out the principal ongoing transactions with our related parties as of December 31, 2017:

Related Parties	Nature of Transaction
WHI.....	We have and may continue to acquire land in Aseana City from our majority shareholder, WHI. As of December 31, 2017, we had outstanding purchase payments to WHI amounting to ₱4,644.2 million, which are represented as trade and other payables in our consolidated financial statements. We have executed an assumption of liability agreement with WHI in relation to our funding of start-up and operational costs of a certain related party under common ownership and management amounting to ₱374.6 million.
European Resources and Technology, Inc.....	We made unsecured noninterest-bearing cash advances in prior years to these related parties in connection with the funding of start-up and operational costs and working capital of these entities. These entities were strategically established to complement the overall development of Aseana City and our businesses: • Our associate, European Resources and Technology, Inc. provides proper waste management to local and government units. • Our joint venture, Bay Resources and Development Corporation was established to acquire, develop and market real estate properties. • All of the remaining four related parties under common ownership and management provide construction materials such as wall panels and cement. As of December 31, 2017, total advances to these related parties amounted in the aggregate to ₱199.3 million.
Bay Resources and Development Corporation	
Wendel Vega Marine Carrier	
Wendel Ground Improvement, Inc.	
10 South Concrete Mix Specialist	
Urban Argo Products Inc.	
ABPEA.....	As a member of ABPEA and Aseana Power Station Association, Inc., we incur association dues. As of December 31, 2017, association dues payable to these entities amounted to ₱21.2 million.
Aseana Power Station Association, Inc.	

Related Parties	Nature of Transaction
Key Management Personnel	We paid short-term benefits, including salaries and allowances, bonuses and other employment benefits to certain key management personnel, which amounted to ₱54.3 million for the year ended December 31, 2017.

For more information, see Note 25 of our consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 attached to this Prospectus.

DESCRIPTION OF THE SHARES

The following general information relating to our Company's capital stock does not purport to be a complete listing of all the features, rights, obligations, or privileges of the Offer Shares, and is qualified by reference to the applicable provisions of our Company's amended articles of incorporation and amended by-laws. Some rights, obligations, or privileges may be further restricted by other documents.

The Shares to be offered shall be 679,172,800 common shares of our Company, with a par value of ₱1.00 per Share, to be issued and offered by our Company by way of a Firm Offer. A total of 3,395,864,100 Shares shall be outstanding after the Offer.

SHARE CAPITAL INFORMATION

As of the date of this Prospectus, our Company has an authorized capital stock of ₱4,000,000,000 consisting of 4,000,000,000 common shares with a par value of ₱1.00 per Share. As of the date of this Prospectus, a total of 2,716,691,300 common shares are issued and outstanding. Prior to the Offer, our Shares are not publicly traded on any market.

OBJECTS AND PURPOSES

Primary Purpose

Our Company's primary purpose is to engage in and carry on the trade and business of general builders and contractors; and as incident thereto:

- To act as specialty construction contractors, construction supervisors, and construction managers of residential, commercial and industrial buildings, industrial plants, manufacturing plants, power plants, and other structure, roads, bridges, waterworks, drainage, port works, irrigation system, excavation of all kinds, airports, grading, landscaping, river controls, hydroelectric developments, sanitary construction, electrical works, metal fabrications and erections, mines, shafts, railroads, railway structures, and generally, in all classes of construction, erections and works both public and private, including the repairs, extensions, completions, renovations, demolitions or removal of any building, structure, plant or works;
- To bid, acquire by bids, enter into negotiations, extend, receive, sub-contract, make, execute and take or receive any contract or assignment of contract therefore or relating thereto or connected therewith private persons, firms, corporations, associations, both domestic and foreign or with the Government of any of its instrumentalities, agencies or offices of the United States government or other foreign governments; and
- To enter into agreement with, join with, cooperate with and undertake construction works jointly with any person, partnership, corporation, association, entity or government authority, whether municipal or national, domestic or foreign.

Secondary Purposes

Our Company is also authorized to undertake the following activities as part of our secondary purposes:

- To engage in agricultural and agro-industrial development as promoters, financiers, managers, administrators, developers, and producers and general merchants, alone or jointly with others, of agricultural or agro-industrial products;
- To purchase, acquire, own, bid, operate, develop, lease, sub-lease, mortgage, pledge, exchange, sell, transfer, take, option to buy, sell, or lease, otherwise invest, trade or deal in any manner permitted by law, real and personal property of every kind and description or any interest therein; in general, to engage in the realty business;

- To undertake the promotion, management or funding of the business, industry, or enterprise of any persons, partnership, corporation, association, or any other judicial entity in so far as may be permitted under the laws of the Philippines, and to enter into any lawful agreement or agreements relative thereto;
- To engage for its own account or as agent or through agents in any and every kind of manufacturing, trading or other similar or allied businesses as may be directly or indirectly incidental or conducive to the carrying on of any or all of the abovementioned purposes; to act as commercial brokers, agent or factor of any persons, partnership, corporation or association, engaged in any kind of business, industry or enterprise;
- To purchase, acquire and take over all or any part of the securities, rights, properties or assets of all kinds and character and to undertake, or assume the whole or any part of the obligation, association, entity or governmental authority, whether municipal or national, domestic or foreign and conduct the whole or any part of the business so acquired (sic);
- To enter into, make, perform and carry out contracts of every kind and nature which may be necessary or convenient for the business of the corporation;
- In general, to do all and everything necessary, suitable, proper, advisable or convenient for the accomplishment of any of the purposes, either alone or in connection with another individual, firm or corporation acting as principal or agent and to do all and everything incident to the aforementioned purposes; and
- To engage in mining and related business, including the development and tapping of quarries of whatever kind nature and contents, including but not limited to chromites, granite copper, and other mineral ore; metallic or non-metallic.

Under Philippine law, a corporation may invest its funds in any other corporation or business for any purpose other than its primary purpose when approved by a majority of the board of directors and ratified by the shareholders representing at least two-thirds of the outstanding capital stock. Shareholders' approval is not required for investments that are reasonably necessary to accomplish the corporation's primary purpose.

SHARE CAPITAL

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and by-laws. Subject to the approval by the Philippine SEC, a corporation may increase or decrease its authorized capital stock upon approval by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock at a shareholders' meeting duly called for that purpose.

A corporation may acquire its own shares for a legitimate corporate purpose, provided that it has sufficient unrestricted retained earnings in its books to pay for the acquisition and it complies with the other conditions for the purchase. A corporation may acquire its own shares to:

- eliminate fractional shares arising out of stock dividends;
- collect or compromise a debt to the corporation arising out of the unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale; and
- pay dissenting shareholders exercising their appraisal right.

The purchased shares form part of the corporation's treasury shares upon the corporation's acquisition. A corporation may re-issue or sell the treasury shares at a price to be fixed by the board of directors.

LIMITATIONS ON FOREIGN OWNERSHIP

Our Company is subject to the foreign ownership restriction on ownership of private land, as set forth in Article XII, Section 7 of the Philippine Constitution, which states that no private land shall be transferred or conveyed except to Filipino citizens or to corporations or associations organized under the laws of the Philippines with capital that is at least 60% owned by such citizens. As of the date of this Prospectus, we own

land and are covered by this nationality requirement. Please see “Business – Our Land Holdings” on page 120 for more details.

In addition to owning land, we are also engaged in the construction business and infrastructure and land reclamation projects, which are subject to certain nationality restrictions. Please see “Risk Factors” and “Regulatory and Environmental Matters – Nationality Restriction” on pages 32 and 185 of this Prospectus, respectively, for more details.

RIGHTS RELATING TO SHARES

Voting Rights

At each meeting of the shareholders, every shareholder entitled to vote on a particular question or matter involved is entitled to vote for each share of stock registered under his name in the books of our Company at the time of the closing of the stock and transfer books for such meeting.

In accordance with Section 23 of the Philippine Corporation Code, at each election of directors, every shareholder entitled to vote at such election have the right to vote, in person or by proxy, the number of shares owned by him as of the record date for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number of his shares or by distributing such votes on the same principle among any number of candidates as the shareholder deems fit.

Dividend Rights

Our Company is authorized under Philippine law to declare dividends, subject to certain requirements. The Board may declare dividends only from our unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation that have not been allocated and are free for distribution to the shareholders as dividends.

Dividends may be payable in cash, shares or property, or a combination thereof. A cash or property dividend declaration requires Board approval and does not require any further approval from shareholders. Declaration of stock dividends, on the other hand, requires the approval of shareholders holding at least two-thirds of our Company’s outstanding capital stock. The Philippine Corporation Code defines the term “outstanding capital stock” as the “total shares of stock issued to subscribers or shareholders, whether or not fully or partially paid (as long as there is a binding subscription agreement), except treasury shares”. Such Shareholders’ approval may be given at a general or special meeting duly called for such purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Our Company may declare dividends of at least 30% of the prior year’s net income after tax based on our audited financial statements, except when:

- justified by definite expansion plans approved by the Board of Directors;
- the required consent of any financing institution or creditor to such distribution has not been secured; or
- retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies.

See “Dividends and Dividend Policy” on page 63 of this Prospectus.

Pre-emptive Rights

The Philippine Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation, which give the shareholders the right to subscribe to all issues or other disposition of shares of any class by the corporation in proportion to their respective shareholdings, subject to certain exceptions. A Philippine corporation may provide for the denial of the pre-emptive rights in its articles of incorporation. Our Company’s amended articles of incorporation contain such denial of pre-emptive right.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights.

Appraisal Rights

Under Philippine laws, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares:

- any amendment to the corporation's articles of incorporation that changes or restricts the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class
- any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate assets
- merger or consolidation
- investment of the funds of the corporation in another corporation or business or for any purpose other than the primary purpose
- extension or shortening of the term of corporate existence

Right of Inspection

Shareholders are also entitled to inspect and examine the books and records, including the minutes of board meetings and stock registries, that the corporation is required by law to maintain.

The Board may deny this right if the requesting shareholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determines it necessary to safeguard the rights and legitimate interest of our Company such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation, which we will breach if such records were made available for inspection.

Right to Financial Statements

Shareholders are entitled to be furnished with the most recent financial statements of a Philippine corporation, which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year.

The board of directors is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year.

BOARD OF DIRECTORS

Unless otherwise provided by law, our corporate powers are exercised, our business conducted, and all of our property are controlled and held, by the Board of Directors. Our Company has seven Directors, two of which are independent Directors. They shall be elected by our shareholders who are entitled to vote at the annual meeting and shall hold office for one year until their successors are elected and qualified in accordance with our Company's by-laws.

Any vacancy by reason of death, resignation or removal of a Director prior to the expiration of the director's term, may be filled by the vote of at least a majority of the remaining members of the Board, if still constituting a quorum; otherwise, the vacancy must be filled by the shareholders at a regular or at any special meeting of the shareholders called for that purpose. A Director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meetings

Philippine corporations are required to hold an annual meeting of shareholders. Under our Company's by-laws, the annual shareholders' meeting shall be held on the second week of June each year at our principal office or at any place designed by the Board of Directors in the city where the principal office of our Company is located, or if this date falls on a holiday, then on the next business day that is not a holiday.

Special Shareholders' Meeting

Special meeting of the shareholders may be called at any time by resolution of: (a) the board of directors, at its own instance, or at the written request of the shareholders representing at least a majority of the total outstanding stock, or (b) the President.

Notice of Shareholders Meeting

Under our Company's by-laws, the corporate secretary shall send the notice of any regular or special meeting of the shareholders by personal delivery or by mail to each shareholder of record at his last known address or by publication in a newspaper of general circulation at least two weeks before the date of the meeting. The notice should state the place, date, and hour of the meeting, and the purpose for which the meeting is called. Shareholders may waive their right to a notice of any meeting, expressly or impliedly before or after the meeting.

Quorum

A majority of the issued capital stock of our Company, either in person or by proxy, shall constitute a quorum, and a majority of the quorum shall decide any question before the meeting except as otherwise provided by law. If there is no quorum for the meeting, the meeting shall be adjourned until the required number of Shares shall be present or represented.

Voting

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by a duly appointed proxy. Except in cases otherwise provided by law, a majority of the votes cast by the shareholders present in person or by proxy at any meetings is sufficient to approve any resolution.

Fixing Record Dates

For purposes of determining the shareholders entitled to notice of, or to vote or be voted at any meeting of the shareholders or any adjournment thereof or to receive payment of any dividends or other distribution or allotment of any rights, or to exercise the rights in respect of any change, conversion or exchange of the capital stock, the board of directors may provide that the stock and transfer books be closed for such period as may be deemed advisable previous to such meeting.

Under Philippine SEC rules, the record date for cash dividend declaration of a listed company should be not less than 10 and not more than 30 days from the date of declaration. For declaration of stock dividends, the record date must not be less than 10 and not more than 30 days from the date of the shareholders' approval. The record date must also be not less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividends. For declaration of stock dividends as part of the increase in authorized capital stock, the record date is fixed by the Philippine SEC.

PROXIES

Shareholders may vote in person or by proxy. Proxies must be filed with the Corporate Secretary or our transfer agent at least seven days before the day of the meeting. Proxies filed with the Corporate Secretary or our transfer agent may be revoked by the shareholders either in an instrument in writing duly presented to the Corporate Secretary or our transfer agent at least three days before the day of the meeting or by their personal presence at the meeting. Validation of proxies should be done at least five days before the day of the meeting by the Corporate Secretary or by a special committee of inspectors composed of the Corporate Secretary and a

representative of our transfer agent. The decision of the Corporate Secretary or the special committee of inspectors, as the case may be, on the validity of the proxies shall be final and binding until and unless set aside by a court of competent jurisdiction.

Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be effected by means of a book-entry system. Under this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the shareholder's name. See "The Philippine Stock Market" on page 217 of this Prospectus.

Philippine law does not require transfers of our Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange, and documentary stamp tax. See "Philippine Taxation" on page 224 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

Our Company's share register is maintained at the principal office of our share transfer agent, Rizal Commercial Banking Corporation – through its Trust and Investments Group.

ISSUES OF SHARES

Subject to otherwise applicable limitations, our Company may issue additional Shares to any person for consideration that the Board deems fair, provided that such consideration shall not be less than the par value of the issued Shares. Share certificates may only be issued to a subscriber upon full payment of the subscription together with interest and expenses (in case of delinquent Shares). Under PSE rules, only fully paid-up shares may be listed on the PSE.

SHARE CERTIFICATES

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders may request our stock transfer agent to split their certificates. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market" on page 217 of this Prospectus.

MANDATORY TENDER OFFER

It is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- at least 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company, in one or more transactions within a period of 12 months; such intention should be disclosed and the tender offer shall be made for the percentage sought to all holders of such securities within the said period; or
- at least 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; the tender offer shall be made for all outstanding voting shares; or
- less than 35% of such equity that will result in ownership of over 51% of the total outstanding equity securities in a public company.

The term “public company” refers to (i) a corporation with a class of securities listed on an exchange, such as the PSE; or (ii) a corporation with assets of at least ₱50 million and having 200 or more shareholders with at least 100 shares each.

When the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

In a mandatory tender offer, the acquirer must offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35% would result in ownership of 51% of the total outstanding equity, the acquirer shall make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such tender offer shall accept any and all securities thus tendered.

No mandatory tender is required in:

- purchases of shares from unissued capital shares unless it will result in a 50% or more ownership of shares by the purchaser;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

FUNDAMENTAL MATTERS

The Philippine Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require board of directors’ approval and the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation (except for the amendment of by-laws and approval of management contracts in general, which require approval of shareholders representing a majority of the corporation’s outstanding capital stock), include:

- amendment of the articles of incorporation;
- an increase or decrease of capital stock and incurring, creating or increasing bonded indebtedness;
- delegation to the board of directors of the power to amend or repeal or to adopt new by-laws;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the corporation’s assets;
- merger or consolidation;
- investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the corporation was organized;

- dissolution of the corporation;
- denial of pre-emptive rights to shares to be issued in good faith in exchange for property needed for corporate purposes or in payment of a previously contracted debt;
- declaration or issuance of stock dividends;
- ratification of a contract between the corporation and a director or officer where the vote of such director or officer was necessary for approval;
- execution of a management contract where (a) a majority of directors of the managing corporation constitutes the majority of the board of the managed company or (b) shareholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;
- removal of directors; and
- ratification of contracts with corporations in which a director is also a member of the board, where the interest of the director is substantial in one corporation and nominal in the other.

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

OTHER FEATURES OF THE OFFER COMMON SHARES

The Offer Shares are neither convertible nor subject to redemption. All of our Company's issued Shares are fully paid and non-assessable and are free and clear of all liens, claims and encumbrances. All documentary stamp taxes due on the issuance of all issued Shares have been fully paid.

RESTRICTIONS ON TRANSFER OF SHARES

As of the date of this Prospectus, there are no restrictions on the transfer of the Offer Shares in our Company's amended articles of incorporation and by-laws other than transfer restrictions based on nationality.

CHANGE IN CONTROL

Our Company's amended articles of incorporation or amended by-laws do not contain provisions that would delay, defer or prevent a change in control of our Company.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine corporations are required to file copies of their annual consolidated financial statements with the Philippine SEC. Companies listed on the PSE must also file their quarterly consolidated financial statements with the Philippine SEC and the PSE.

Shareholders are entitled to be furnished with the most recent financial statements of a Philippine corporation, which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of our Company for the preceding year.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by our Company, the International Lead Manager and Underwriter, the Domestic Lead Managers and Underwriters, or any of their respective subsidiaries, affiliates or advisers in connection with sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bid and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the PSE Self-Regulatory Organization status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member-broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small and Medium Enterprises Board. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PSEi, which as of the date hereof reflects the price movements of 30 selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. With increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

In December 2013, the PSE replaced its online disclosure System (“OdiSy”) with a new disclosure system, the PSE Electronic Disclosure Generation Technology (“EDGE”). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors’ disclosure searching and viewing experience and (iii) enhance overall issuer transparency in the market. The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

In January 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 common shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering will be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

Selected Stock Exchange Data

The table below sets forth movements in the composite index from 1995 to 2017 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	221	1,373.7	408.7
1999	2,142.9	222	1,936.5	781.0
2000	1,494.5	225	2,576.5	357.7
2001	1,168.1	229	2,141.4	159.6
2002	1,014.4	231	2,083.2	159.7
2003	1,442.4	234	2,973.8	145.4
2004	1,822.8	236	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,796.2	268	14,438.8	1,929.5
2017	8,558.4	324	17,583.1	1,958.4

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment for purchases of listed securities must be made by the buyer on or before the third trading day after the trade.

Trading on the PSE starts at 9:30 a.m. until 12:00 p.m., and resumes at 1:30 p.m. and ends at 3:20 p.m., with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. The PSE may effect changes to the hours and schedule of a trading day as the circumstances warrant. Trading days are Monday to Friday, except legal holidays, special holidays, days when the BSP clearing house is closed, and such other days as may be otherwise declared by the Philippine SEC or the PSE, through its President or other duly authorized representative, to be a non-trading day.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- (i) In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- (ii) In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for (a) synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants; (b) guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund, and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date ("T+3"). The deadline for settlement of trades is noon of T+3. Securities sold should be in scripless form and lodged under the PDTC's book-entry system. Each PSE Trading Participant maintains a Cash Settlement Account with one of the existing settlement banks of SCCP: BDO Unibank, Inc., Rizal Commercial Banking Corporation, Deutsche Bank AG (Manila Branch), Metropolitan Bank & Trust Company, Union Bank of the Philippines, the Hongkong and Shanghai Banking Corporation (Manila), Asia United Bank Corporation and Maybank Philippines, Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Central Settlement ("CCCS") on May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Central Depository

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.) was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized in the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of legal title of the

immobilized shares to the PCD Nominee will be recorded in the issuing company's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) are deemed by the PDTC as the beneficial owners of the lodged equity securities, but the same is without prejudice to the obligation of the PDTC participant to segregate securities held on behalf of its clients in a separate client securities account and to account for the beneficial ownership of such securities to its clients. Thus, each beneficial owner of shares through his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system and, with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate clear funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP CCCS system, in accordance with the PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a stockholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporation's books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and confirmation advice is issued in the name of the PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominees' name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agent's books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing the broker from its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirements, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules of the PSE.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the Philippine SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The rights shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- a) For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the transfer agent of the companies shall no longer issue a certificate to the PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.
- b) For existing listed companies, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of Jumbo Certificates and upon such advice the PDTC shall surrender all Jumbo Certificates to the transfer agent for cancellation. The transfer agents shall issue a Registry Confirmation Advice to the PCD Nominee evidencing the total number of shares registered in the name of the PCD Nominee in the issuer's registry as of the confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply to PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for the upliftment shall have been issued by the relevant company's transfer agent.

Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership ("MPO"), listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (as long as the shares held are not of a significant size (i.e., less than 10%) and are non-strategic in nature); (ii) trading participants (as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if the relevant account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then the shareholder is considered a principal stockholder); and (vi) social security funds.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if they

remain non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sales of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

The SEC also issued its Rules and Regulations on Minimum Public Ownership on Initial Public Offerings (SEC Memorandum Circular No. 13, series of 2017) (the “Memorandum Circular”). Under this Memorandum Circular, any company applying for the registration of its shares of stocks for the purpose of conducting an initial public offering and listing of its shares in an exchange (the “Covered Company”) must have a public float that meets the 20% MPO requirement. The Covered Company shall, at all times, maintain the 20% MPO. Public float refers to the portion of the issued and outstanding shares that are freely available and tradable in the market and are non-strategic in nature or those not meant for the purpose of gaining substantial influence on the management of the company. The rules consider significant shareholdings of 10% or more of the total issued and outstanding shares of the company as strategic and thus excluded from the public float of the Covered Company.

In the event a Covered Company’s MPO falls below 20%, at any time after registration, it is obligated to bring its public float back to at least 20% within a maximum period of 12 months from the date of such fall.

Covered Companies shall establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the SEC within the next business day if its MPO has fallen below 20%. The Covered Company shall submit to the SEC (a) a time-bound business plan to bring back the public float to at least 20% within a maximum period of 12 months from the date of such decline and (b) a public ownership report until such time that its public float reaches the required level.

The Memorandum Circular expressly provides that it is not meant to amend the existing rules or guidelines of an exchange (*e.g.*, PSE) on minimum public float that have been duly approved by the SEC.

PHILIPPINE FOREIGN EXCHANGE CONTROLS

Under current BSP regulations, an investment in listed Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers and money changers to Republic Act No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends. Foreign exchange dealers and money changers are allowed to sell foreign currencies in an amount not exceeding US\$10,000 or its equivalent and not exceeding US\$50,000 or its equivalent per month per customer.

The application for registration of Philippine securities listed on the PSE shall be done directly with a custodian bank duly designated by the foreign investor, on behalf of the BSP. A custodian bank may be an authorized agent bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by (i) a purchase invoice, a subscription agreement and proof of listing on the PSE (either or both); (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to Pesos through an authorized agent bank of the BSP in the format prescribed by the BSP; (iii) authority to disclose information in the prescribed format, which allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments; and (4) for annotation in the BSP registration document of stock dividends which accrued to registered investments, the PSE Notice (Circular for Brokers) announcing the stock dividend declaration.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("BSRD") or BSRD Letter Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of (i) the BSRD or BSRD Letter Advice; (ii) a photocopy of the cash dividends notice from the PSE and the PDTCT (formerly the PCD) showing a printout of cash dividend payment or computation of interest earned; (iii) a photocopy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration; (iv) a detailed computation of the amount applied for in the format prescribed by the BSP; (v) a photocopy of the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period (for direct foreign equity investments); and (vi) for direct foreign equity investments, photocopy of clearance pertaining to the investee firm from BSP-Supervision and Examination Sector (for non-PSE listed banks), Insurance Commission (for insurance companies), Department of Energy or from the National Power Corporation (for oil/gas/geothermal energy exploration companies). Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts with any authorized agent bank. Interest earned thereon, net of taxes, may also be remitted in full through any authorized agent bank without prior BSP approval. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

This is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

It is the responsibility of the foreign investor to obtain the BSRD as proof of its registration with the BSP of its foreign investments in the Offer Shares.

PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Offer Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. Prospective purchasers of the Offer Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Offer Shares.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien engaged in trade or business in the Philippines;” otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not engaged in trade or business in the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines; and a “non-resident foreign corporation” is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term “non-resident holder” means a holder of the Offer Shares of our Company:

- who is an individual who is neither a citizen nor a resident of the Philippines, or is a non-resident foreign corporation; and*
- should an income tax treaty be applicable, whose ownership of the Offer Shares of our Company is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

The Philippine government, with a stated goal of building an economy that promotes sustainable and inclusive growth and reduces poverty, promulgated R.A. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (the “TRAIN Law”). The TRAIN Law, which took effect on January 1, 2018, amended several provisions of the National Internal Revenue Code of 1997. It is the first of five packages of the Comprehensive Tax Reform Program envisioned by the Philippine government.

This first package of tax reform aims to address, among others, the deficiencies of the previous tax system by lowering and simplifying personal income taxes, simplifying estate and donor’s taxes, expanding the value-added tax (VAT) base, adjusting oil and automobile excise taxes and introducing an excise tax on sugar-sweetened beverages, among others.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Sale, Barter, Exchange or Disposition of Shares through an Initial Public Offering

The sale, barter, exchange or other disposition through initial public offering of shares of stock in closely held corporations (defined as any corporation at least 50% in value of the outstanding capital stock or at least 50% of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by or for not more than 20 individuals) is subject to a tax at the rates provided below based on the gross selling price or the gross value in money of the shares of stock sold, bartered, exchanged or otherwise disposed in accordance with the proportion of shares of stock sold, bartered, exchanged or otherwise disposed to the total outstanding shares of stock after the listing in the local stock exchange:

Up to 25%	4%
Over 25% but not over 33 1/3%	2%
Over 33 1/3%	1%

The tax imposed on the sale, barter, exchange or other disposition of shares of stock through an initial public offering shall be paid by the issuing corporation.

Stock Transaction Tax on Sale, Barter, Exchange or Disposition of Shares of Stock Listed and Traded through the PSE

The sale, barter, exchange or disposition of shares of stock listed and traded through the PSE, other than by a dealer of securities, and in lieu of a capital gains tax, is subject to a tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold, bartered, exchanged or disposed, unless an applicable tax treaty exempts such sale from the said tax. This tax is collected and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to the stock transaction tax.

In addition, a value-added tax of 12% is imposed on the commission earned by the stockbroker, which is generally passed on to the client.

Listed companies which fail to maintain, at all times, a minimum percentage of listed securities held by the public at 20% of the listed companies' issued and outstanding shares ("Minimum Public Ownership") shall be subject to a trading suspension for a period of not more than six months. The sale, barter, transfer and/or assignment of shares of listed companies that fail to meet the Minimum Public Ownership requirement will be subject to capital gains and documentary stamp taxes.

On November 7, 2012, the BIR issued Revenue Regulations No. 16 2012 which provides that the sale, barter, transfer and/or assignment of shares of listed companies that fail to maintain a minimum percentage of listed securities held by the public at 10% of the listed companies' issued and outstanding shares, exclusive of any treasury shares or the minimum public ownership as required by the SEC or the PSE, whichever is higher after December 31, 2012 and after the lapse of the relevant grace period, will be subject to capital gains tax and documentary stamp tax. As our Company is subject to the higher rate of 20% Minimum Public Ownership pursuant to SEC Memorandum Circular No. 13, series of 2017, the sale, barter, transfer and/or assignment of shares of our Company will be subject to capital gains tax and documentary stamp tax if our Company's Minimum Public Ownership falls below 20% and our Company fails to bring the public float to at least 20% within 12 months from the date of such fall. See "The Philippine Stock Market – Minimum Public Ownership" on page 221 for more details.

Capital Gains Tax on Sale of Shares Not Traded on the Stock Exchange

A final tax of 15% shall be imposed on the net capital gains realized by a resident or non-resident, other than a dealer of securities, during the taxable year, from the sale, exchange or other disposition of shares of stock in a domestic corporation outside of the facilities of the PSE, unless preferential rates under a specific tax treaty apply.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000	5%
In excess of ₱100,000	10%

Exemption from capital gains tax may be available to a non-resident alien or a non-resident foreign corporation under an applicable tax treaty. BIR approval is not required in determining whether the capital gains tax applies, which can be confirmed by the filing with the BIR of the holder's application of the relevant tax treaty relief. Some tax treaties do not grant an exemption from capital gains tax in the Philippines if the assets of the corporation that issued the shares sold comprise substantially of real properties. For the preferential tax rates under specific tax treaties to apply, however, an application for tax treaty relief must be filed with and approved by the BIR.

The transfer of shares shall not be recorded in the books of the domestic corporation unless the BIR has issued a Certificate Authorizing Registration ("CAR"). The BIR issues the CAR only after verifying that the applicable taxes have been paid.

In case shares of stock in a domestic corporation outside of the facilities of the PSE are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market

value of the shares exceeded the value of the consideration may be deemed a gift and donor's taxes may be imposed on the transferor of the shares, based on Section 100 of the Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

DIVIDENDS ON SHARES

Under the National Internal Revenue Code of 1997, as amended by the TRAIN Law (the "Tax Code"), cash and property dividend payments by Philippine corporations are subject to final withholding tax at rates based on the classification of the shareholder receiving the dividends. The applicable tax rates on dividend payments are set out as follows:

Shareholder	Final Withholding Tax Rate
Individual shareholder, either citizens or resident of the Philippine	10%
Non-resident alien individuals engaged in trade or business in the Philippines	20%
Non-resident alien individuals not engaged or trade business in the Philippines	25% (subject to applicable preferential tax rates under a tax treaty between the Philippines and the country of domicile of such non-resident alien individual)
Domestic corporations	Exempt
Resident foreign corporations	Exempt
Non-resident foreign corporations	30%; 15% tax rate may be applied when: 1. the country of domicile of the non-resident foreign corporation receiving the dividends allows, as a credit against the tax due in the recipient's home country, a deemed paid tax credit equivalent to 15%; or 2. when the country of domicile of the non-resident foreign corporation receiving the dividends does not impose any tax on Philippine-sourced dividends. (may also be subject to an applicable preferential tax rate under a tax treaty between the Philippines and the country of domicile of such non-resident foreign corporation)

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 dated August 12, 1991 (Publishing the Resolution of the Supreme Court, dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24(b)(1) [now Section 25(b)(5)(B)] of the Tax Code, as Amended) states that the non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the

items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with relevant ITAD issuances. The income recipient should provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The Philippine tax authorities have prescribed certain procedures for availment of tax treaty relief on dividends. Under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("CORTT") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days.

However, on August 9, 2013, the Philippine Supreme Court in *Deutsche Bank AG Manila Branch v. CIR*, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

Subject to the filing of an application for tax treaty relief before the occurrence of the first taxable event and its approval by Philippine tax authorities, our Company will withhold, at a reduced rate, amounts on any interest or dividend paid to a non-resident holder, provided that such holder furnishes our Company with proof of the duly completed application filed with Philippine tax authorities for the aforesaid tax treaty relief.

Subject to the filing of an application for tax treaty relief before the occurrence of the first taxable event and its approval by Philippine tax authorities, our Company will withhold, at a reduced rate, amounts on any interest or dividend paid to a non-resident holder, provided that such holder furnishes our Company with proof of the duly completed application filed with Philippine tax authorities for the aforesaid tax treaty relief.

If our Company withholds taxes, or withholds the regular rate of tax imposed pursuant to the Tax Code on interest or dividends, as applicable, the concerned holder may file a claim for a refund from the BIR on the basis of a tax exemption or applicable tax treaty. However, because the refund process in the Philippines could be cumbersome, requiring the filing of an administrative claim and the possible filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old. The sale, exchange or disposition of shares received as property dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

DOCUMENTARY STAMP TAX

Under the Tax Code, certain documents, instruments, papers, acceptances, assignments, sales and transfers of obligations, rights or property are subject to documentary stamp tax. Documentary stamp tax will be levied, collected and paid for by the person making, signing, issuing, accepting or transferring the document, wherever the document is made, signed, issued, accepted or transferred, when the relevant obligation or right arises from a Philippine source or the relevant property is situated in the Philippines.

The Tax Code imposes documentary stamp tax on all original issuances of shares of stock at the rate of ₱2.00 for each ₱200, or fractional part thereof, of the par value of such shares of stock or, in the case of no par value shares, the actual consideration for the issuance of the shares. The original issuance of the Firm Shares will therefore be subject to documentary stamp tax at this rate based on the par value of Firm Shares. The documentary stamp tax due on the original issuance of Firm Shares will be for the account of our Company.

Transfers of shares of stock outside of the facilities of the PSE by assignment in blank, delivery, or by any paper, agreement or memorandum or other evidence of transfer or sale (including transfers to secure the future payment of money or for the future transfer of stock) are subject to documentary stamp tax at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the par value of such shares of stock, or at an amount equivalent to 50% of the documentary stamp tax paid upon the issuance of the shares in the case of no par value shares. Accordingly, subsequent transfers or dispositions of Firm Shares, if done outside of the facilities of the PSE, will be treated as shares of stock for tax purposes, will be subject to documentary stamp tax at these rates.

The sale, barter or exchange of shares listed and traded through the PSE is exempt from documentary stamp tax.

The borrowing and lending of securities under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are exempt from documentary stamp taxes, provided that any borrowing or lending of securities agreement is covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority and should be duly registered and approved by the BIR.

ESTATE AND GIFT TAXES

The transfer of the shares upon the death of a registered holder to his heirs by way of succession is subject to Philippine estate tax at a flat rate of 6% of the value of the net estate.

Individual registered holders, whether or not citizens or residents of the Philippines, who transfer shares by way of gift or donation are liable for Philippine donor's tax on such transfers at a flat rate of 6% of the total value of the gifts in excess of ₱250,000 made during the calendar year.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares of stock if:

- the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country, which at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or
- the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAX LAWS OUTSIDE OF THE PHILIPPINES

The tax treatment of a non-resident shareholder in jurisdictions outside of the Philippines may vary depending on the tax laws applicable to such non-resident shareholder in connection with its domicile, business

activities or unique circumstances. This Prospectus does not discuss possible tax considerations of non-resident shareholders under foreign laws.

Prospective shareholders must consult with pertinent tax advisers as to the particular tax implications of purchasing, owning and disposing the Shares, which consultation must include the applicability and effect of foreign laws.

PLAN OF DISTRIBUTION

At least 475,272,800 of the Firm Shares are being offered for subscription (i) outside the Philippines and the United States in offshore transactions in reliance on Regulation S, and (ii) to Domestic QIBs in the Philippines (the “Institutional Offer”). 203,900,000 Firm Shares (the “Trading Participants and Retail Offer Shares”), or 30% of the Firm Shares, are being offered by the Domestic Lead Managers and Underwriters at the Offer Price to all of the PSE Trading Participants and local small investors (“LSIs”) in the Philippines (the “Trading Participants and Retail Offer”). The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. The Domestic Lead Managers and Underwriters will underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares, and the International Lead Manager and Underwriter and Domestic Lead Managers and Underwriters will underwrite, on a firm commitment basis, the Institutional Offer Shares. There is no arrangement for the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters to return any of the Trading Participants and Retail Offer Shares or the Institutional Offer Shares to our Company.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall initially be offered by the Domestic Lead Managers and Underwriters to all of the PSE Trading Participants and LSIs in the Philippines. Our Company and the Domestic Lead Managers and Underwriters shall allocate approximately 135,900,000 Trading Participants and Retail Offer Shares, or 20% of the Firm Shares, among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 1,029,500 Firm Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants between 132 PSE Trading Participants) and subject to reallocation as may be determined by the Domestic Lead Managers and Underwriters. The balance of 6,000 Firm Shares shall be allocated by the Domestic Lead Managers and Underwriters to the PSE Trading Participants. In addition, approximately 68,000,000 Firm Shares, or 10% of the Firm Offer, shall be allocated to the LSIs. Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be subject to reallocation to the Institutional Offer at the discretion of the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer will be distributed by the Domestic Lead Managers and Underwriters to their clients or the general public in the Philippines or as otherwise agreed with the International Lead Manager and Underwriter. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer or taken up by the clients of the Domestic Lead Managers and Underwriters, or the general public, shall be purchased by the Domestic Lead Managers and Underwriters pursuant to the terms and conditions of the Domestic Underwriting Agreement and as indicated in the following table.

	Number of Trading Participants and Retail Offer Shares
BPI Capital Corporation	101,950,000
Maybank ATR Kim Eng Capital Partners, Inc.	101,950,000
Total	203,900,000

To facilitate the Trading Participants and Retail Offer, our Company has appointed BPI Capital Corporation and Maybank ATR Kim Eng Capital Partners, Inc. to act as the Domestic Lead Managers and Underwriters. Our Company and the Domestic Lead Managers and Underwriters entered into a Domestic Underwriting Agreement, dated June 8, 2018, whereby the Domestic Lead Managers and Underwriters agree to underwrite, on a firm commitment basis, any Trading Participants and Retail Offer Shares, subject to agreement between the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters on any clawback, clawforward or other such mechanism.

BPI Capital Corporation is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the Philippine SEC to engage in underwriting and distribution of securities to the public. As of December 31, 2017, its total assets amounted to ₱3.5 billion and its capital base amounted to ₱3.4 billion. It has an authorized capital stock of ₱506 million of which approximately ₱206 million represents its paid-up capital.

Maybank ATR Kim Eng Capital Partners, Inc. is a Philippine corporation organized in the Philippines. It obtained its license to operate as an investment house in September 1993 and is licensed by the Philippine SEC to engage in underwriting and distribution of securities to the public. As of December 31, 2017, its total assets amounted to ₱4.0 billion and its total shareholders' equity amounted to ₱2.7 billion. It has an authorized capital stock of ₱1.0 billion of which approximately ₱871 million represents its paid-up capital.

On or before June 20, 2018, the PSE Trading Participants shall submit to the designated representative of the Domestic Lead Managers and Underwriters their respective allocation from the Trading Participants and Retail Offer Shares. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and LSIs may be reallocated to the Institutional Offer at the discretion of the Domestic Lead Managers and Underwriters and the International Lead Manager and Underwriter.

With respect to the LSIs, all applications to purchase or subscribe for the Trading Participant and Retail Offer Shares must be evidenced by a duly accomplished and completed application form. An application to purchase the Trading Participant and Retail Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Domestic Lead Managers and Underwriters or such other financial institutions that may be invited to manage the LSI program. Payment for the Trading Participant and Retail Offer Shares must be made upon submission of the duly completed application form.

The Domestic Lead Managers and Underwriters shall receive from our Company a fee equivalent to 2% of the gross proceeds of the Trading Participants and Retail Offer, inclusive of the amounts to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Domestic Lead Managers and Underwriters from the proceeds of the Trading Participants and Retail Offer. PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.0% of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant; any such selling fees will be shared among the Joint Global Coordinators and Bookrunners pro rata to their respective underwriting commitments. The selling fee, less the applicable withholding tax, will be paid by the Domestic Lead Managers and Underwriters to the PSE Trading Participants within 10 banking days from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. They may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date.

THE INSTITUTIONAL OFFER

At least 475,272,800 Firm Shares, or 70% of the Firm Shares, will be offered for subscription (i) outside the Philippines and the United States in offshore transactions in reliance on Regulation S, and (ii) to certain Domestic QIBs in the Philippines.

The allocation of the Firm Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be agreed between the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Institutional Offer Shares may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Trading Participants and Retail Offer Shares may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer.

The International Underwriting Agreement dated June 8, 2018 entered into between our Company and the International Lead Manager and Underwriter, is subject to certain conditions and may be subject to termination by the International Lead Manager and Underwriter if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. Under the terms and conditions of the International Underwriting Agreement, the International Lead Manager and Underwriter has agreed to procure purchasers for or failing which, to purchase the respective number of Institutional Offer Shares indicated in the following table, on a firm commitment basis.

	<u>Number of Institutional Offer Shares</u>
Maybank Kim Eng Securities Pte. Ltd.....	34,880,000
Total.....	34,880,000

In addition, pursuant to the Domestic Underwriting Agreement, the Domestic Lead Managers and Underwriters agree to underwrite, on a firm commitment basis, the number of Institutional Offer Shares indicated in the following table, subject to agreement between the Domestic Lead Managers and Underwriters and the International Lead Manager and Underwriter on any clawback, clawforward or other such mechanism.

	<u>Number of Institutional Offer Shares</u>
BPI Capital Corporation	237,636,400
Maybank ATR Kim Eng Capital Partners, Inc	202,756,400
Total.....	440,392,800

The foregoing tables do not reflect the exercise of the Over-allotment Option that may or may not be exercised by the Stabilizing Agent to purchase up to 101,876,000 additional Shares.

The International Lead Manager and Underwriter and its respective affiliates have engaged in transactions with, and have performed various investment banking, commercial banking and other services for, our Company in the past, and may do so for our Company, the Selling Shareholder and their respective subsidiaries and affiliates from time to time in the future. However, all services provided by the International Lead Manager and Underwriter, including in connection with the Offer, have been provided as independent contractors and not as fiduciaries to our Company or the Selling Shareholder. The International Lead Manager and Underwriter does not have any right to designate or nominate a member of the Board. The International Lead Manager and Underwriter has no direct relationship with our Company in terms of share ownership and, other than as International Lead Manager and Underwriter for the Offer, does not have any material relationship with our Company.

Investors in the Institutional Offer (but not the Trading Participants and Retail Offer) will be required to pay, in addition to the Offer Price, a brokerage fee of up to 1.0% of the Offer Price.

THE OVER-ALLOTMENT OPTION

In connection with the Offer, subject to the approval of the Philippine SEC, the Selling Shareholder and our Company have granted the Stabilizing Agent an Over-allotment Option, exercisable in whole or in part to purchase the Optional Shares on the same terms and conditions as the Firm Shares, as set forth herein, from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. In connection therewith, the Selling Shareholder and our Company have entered into a greenshoe agreement with the Stabilizing Agent to, among other things, utilize up to 101,876,000 additional Shares to cover over-allocations under the Institutional Offer. The Optional Shares may be over-allotted and the Stabilizing Agent may affect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from and including the Listing Date. The Stabilizing Agent may purchase Shares in the open market only if the market price of the Shares is at or falls below the Offer Price. The initial stabilizing action of the Stabilizing Agent shall be at a price below the Offer Price. The price for subsequent stabilizing activities shall be determined as follows: (i) after the initial stabilizing action, and if there has not been an independent trade in the market at a higher price than the initial stabilizing trade, the subsequent trade shall be below the initial stabilizing price; and (ii) after the initial stabilizing action, and if there has been an independent trade in the market at a higher price than the initial stabilizing trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price. In this context, “independent trade” means any trade made by any person other than the Stabilizing Agent.

Such activities may stabilize, maintain or otherwise affect the market price of the Shares, which may have the effect of preventing a decline in the market price of the Shares and may also cause the price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. However, there is no assurance that the Stabilizing Agent will undertake stabilization activities. If the Stabilizing Agent commences any of these transactions, it may discontinue them at any time. After the 30-

day period following the Listing Date, the Stabilizing Agent shall transfer to the Selling Shareholder cash or Shares, depending on whether or not stabilization activities were conducted during the said 30-day period.

LOCK-UP

The PSE rules require existing shareholders owning at least 10% of the outstanding shares of a company not to sell, assign or in any manner dispose of their shares for a period of 180 days after the listing of the shares. If the Over-allotment Option is not exercised, 2,136,554,780 Shares held by WHI and 578,808,847 Shares held by Delfin J. Wenceslao, Jr. are subject to such 180-day lock-up. If the Over-allotment Option is exercised, 2,034,678,780 Shares held by WHI and 578,808,847 Shares held by Delfin J. Wenceslao Jr. are subject to such 180-day lock-up.

In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares. The 100 Shares held by Alberto P. Fenix, Jr. are subject to such 365-day lock up.

In addition, our Company and the Selling Shareholder have agreed with the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters that, except in connection with the Offer and the Over-allotment Option, none of our Company, its affiliates, nor any person acting on their behalf, will, without the prior written consent of the International Lead Manager and Underwriter and the Domestic Lead Managers and Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Shares owned as of the Listing Date or securities owned as of the Listing Date convertible or exchangeable into or exercisable for any Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options, for a period of 180 days after the First Closing Date.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the Philippine SEC on Form 12-1 and the registration statement has been declared effective by the Philippine SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law in connection with the Offer will be passed upon by SyCip Salazar Hernandez & Gatmaitan, legal counsel to the Domestic Lead Managers and Underwriters and International Lead Manager and Underwriter, and Gorriceta Africa Cauton & Saavedra, legal counsel to our Company. Certain legal matters as to United States federal law in connection with the Offer will be passed upon by Milbank, Tweed, Hadley & McCloy LLP, United States legal counsel to the Domestic Lead Managers and Underwriters and International Lead Manager and Underwriter, and Jones Day, United States legal counsel to our Company. None of the above mentioned advisers have any direct or indirect interest in our Company arising from the Offer.

INDEPENDENT AUDITORS

Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., independent auditors, has audited our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017.

Punongbayan & Araullo has acted as our external auditor since 2010. Romualdo V. Murcia III is our current audit partner and has served as such since 2010. We have not had any material disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period. Punongbayan & Araullo has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. Punongbayan & Araullo will not receive any direct or indirect interest in us or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two fiscal years for professional services rendered by Punongbayan & Araullo, excluding fees directly related to the Offer.

	<u>2016</u>	<u>2017</u>
	<u>(P in millions)</u>	
Audit and audit-related fees		
Audit services	2.4	2.5
Other assurance and related services.....	0.2	0.3
Tax fees	0.0	0.0
All other fees	0.0	0.0
Total	<u>2.6</u>	<u>2.8</u>

In relation to the audit and review of our consolidated financial statements, our Manual provides that the Audit and Risk Committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Company; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

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Report of Independent Auditors

Punongbayan & Araullo

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The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
3rd Floor Aseana Powerstation Building
Pres. Macapagal Avenue
Aseana Business Park, Parañaque City

Opinion

We have audited the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Certified Public Accountants

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Key audit matters identified in our audit of the consolidated financial statements of the Group are following:

(a) Revenue Recognition for Rental of Investment Properties

Description of the Matter

In 2017, the Group recognized revenue from rentals of investment properties, including land and buildings, amounting to P1,349.1 million, which represents 45% of the Group's total revenue. This includes P605.9 million rental income on long-term leases which were recognized on the straight-basis basis over the term of the relevant lease agreement as disclosed in Note 2 to the consolidated financial statements.

We identified the revenue from rentals as significant to our audit due to the materiality of the amount and the higher risk involved in the manner the Group recognizes rental income based on the provisions and terms of the lease agreements and the requirements of the applicable accounting standard, Philippine Accounting Standard (PAS) 17, *Leases*. An error in the Group's understanding of the significant terms and conditions of the lease agreement and accounting treatment may result in overstatement or understatement of the reported revenues and the related receivables recognized therefrom.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to recognition of revenue from rentals included the following:

- inspecting, on a sample basis, the lease agreements entered into with the Group's customers, and understanding the significant terms and conditions affecting the recognition of rental income;
- determining, based on the significant terms and conditions of the lease agreement, whether the recognition of rental income is in compliance with the revenue recognition requirements of the relevant accounting standard;
- recomputing, on a sample basis, the amounts of rental income and the related receivables taking into consideration, among others, the lease amount, lease period (including rent-free period), periodic rent escalation, effect of any modification, and other provisions of PAS 17; and,
- testing, on a sample basis, whether rental income related to existing lease agreements have been recognized in the proper accounting period.

(b) Revenue Recognition for Sale of Land

Description of the Matter

Revenue from sale of land amounted to P1,088.3 million, which accounts for 36% of the Group's total revenues from real estate operations, for the year ended December 31, 2017. As discussed in Note 2 to the consolidated financial statements, the Group recognizes revenue from sale of land using the full accrual method when the following conditions have been met:

- the collectability of the sales price is reasonably assured, that is when 25% of the total contract price is received or the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement;
- the earnings process is virtually complete;

- the Group does not have a substantial continuing involvement with the properties sold to a buyer;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits will flow to the Group; and,
- the costs incurred or to be incurred can be measured reliably.

In applying the full accrual method and assessing whether the above conditions are met, the Group's management used significant judgment and estimates. Management applies judgment in determining whether risks and rewards over land inventory have been transferred to the buyer which include assessing the collectability of the contract price based on evidence of buyer's commitment and ability to complete the payment of the total contract price by looking at the percentage of collection during the reporting period when the sale has occurred. An error in the application of such judgment and estimates could cause a material misstatement in the Group's consolidated financial statements. We therefore identified revenue recognition relating to sale of land as a significant risk requiring special audit consideration.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of land included, among others, the following:

- obtaining an understanding of the Group's revenue recognition policy, processes and controls over the recognition and measurement of revenues from sale of land;
- examining sales documents with buyers, which include sales and purchase contract detailing the terms and conditions regarding the timing of completion of sale and purchase as set out in the sale and purchase agreement to assess the progress of the transfer of land to buyers;
- inspecting official receipts and other collection documents to determine whether the sale transactions are appropriately recognized based on the Group's collection criteria prescribed in its revenue recognition policy; and,
- recalculating the percentage of collection per sales contract based on total principal payments as of the reporting date over the total contract price to determine if the Group has appropriately established that the buyers have committed to complete their obligations over the sales contract.

(c) Revenue Recognition on Sale of Condominium Units

Description of the Matter

In 2017, the Group recognized revenue from sale of condominium units amounting to P213.8 million. As disclosed in Notes 2 and 3 to the consolidated financial statements, the Group recognizes revenue from sale of condominium units using the percentage-of-completion method after establishing that collection of the total contract price is reasonably assured, that is when 20% of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit on sale of condominium units based on estimate of the portion of the project completed in reference to the costs incurred to date as a proportion of the total budgeted costs.

We identified the revenue recognition on sale of condominium units as significant to our audit as it requires significant management judgment in assessing the collectability of the contract price, and estimating the stage of completion and contract costs of the development project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of condominium units included, among others, the following:

- obtaining an understanding of the Group's revenue recognition policy, processes and controls related to the recognition of revenues from sale of condominium units, including the recognition of gross profit;
- recalculating, on a sample basis, the percentage of collection based on total principal payments as of the reporting date over the total contract price and testing the reasonableness of the collection threshold as basis of determining revenue recognition criterion on the collectability of contract price;
- testing the reasonableness of the percentage of completion by analyzing the costs incurred to date as a proportion of the total estimated and budgeted costs;
- assessing the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects, taking into consideration the effect of variation to the original contract terms; and,
- recomputed the revenue and costs recognized for the year based on the percentage-of-completion and traced the revenue recognized to the accounting records.

(d) Net Realizable Value of Land and Land Development Costs and Property Development Costs Including Estimated Liability for Land Development Costs and Reserve for Property Development

Description of the Matter

As of December 31, 2017, the Group's real estate inventories include land and land development costs and property development costs which are stated at lower of cost and net realizable value of P3,323.6 million and P593.0 million, respectively, as disclosed in Notes 11 and 10, respectively, to the consolidated financial statements. For the year ended December 31, 2017, the Group has generated revenues from sale of land and condominium units representing 43% of the Group's total revenue.

As disclosed in Note 2 to the consolidated financial statements, the lower of cost and net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group's assessment and calculation of the net realizable value of real estate inventories, including the estimation of liability for land development costs and reserve for property development are described in Note 3 to the consolidated financial statements.

We identified the assessment of net realizable value of the Group's land and land development costs and property development costs as a key audit matter because of the inherent risks involved in estimating the costs to complete the property development and the future selling prices of the properties when completed. Consequently, the estimated liability for land development costs and reserve for property development accounts are also identified as a key audit matter.

How the Matter was Addressed in the Audit

Our procedures related to the net realizable value of land and land development costs and property development costs as well as to the validity of the estimated liability for land development costs and reserve for property development included the following:

- understanding the Group's process in making accounting estimates and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group in estimating net realizable value;
- evaluating the design and implementation of the Group's internal control over the preparation, monitoring, and management of construction and development budget for its real estate inventories;
- conducting site visits and inspection of land and on-going property development and discussing with the Group's project engineers the progress of development and comparing the observed progress with the latest construction and development budget provided by management;
- evaluating the methodology used by the Group in determining the net realizable value and assessing the appropriateness of the assumptions and inputs used, which included the following procedures:
 - comparing the expected future average selling prices of the real estate inventories with recently transacted prices for similar properties in nearby locations, taking into considerations the current market conditions in the real estate industry and our knowledge of the Group's business;
 - comparing, on a sample basis, the components of management's budgeted construction and development costs to contractor's billing and other supporting documents; and,
 - assessing the reasonableness of the estimated costs to complete by corroborating the underlying assumptions made with our understanding of the past completed projects of the Group.
- re-performing the calculations made by the Group in arriving at the assessment of net realizable value and comparing the estimated costs to complete the property development with the Group's updated construction and development budget; and,
- reviewing the judgment and decisions made by management in making accounting estimates and the use of assumptions to identify whether there were indicators of possible management bias.

(e) Recoverability of Receivables

Description of the Matter

As at December 31, 2017, the Group's receivables amounting to P4,247.6 million includes P2,436.1 million rental receivables arising from the Group's property leasing business and P744.3 million contracts and retention receivables arising from the Group's construction operations. These receivables totaling P3,180.4 million which are disclosed in Note 9 to the consolidated financial statements represent 11% and 75% of the total assets and total receivables, respectively, of the Group as at the end of the reporting period. The Group's management exercises significant judgment and makes estimates in determining when the receivables are impaired and how much impairment loss need to be recognized. These judgment and estimates which are described in the Group's significant accounting policies, judgments and estimates in Notes 2 and 3 to the consolidated financial statements, include the identification of objective evidence indicating impairment of the receivables (for example, significant financial difficulty and default or delinquency in payments of customer) and estimation of future cash flows based on customer's payment history, past due status of the accounts with consideration of the length of the Group's relationship with customers, existence of ongoing projects and the net realizable value of the real estate assets that can be claimed by the Group from certain customer.

Because of the significance of the amounts involved and the inherent risk on management's use of judgment and estimates, we identified the recoverability of the Group's receivables discussed above as a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to determine the recoverability of rental receivables, and contracts and retention receivables, and the adequacy of the allowance for credit losses on those receivables included, among others, the following:

- obtaining an understanding of the Group's policy and procedures over granting of credits to customers and assessing impairment of receivable;
- checking the mathematical accuracy of the aging of receivables and testing the accuracy of the aging classification of selected customer's accounts;
- identifying any customers with financial difficulty and/or breach of contract resulting in default on payments through discussion with management, inspecting customer's payment history, and performing an independent evaluation of customer's ability to pay;
- verifying, on a sample basis, the reasonableness of the results of management's credit and impairment review for customers with long-outstanding accounts by inspecting corroborating information and underlying documents; and,
- determining the related estimated recoverable value of real estate assets that can be recovered by the Group in settlement of the selected past due or delinquent customer's accounts.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

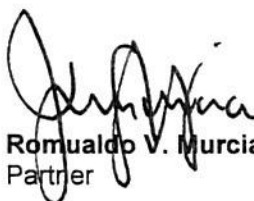
As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audits resulting in this independent auditor's report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO



By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 6616014, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 25, 2018

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	8	P 1,431,417,365	P 815,171,402
Receivables - net	9	2,330,700,527	2,140,590,942
Land and land development costs	11	3,323,617,571	3,519,847,473
Property development costs	10	593,004,032	24,286,634
Other current assets	12	<u>533,396,960</u>	<u>263,196,627</u>
Total Current Assets		<u>8,212,136,455</u>	<u>6,763,093,078</u>
NON-CURRENT ASSETS			
Receivables	9	1,916,924,794	1,754,944,365
Advances to and investments in associates, joint ventures and other related parties	13	3,035,348,266	3,037,163,264
Property and equipment - net	14	143,938,556	166,801,601
Investment properties - net	15	15,622,693,051	14,998,276,590
Other non-current assets	16	<u>119,560,933</u>	<u>77,936,177</u>
Total Non-current Assets		<u>20,838,465,600</u>	<u>20,035,121,997</u>
TOTAL ASSETS		<u>P 29,050,602,055</u>	<u>P 26,798,215,075</u>

	Notes	2017	2016
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Loans and borrowings	17	P 1,656,593,434	P 2,148,561,483
Trade and other payables	18	1,093,125,793	531,301,608
Advances from a co-joint venturer	13	1,000,000,000	1,000,000,000
Advances from related parties	25	312,485,234	320,226,591
Estimated liability for land development costs	2	570,710,150	477,517,753
Deposits and advances	19	540,604,530	314,375,710
Reserve for property development	2, 10	101,054,804	4,649,584
Deferred gross profit on real estate sales	2, 10	30,536,000	792,504
Total Current Liabilities		5,305,109,945	4,797,425,233
NON-CURRENT LIABILITIES			
Loans and borrowings	17	820,309,511	514,847,791
Due to a related party	25	4,343,572,018	4,343,572,018
Estimated liability for land development costs	2	7,035,709,522	7,270,889,017
Deposits and advances	19	573,963,532	702,906,705
Reserve for property development	2, 10	42,749,889	13,585,695
Deferred gross profit on real estate sales	2, 10	17,844,231	2,315,628
Deferred tax liabilities - net	24	588,750,291	390,685,191
Retirement benefit obligation	23	65,698,627	75,018,446
Total Non-current Liabilities		13,488,597,621	13,313,820,491
Total Liabilities		18,793,707,566	18,111,245,724
EQUITY			
Equity attributable to holders of the parent company			
Capital stock	27	2,716,691,200	1,716,691,200
Revaluation reserves - net	27	(10,935,176)	(21,052,954)
Other reserves	2, 27	(275,974,845)	(275,974,845)
Retained earnings	27	7,168,150,683	6,607,669,358
Total equity attributable to holders of the parent company		9,597,931,862	8,027,332,759
Noncontrolling interest	2	658,962,627	659,636,592
Total Equity		10,256,894,489	8,686,969,351
TOTAL LIABILITIES AND EQUITY		P 29,050,602,055	P 26,798,215,075

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
REVENUES				
Rentals:				
Land	15, 25, 28	P 919,417,814	P 860,514,881	P 803,233,058
Building	15, 25, 28	429,701,872	344,601,606	311,620,538
Other revenues	2	157,900,022	121,480,554	114,355,080
		<u>1,507,019,708</u>	<u>1,326,597,041</u>	<u>1,229,208,676</u>
Land sales	2	1,088,290,000	600,656,000	329,750,000
Construction contracts	2	202,132,945	231,163,640	82,295,555
Sale of condominium units	2, 10	213,784,261	21,919,360	-
		<u>3,011,226,914</u>	<u>2,180,336,041</u>	<u>1,641,254,231</u>
COSTS OF SERVICES AND SALES	22			
Rentals	20	201,962,298	185,637,424	189,005,079
Land sales	11	141,520,283	120,375,150	73,260,895
Construction contracts	20	132,234,603	201,953,484	59,447,755
Sale of condominium units:				
Cost of sales	2, 10	157,266,639	18,727,355	-
Deferred gross profit	2, 10	45,772,044	3,108,132	-
		<u>678,755,867</u>	<u>529,801,545</u>	<u>321,713,729</u>
GROSS PROFIT		<u>2,332,471,047</u>	<u>1,650,534,496</u>	<u>1,319,540,502</u>
OTHER OPERATING EXPENSES	22			
General and administrative		461,763,755	283,216,176	268,247,316
Selling		3,640,829	10,491,020	1,873,352
		<u>465,404,584</u>	<u>293,707,196</u>	<u>270,120,668</u>
OPERATING PROFIT		<u>1,867,066,463</u>	<u>1,356,827,300</u>	<u>1,049,419,834</u>
OTHER INCOME (CHARGES)				
Gain on sale of investment properties	15	257,686,063	312,453,208	247,309,983
Finance costs	17, 21, 23	(72,107,089)	(83,790,875)	(107,677,335)
Share in net losses of associates and joint ventures	13	(992,977)	(5,297,857)	(692,185)
Finance income	8, 10, 21	15,769,771	4,120,195	6,801,528
Other income	21	25,755,500	55,610,000	18,479,595
		<u>226,111,268</u>	<u>283,094,671</u>	<u>164,221,586</u>
PROFIT BEFORE TAX		<u>2,093,177,731</u>	<u>1,639,921,971</u>	<u>1,213,641,420</u>
TAX EXPENSE	24	<u>533,370,371</u>	<u>437,417,058</u>	<u>341,952,128</u>
NET PROFIT		<u>P 1,559,807,360</u>	<u>P 1,202,504,913</u>	<u>P 871,689,292</u>
Net profit attributable to:				
Equity holders of the parent company		P 1,560,481,325	P 1,200,191,746	P 874,395,883
Noncontrolling interest		(673,965)	2,313,167	(2,706,591)
		<u>P 1,559,807,360</u>	<u>P 1,202,504,913</u>	<u>P 871,689,292</u>
Earnings Per Share - Basic and Diluted	26	<u>P 0.57</u>	<u>P 0.70</u>	<u>P 0.94</u>

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
NET PROFIT		P 1,559,807,360	P 1,202,504,913	P 871,689,292
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	23	14,339,519	(23,902,041)	(30,431,981)
Tax income (expense)	24	(4,301,856)	7,170,612	9,129,594
		10,037,663	(16,731,429)	(21,302,387)
Item that will be reclassified subsequently to profit or loss				
Fair valuation of available-for-sale financial assets	16, 27	80,115	(80,695)	229,154
Other Comprehensive Income (Loss) – net of tax	27	10,117,778	(16,812,124)	(21,073,233)
TOTAL COMPREHENSIVE INCOME		P 1,569,925,138	P 1,185,692,789	P 850,616,059
Total comprehensive income attributable to:				
Equity holders of the parent company		P 1,570,599,103	P 1,183,379,622	P 853,322,650
Noncontrolling interest		(673,965)	2,313,167	(2,706,591)
		P 1,569,925,138	P 1,185,692,789	P 850,616,059

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

Note	Attributable to Owners of the Parent Company						Noncontrolling Interest	Total Equity
	Capital Stock	Revaluation Reserves - net	Other Reserves	Retained Earnings		Total		
				Unappropriated	Appropriated			
Balance at January 1, 2017	P 1,716,691,200	(P 21,052,954)	(P 275,974,845)	P 5,407,669,358	P 1,200,000,000	P 8,027,332,759	P 659,636,592	P 8,686,969,351
Stock dividends declared	1,000,000,000	-	-	(1,000,000,000)	-	-	-	-
Total comprehensive income for the year	-	10,117,778	-	1,560,481,325	-	1,570,599,103	(673,965)	1,569,925,138
Balance at December 31, 2017	<u>P 2,716,691,200</u>	<u>(P 10,935,176)</u>	<u>(P 275,974,845)</u>	<u>P 5,968,150,683</u>	<u>P 1,200,000,000</u>	<u>P 9,597,931,862</u>	<u>P 658,962,627</u>	<u>P 10,256,894,489</u>
Balance at January 1, 2016	P 1,716,691,200	(P 4,240,830)	(275,974,845)	P 4,207,477,612	P 1,200,000,000	P 6,843,953,137	P 657,323,425	P 7,501,276,562
Total comprehensive income for the year	-	(16,812,124)	-	1,200,191,746	-	1,183,379,622	2,313,167	1,185,692,789
Balance at December 31, 2016	<u>P 1,716,691,200</u>	<u>(P 21,052,954)</u>	<u>(P 275,974,845)</u>	<u>P 5,407,669,358</u>	<u>P 1,200,000,000</u>	<u>P 8,027,332,759</u>	<u>P 659,636,592</u>	<u>P 8,686,969,351</u>
Balance at January 1, 2015	P 395,000,000	P 16,832,403	P -	P 2,765,416,094	P 1,200,000,000	P 4,377,248,497	P 1,227,730,249	P 5,604,978,746
Changes in ownership interest that do not result in a loss of control	-	-	(275,974,845)	567,665,635	-	291,690,790	(567,700,233)	(276,009,443)
Issuances during the year	1,321,691,200	-	-	-	-	1,321,691,200	-	1,321,691,200
Total comprehensive income for the year	-	(21,073,233)	-	874,395,883	-	853,322,650	(2,706,591)	850,616,059
Balance at December 31, 2015	<u>P 1,716,691,200</u>	<u>(P 4,240,830)</u>	<u>(P 275,974,845)</u>	<u>P 4,207,477,612</u>	<u>P 1,200,000,000</u>	<u>P 6,843,953,137</u>	<u>P 657,323,425</u>	<u>P 7,501,276,562</u>

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,093,177,731	P 1,639,921,971	P 1,213,641,420
Adjustments for:				
Gain on sale of investment properties	15	(257,686,063)	(312,453,208)	(247,309,983)
Depreciation and amortization	14, 15	110,657,533	100,326,674	91,542,453
Finance costs	21	72,107,089	83,790,875	107,677,335
Finance income	21	(15,760,377)	(3,152,655)	(2,572,486)
Share in net losses of associates and joint ventures	13	992,977	5,297,857	692,185
Unrealized foreign currency gains - net		(9,394)	(967,540)	(4,208,939)
Operating profit before working capital changes		2,003,479,496	1,512,763,974	1,159,461,985
Increase in receivables		(423,240,356)	(671,346,402)	(1,040,347,008)
Decrease in cost and estimated earnings in excess of billings on uncompleted contracts		-	-	345,779
Decrease in land and land development costs		141,520,283	120,375,150	73,260,895
Increase in property development costs		(568,717,398)	(24,286,634)	-
Increase in other assets		(577,530,165)	(145,782,227)	(75,305,722)
Increase (decrease) in trade and other payables		561,824,185	(112,977,287)	(95,400,292)
Decrease in estimated liability for land development costs		(141,987,098)	(90,073,393)	(265,430,053)
Increase (decrease) in deposits and advances		95,836,052	(76,391,732)	157,438,902
Increase in reserve for property development		125,569,414	18,235,279	-
Increase in deferred gross profit on real estate sales		45,272,099	3,108,132	-
Increase in retirement benefit obligation		1,013,715	1,745,184	829,831
Cash generated from (used in) operations		1,263,040,227	535,370,044	(85,145,683)
Cash paid for final and capital gains taxes	24	(24,993,156)	(42,926,624)	(29,907,894)
Interest received		7,154,349	2,993,008	2,572,486
Net Cash From (Used in) Operating Activities		1,245,201,420	495,436,428	(112,481,091)
CASH FLOWS FROM INVESTING ACTIVITIES				
Construction in progress and development costs of investment properties	15	(746,426,905)	(392,831,908)	(96,077,735)
Proceeds from sale of investment properties	15	448,828,202	465,510,000	434,700,000
Net collection from (additional advances to) and investments in associates, joint ventures and other related parties	25	13,578,391	(28,673,762)	73,637,741
Acquisition of available-for-sale financial assets	16	(48,828,780)	(1,250,000)	(23,625,000)
Acquisitions of property and equipment	14	(18,908,741)	(62,800,577)	(108,577,068)
Net Cash From (Used in) Investing Activities		(351,757,833)	(20,046,247)	280,057,938
Balance carried forward		P 893,443,587	P 475,390,181	P 167,576,847

	Notes	2017	2016	2015
<i>Balance brought forward</i>		P 893,443,587	P 475,390,181	P 167,576,847
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings	17	(545,478,732)	(637,348,888)	(2,610,473,977)
Additional interest-bearing loans and borrowings	17	358,972,403	421,211,951	2,209,065,651
Finance costs paid		(82,959,332)	(81,872,909)	(106,172,093)
Repayments of advances from related parties	25	(8,960,439)	(4,256,785)	(227,342,312)
Advances received from related parties	25	1,219,082	595,000	774,974
Net Cash Used in Financing Activities		(277,207,018)	(301,671,631)	(734,147,757)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents		9,394	967,540	4,208,939
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		616,245,963	174,686,090	(562,361,971)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		815,171,402	640,485,312	1,202,847,283
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,431,417,365	P 815,171,402	P 640,485,312

Supplemental Information on Noncash Activities:

- On January 20, 2017, the Board of Directors and stockholders approved the declaration of stock dividends representing 1,000,000,000 common shares or equivalent to P1,000.0 million (see Note 27.1).
- In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million. There was no outstanding liabilities related to this transaction as of December 31, 2017 as the related liability was offset against the advances granted to the related party [see Notes 15(b) and 25.1]. There was no similar transaction in 2016 and 2015.
- In 2017, 2016 and 2015, the Group sold certain investment properties to third parties with selling price amounting to P400.9 million, P713.1 million and P490.4 million, respectively. The outstanding balance from these transactions amounted to P226.1 million as of December 31, 2016 and is presented as part of Installment receivables under Receivables account (see Notes 9 and 15). There was no outstanding receivable arising from the 2017 transaction.
- In 2017 and 2016, capitalized borrowing costs amounted to P16.3 million and P1.4 million, respectively (see Notes 15 and 17). There were no capitalized borrowing costs in 2015.
- In 2017 and 2016, the Group has non-cash transactions related to its real estate transactions such as the reserve for property development and deferred gross profit on real estate sales (see Note 10). These non-cash activities are presented under Operating Activities in the 2017 and 2016 consolidated statements of cash flows.
- In 2016, the Group recognized an adjustment on estimated liability for land development which resulted in a corresponding decrease in Land and Land Development Costs and Investment Properties (see Notes 3, 11 and 15). There was no similar transaction in 2017.
- In 2017 and 2016, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million and P186.5 million, respectively. The reclassification resulted from change in management's intention to hold the related land for rental purposes (see Notes 11 and 15).
- In 2015, pursuant to a deed of exchange, the Parent Company issued shares with an aggregate par value equivalent to P321.7 million to a certain individual stockholder in exchange for certain investments in Fabricom, Inc. (FI), *formerly Fabricom-XCMG Philippines, Inc.*, valued at P298.0 million and condominium unit with parking lots valued at P23.7 million, which were owned by the same individual stockholder prior to the exchange (see Notes 13, 15 and 27). The related investments in FI were accordingly eliminated at consolidation.
- In 2015, the Parent Company issued shares with an aggregate par value equivalent to P1,000.0 million to Wendel Holdings Co., Inc. (WHI) through the application of deposits for future stock subscription amounting to P1,000.0 million received from WHI in prior years (see Note 27.1).
- In 2015, certain advances amounting to P22.0 million from a minority stockholder was converted to additional investments in a subsidiary, which did not result in a change in percentage ownership of the minority stockholder. Subsequently, in 2015, the Group acquired through cash consideration the entire 40.00% minority interest of the other stockholder resulting in 100.00% effective ownership in the same subsidiary (see Note 27.4).
- In 2015, the Group liquidated certain advances to stockholders amounting to P164.8 million in connection with the titling and other direct costs incurred on land through offsetting with the related estimated liability for development costs.

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company's application for the extension of its corporate life.

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 13).

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 78.65% as of December 31, 2017 and 2016.

DMWAI's registered office, which is also its principal place of business, is located at 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 306 E. Rodriguez Sr. Boulevard, Quezon City.

1.2 Subsidiaries, Associates and Joint Ventures

The Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the “Group”), that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these consolidated financial statements.

Name of Subsidiaries/Associates/Joint Ventures	Explanatory Notes	Effective Percentage of Ownership
Subsidiaries:		
<i>Direct:</i>		
Aseana Residential Holdings Corp. (ARHC), <i>formerly Bonwood Holdings, Inc.</i>	(a)	100.00%
Aseana Holdings, Inc. (AHI)	(b)	99.98%
Fabricom, Inc. (FI), <i>formerly</i> <i>Fabricom-XCMG Philippines, Inc.</i>	(c)	99.98%
Fabricom Realty Development Corporation (FRDC)	(d)	62.20%
R-1 Consortium, Inc. (R-1)	(e)	55.45%
<i>Direct and Indirect:</i>		
Portal Holdings, Inc. (PHI)	(f)	100.00%
Mandaue Land Consortium, Inc. (MLCI)	(g)	81.00%
Aseana I.T. Plaza, Inc. (AITPI)	(h)	66.97%
SHLP BBP Realty, Inc. (SBRI)	(i)	55.96%
<i>Indirect:</i>		
<i>Accounted for as Asset Acquisition –</i>		
Reine, Inc. (Reine)	(j)	100.00%
Boracay International Airport & Dev’t Corp. (BIADC)	(k)	99.98%
U-City Technologies Philippines, Inc. (UCTPI)	(l)	99.98%
Aseana City Transport & Travel Corp. (ACTTC)	(m)	99.98%
Aseana Gas Energy Corp. (AGEC)	(n)	99.98%
Bay Area Holdings, Inc. (BAHI)	(o)	59.98%
Associates:		
Alphaland Heavy Equipment, Corp. (AHEC)	(p)	50.00%
European Resources and Technology, Inc. (ERTI)	(q)	42.00%
Aseana CL, Beach and Marina Development Corporation (ACBMDC)	(r)	36.00%
Joint ventures:		
Bay Resources and Development Corporation (BRADCO)	(s)	50.00%
Alphaland Bay City Corporation (ABCC)	(t)	34.73%

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.

- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives. As more fully discussed in Notes 27.1 and 27.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (g) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (h) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (i) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (j) Reine was acquired in 2016 and indirectly owned through AHI [see Notes 3.1(h) and 13.5]; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.
- (k) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.
- (l) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services. In September 2015, AHI acquired through cash consideration the entire 40.00% minority interest of the other stockholder resulting in 100.00% direct ownership by AHI in UCTPI (see Note 27.4).
- (m) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.
- (n) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.
- (o) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities. As more fully discussed in Notes 27.1 and 27.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (p) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of December 31, 2017, AHEC is currently in the process of liquidation (see Note 13.1).
- (q) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (r) DMWAI's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (s) BRADCO was established to acquire, develop and market real estate properties (see Note 13.2).
- (t) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

As of December 31, 2017, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGECE, ACBMDC and ABCC have not yet started commercial operations.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2017 (including the comparative consolidated financial statements for the years ended December 31, 2016 and 2015) were authorized for issue by the Parent Company's Board of Directors (BOD) on January 25, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis for Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents the consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

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

(c) Functional and Presentation Currency

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

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

(d) *Other Information*

In 2015, the Parent Company processed its application for the registration of the Parent Company's common shares with the SEC and Philippine Stock Exchange (PSE) through an initial public offering, which was also approved by the SEC and PSE in the same year. On July 18, 2016, the Parent Company submitted a letter to the SEC to temporarily defer the plan. In 2017, the Parent Company has revived its plan and is currently in the initial stage of processing such registration with the SEC. Relative to this, the Group presented a third consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended December 31, 2015.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2017 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle)	:	
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

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

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

Management has applied these amendments in the current year. The Group's liabilities arising from financing activities include loans and borrowings and advances from and due to related parties. The reconciliation between the opening and closing balances of these liabilities arising from financing activities which includes only changes in financing cash flows are presented in Notes 17 and 25, respectively.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments has no impact on the Group's consolidated financial statements.
- (iii) Annual improvements to PFRS (2014-2016 Cycle) – PFRS 12, *Disclosure of Interests in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale*. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The amendment did not result in additional or changes in the disclosures in the Group's consolidated financial statements as the Group has no interest in other entities classified as held for sale.

(b) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments and improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the relevant pronouncements discussed below in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 40 (Amendments), *Investment Property – Transfers of Investment Property* (effective from January 1, 2018). The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments also provided a non-exhaustive list of examples constituting change in use.

- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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

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

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

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

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects all the Group's financial assets currently classified as loans and receivables to continue to be classified and accounted for at amortised cost.
 - The Group's equity securities currently classified as available-for-sale (AFS) financial asset, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.
 - The ECL model will apply to the Group's certain receivables and AFS financial assets. For other receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.
- (iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (iv) PFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: Philippine Interpretation of International Financial Reporting Interpretation Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in this standard is for an entity to recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

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

Based on the Group’s initial assessment of its revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its significant source of revenue from contracts with customers covered by PFRS 15 pertains to real estate sales which include sale of land and condominium units.

For sale of condominium units, the Group’s performance obligation is to transfer ownership over the developed properties. The Group begins selling real properties prior to the completion of the development. Based on the requirements of PFRS 15, the Group has assessed that its performance obligation on its sale of real properties under development is satisfied over time considering that, under existing laws and regulations, the Group does not have an alternative use on the assets being developed and that it has rights to payment over the development completed to date. When the Group sells developed properties including parcels of land, its performance obligation is satisfied at a point in time; that is when the customer has accepted the property.

The Group has also assessed that a significant financing component is common to its contracts to sell real properties as the timing of collection of promised consideration is not aligned with the timing of the satisfaction of performance obligation. Such timing difference usually extends beyond twelve months.

- (v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
- (vi) Annual Improvements to PFRS 2014 - 2016 Cycle. Among the improvements, PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value* (effective from January 1, 2018) is relevant to the Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

- (vii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. Management is currently assessing the impact of these new amendments in its consolidated financial statements.
- (viii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income. Management is currently assessing the impact of these amendments in the Group’s consolidated financial statements.
- (ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

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

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

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

- (x) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the tax authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation in its consolidated financial statements.
- (xi) Annual Improvements to PFRS 2015 - 2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that when a specific borrowing remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of an entity's general borrowings used in calculating the capitalization rate for capitalization purposes.
 - PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, associates, joint ventures and noncontrolling interests as follows:

(a) *Investments in Subsidiaries*

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

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

(i) *Accounting for Business Combination using the Acquisition Method*

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

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

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

(ii) *Accounting for Business Combination using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting. Under this method, the financial information of the acquired entities are included as if the acquisition occurred in the earliest period presented. The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) *Investment in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

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

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

(c) *Investment in Joint Ventures*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in joint venture will not be recovered (see Note 2.20).

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

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(d) Transactions with Noncontrolling Interests

The Group's transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., Other Reserves account). Disposals of equity investments to noncontrolling interests result in gains and losses for the Group that are also recognized in other components of equity.

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

2.4 *Financial Assets*

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

(a) *Classification and Measurement of Financial Assets*

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

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

(i) *Loans and Receivables*

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables (except Advances to suppliers) and Advances to associates, joint ventures and other related parties (presented as part of Advances to and Investments in Associates, Joint Ventures and Other Related Parties account) in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

(ii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included as part of Other Non-current Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS financial assets include golf club shares and certain equity securities. All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, and are reported as part of the Revaluation Reserves account in equity (see Note 2.24), except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

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

(b) *Impairment of Financial Assets*

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

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

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

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

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

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

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

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

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

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

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

(d) Derecognition of Financial Assets

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

2.5 Land and Land Development Costs and Property Development Costs

(a) Land and Land Development Costs

Land and land development costs are initially recorded at acquisition cost or cost of land reclamation and related land development costs, if the land is reclaimed. Land and land development costs include capitalized borrowing costs incurred before the completion of the reclamation project (see Notes 2.14 and 2.22). A valuation allowance is provided for land development costs that are no longer recoverable.

Subsequent to initial recognition, land and land development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

(b) Property Development Costs

The costs of development and construction of the residential condominium project of the Group are accumulated in the Property Development Costs account in the consolidated statement of financial position. Borrowing costs, if any, on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.22). The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property.

Costs of properties and projects accounted for as Property Development Costs are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.6 Property and Equipment

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

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.22). Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land improvements	15 years
Machinery and construction equipment	3-5 years
Transportation equipment	5 years
Furniture and office equipment	2-5 years
Machinery and other equipment	3 years

Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

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

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

2.7 Other Assets

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

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

2.8 Investment Properties

Properties held for lease under operating lease agreements and/or for capital appreciation, which comprise mainly of land, buildings and improvements and condominium units, are classified as investment property and carried at cost less accumulated depreciation and any impairment loss except for land, which is carried at cost less any impairment in value (see Note 2.20).

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and improvements	30 years
Condominium units	25 years

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing costs (see Note 2.22). Cost is recognized when materials purchased and services performed in relation to construction of an asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, useful life and method of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Rental income and operating expenses from investment property, reported under Revenues and Cost of Services and Sales, respectively, are recognized as described in Note 2.15.

2.9 Business Combinations

PFRS 3 requires that an entity shall determine whether a transaction or other event is a business combination. If the assets acquired are not a business, the entity shall account for the transaction as an asset acquisition. Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting [see Note 2.3(a)]. The accounting policy for asset acquisition is more fully discussed in Note 2.26.

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

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

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

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

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

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

2.10 Financial Liabilities

Financial liabilities, which include loans and borrowings, trade and other payables (except tax-related liabilities), advances from a co-joint venturer, advances from and due to related parties, rental deposits and construction bond under Deposits and Advances account, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense under Finance Costs account in the consolidated statement of profit or loss.

Loans and borrowings are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance costs are charged to profit or loss, except for capitalized borrowing costs for qualifying assets, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Advances from related parties, advances from a co-joint venturer and due to a related party are initially recognized at its nominal value and subsequently measured at amortized cost less settlement payments.

Rental deposits are recognized when cash is received or becomes receivable from tenants based on the terms of the lease agreements. These are initially measured at the amount of cash received or receivables in accordance with the terms of the lease agreement. Rental deposits are subsequently measured at amortized cost using the effective interest method.

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

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

2.11 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

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

2.12 Offsetting Financial Instruments

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

2.13 Provisions and Contingencies

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

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

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

2.14 Estimated Liability for Land Development Costs and Reserve for Property Development

(a) Estimated Liability for Land Development Costs

This pertains to the estimated development costs of parcels of land owned by the Group and sold to third parties whereby the Group has a contractual obligation to complete the development of the land. Estimated cost of liability is based on the estimates of the engineering department of the Parent Company and capitalized as Land and Land Development Costs in the consolidated statement of financial position (see Note 2.5).

(b) Reserve for Property Development

The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property (see Note 2.5). The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Sale of Condominium Units account presented in the consolidated statement of profit or loss with a corresponding credit to a liability account, Reserve for Property Development.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from construction contracts, rentals and sale of land and condominium units measured by reference to the fair value of consideration received or receivable by the Group for construction, operating leases, and sale of land, excluding value-added tax (VAT).

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

- (a) *Rentals* – revenue from rentals arising from the lease of investment property comprising of land and buildings is recognized on the straight-line basis over the lease term based on the provision of the relevant lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties (see Note 2.17). In addition, other revenues arising from common use service area charges are recognized when the performance of contractually agreed task has been substantially rendered.
- (b) *Sale of land* – revenue on sale of raw land is recognized in full when at least 25% of the total contract price is collected or when the Group is certain that the sale will not be cancelled even if the collection is below 25%. Under the full accrual method, revenue is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the Group does not have a substantial continuing involvement with the properties sold to a buyer. The collectability of the sales price is considered reasonably assured when 25% of the total contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Revenue on sale of real estate other than raw land and condominium units, if any, is also recognized under the full accrual method. The Group recognizes the revenue in full when 25% or more of the contract price is received and development of the real estate property has reached 100% completion at which point buyer may already use the property.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Buyers' deposits under the Deposits and Advances account in the consolidated statement of financial position.

- (c) *Construction contracts* – revenue is recognized based on the percentage-of-completion method (see Note 2.16).
- (d) *Sale of condominium units* – for financial reporting purposes, revenues from transactions involving sales of residential condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit on Sale of Condominium Units in the consolidated statement of profit or loss; and, the cumulative unrealized gross profit as of the end of the reporting period is shown as Deferred Gross Profit on Sale of Condominium Units in the consolidated statement of financial position.

Sale of condominium units is recognized when 20% of the total contract price has already been collected. The amount of sale of condominium units recognized in the consolidated statement of comprehensive income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify for recognition as sale, the deposit method is applied until all conditions for recognizing the sale are met. Pending the recognition of sale, payments received from buyers are presented as Reservation deposits under the Deposits and Advances account, classified as current or non-current liability in the consolidated statement of financial position depending on the remaining term of the relevant contract.

Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

For tax reporting purposes, revenue on sale and cost of real estate sold are recognized in full when at least 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of residential condominium units sold are recognized based on the percentage of collections over the contract price, excluding VAT.

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

The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Costs of land and residential condominium units sold before completion of the contemplated development is determined based on the actual costs incurred to date plus estimated costs for development as determined by the Parent Company's engineering department and are recognized when the related revenue from sale of land and condominium units is recognized [see Notes 2.5 and 2.14(b)].

Costs of rentals and other costs and operating expenses are recognized in the profit or loss upon utilization of the goods or services or at the date they are incurred.

2.16 Construction Contracts

Contract costs are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract.

The Group uses the percentage-of-completion method to determine the appropriate amount to recognize as revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The asset account Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts represents the gross amount due from customers for all contracts in progress for which costs incurred plus recognized profits (less estimated losses) exceed progress billings. Progress billings not yet paid by customers and retention are presented as part of Receivables in the consolidated statement of financial position.

Contract costs include direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately in profit or loss when it is probable that the total contracts will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract; (b) the stage of completion of contract work; or (c) the amount of profits expected to arise on other contracts. Change in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the changes are determined.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term (see Note 2.6).

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

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties [see Note 2.15(c)].

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

2.18 Related Party Transactions and Relationships

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

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

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

2.19 Foreign Currency Transactions and Translation

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

Foreign currency gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as part of Finance income or Finance costs under Other Income (Charges) account in the consolidated statement of profit or loss.

2.20 Impairment of Non-financial Assets

The Group's investments in associates and joint ventures, property and equipment, investment properties and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

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

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

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

2.21 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Republic Act (R.A.) No. 7641, *The Retirement Pay Law*, which is of a defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service.

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets, if any, for funding the defined benefit plan have been acquired.

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

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the defined benefit liability or asset during the period as a result of contributions and benefit payments. Interest is reported as part of Finance costs under Other Income (Charges) account in the consolidated statement of profit or loss.

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

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g., Social Security System). Under this plan, the Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Compensated Absences*

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

2.22 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 2.5, 2.6 and 2.8). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

2.23 *Income Taxes*

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

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

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

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

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

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

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

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

2.24 Equity

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

Revaluation reserves comprise of:

- (a) Fair valuation of AFS financial assets arising from gains or losses due to the changes in fair value (see Note 2.4);
- (b) Remeasurements of retirement benefit obligation based on the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit obligation; and,
- (c) Gains and losses due to the revaluation of certain investment property, previously classified as property and equipment, which is treated as part of the deemed cost upon transition to PFRS.

Other reserves pertain to the difference between the proportionate share of the Parent Company in the net assets of a subsidiary over the cost of the investment in the subsidiary under the common control business combination which is accounted for using pooling-of-interest method.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared, if any. Retained earnings also include an appropriated portion and therefore, are not available for dividend declaration or being restricted to cover the business expansion of the Group (see Note 27.3).

2.25 Earnings and Diluted Earnings Per Share

Basic earnings per share is determined by dividing net profit by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 26).

The diluted earnings per share is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted earnings per share are the same as there are no dilutive preferred shares, convertible loan and stock option (see Note 26).

2.26 Acquisition of Assets

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition (see Note 2.9). A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchased accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.27 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determining Impairment of AFS Financial Assets

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

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, including club shares and other equity securities, management concluded that none of those assets are impaired as of December 31, 2017 and 2016. Future changes in those information and circumstance may significantly affect the carrying amount of the assets.

(b) Distinguishing Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction activities and its supply process.

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

(c) Distinguishing Land and Land Development Costs and Investment Properties

The Group's management identifies a property as Land and Land Development Costs (property to be developed and/or eventually sold in the normal course of business) or Investment Properties (properties intended to earn rentals, capital appreciation or held for a currently undetermined future use) at the end of each reporting period following the approved plan of the Group.

As of December 31, 2017 and 2016, parcels of land identified as Land and Land Development Costs amounted to P3,323.6 million and P3,519.8 million, respectively (see Note 11).

Parcels of land, classified as Investment Properties, amounted to P13,234.2 million and P13,303.7 million as of December 31, 2017 and 2016, respectively, including changes on the estimated development cost (see Note 15).

The Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million and P186.5 million in 2017 and 2016, respectively, which resulted from change in management intention to hold the related land for rental purposes (see Notes 11 and 15).

(d) *Distinguishing Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that all of its existing lease arrangements as a lessor at the end of each reporting period qualify under operating lease.

Management recognized rental income from a certain lease agreement starting in September 2014, which coincides with the physical turnover by the Group and receipt by the tenant of the property for commencement of its development in accordance with the lease agreement (see Notes 9.1, 19 and 28.1). The commencement and duration of the property's development are included in the rent free period of the arrangement.

(e) *Determining Capitalization of Borrowing Costs*

The Group determines whether borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit (see Notes 15 and 17).

(f) *Evaluating Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures thereon are presented in Note 28.

(g) *Determining Joint Control in an Arrangement and Significant Influence over an Investee*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing the Group's interest in an arrangement or influence over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including the terms of any contractual arrangement.

(b) *Distinguishing between Business Combination and Asset Acquisition*

The Group determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Although the Group purchased shares of stock resulting in full equity ownership interest in Reine in 2016, the Group has assessed that under PFRS 3, the acquisition is to be accounted for as an asset acquisition since it does not constitute a purchase of a “business” (see Notes 1.2, 2.26 and 13.5).

3.2 Key Sources of Estimation Uncertainty

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

(a) *Estimating Useful Lives of Property and Equipment and Investment Properties*

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

The carrying amounts of property and equipment and investment properties are analyzed in Notes 14 and 15, respectively. Based on management’s assessment, there is no change in the estimated useful lives of property and equipment and investment properties in 2017 and 2016. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) *Determining Net Realizable Value of Land and Land Development Costs*

In determining the net realizable value of land and land development costs, management takes into account the most reliable evidence such as the comparable price of recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the carrying amount of the Group’s land and land development costs within the next reporting period.

As indicated in Note 11, management assessed that the net realizable values of its land and land development costs is higher than its cost.

(c) *Determining Net Realizable Value of Property Development Costs*

In determining the net realizable value of property development costs, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of property development costs is affected by price changes for the cost to complete, and upon completion, the selling prices in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the carrying amounts of the Group's property development costs within the next reporting period.

As more fully discussed in Note 10, management assessed that the net realizable values of its property development costs is higher than its cost.

(d) *Determining Principal Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model. In determining the fair value of these assets, the Group engaged the services of professional and independent appraisers applying the relevant valuation methodologies. The fair value disclosed in the consolidated financial statements is determined using the:

- Market approach for land based on information on current or recent transaction prices for 2017 and 2016; and,
- Cost approach based on consideration of the cost to reproduce or replace the buildings and improvements to its service capacity in accordance with current market prices for similar assets less depreciation for 2017 and 2016.

The Group determined that the cost approach for buildings and improvements more appropriately reflects the highest and best use of the property based on market conditions and development. The Group consistently uses assumptions that are mainly based on market conditions existing at the end of each reporting period. For the valuation methodologies adopted prior to December 31, 2017, management determined that there were no significant circumstances that may affect the fair value determination of investment properties.

The fair values of investment properties as of December 31, 2017 and 2016 are disclosed in Note 15 while the relevant valuation methodology and fair value hierarchy are disclosed in Note 7.4.

(e) *Estimated Liability for Land Development Costs*

The total estimated development costs of certain parcels of land reclaimed and transferred to third and related parties are determined by the Parent Company's engineering department based on updated budgets and available information and circumstances. The Group recognizes the effects of revisions in the total development cost estimates of its project in the year in which these changes become known. Judgments and estimates are reviewed on a continuing basis and any revisions to accounting estimates are recognized prospectively.

In 2016, the Group recognized an adjustment on estimated liability for land development as a result of an updated estimate from budget, most recent information and circumstances determined by the Parent Company's engineering department. The change in the Estimated Liability for Land Development Costs account totaling to P278.1 million resulted in a corresponding decrease in Land and Land Development Costs account amounting to P119.8 million and Investment Properties account amounting to P158.3 million (see Notes 11 and 15). There was no similar transaction in 2017.

As of December 31, 2017 and 2016, estimated liability for land development costs, which management deemed the amount as reasonable to be recognized amounted to P7,606.4 million and P7,748.4 million, respectively, presented under current and non-current liabilities section in the consolidated statements of financial position.

(f) Percentage Benchmark Used in Recognition of Revenue from Sale of Land

The percentage benchmark used by the Group in determining whether to recognize the gross profit from sale under full accrual method is 25% collection of the total contract price. Management believes that the revenue recognition criterion is appropriate based on the collection history and credit worthiness of customers. Buyer's interest in the property is considered to have vested when the payment of at least 25% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment and ability to complete the payment of the total contract price.

The Group applied the full accrual method to recognize revenue from sale of land totaling P1,088.3 million, P600.7 million and P329.8 million in 2017, 2016 and 2015, respectively, and are presented as Sale of land under Revenues account in the consolidated statements of profit or loss.

(g) Percentage Benchmark Used in Recognition of Sale of Condominium Units

The percentage benchmark used by the Group in determining whether to recognize revenue from sale of condominium units is 20% collection of the total contract price. Buyer's interest in the property is considered to have vested when the payment of at least 20% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment and ability to complete the payment of the total contract price.

As more fully discussed in Note 10, the Group recognized revenue from sale of condominium units amounting to P213.8 million and P21.9 million, net of day-one loss of P19.2 million and P2.7 million in 2017 and 2016, respectively, and is presented as Sale of condominium units under Revenues account in the consolidated statements of profit or loss.

(h) *Recognition of Revenue from Construction Contracts*

The Group recognizes its revenue from construction contracts based on the percentage of completion of the project. The Group's application of the percentage of completion method is based on careful evaluation of present circumstances and facts affecting construction of the projects. Review of the benchmarks set by management necessary for the determination of percentage of completion is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage of completion procedures which are currently in place and make the necessary revisions in the light of current progress. Expected losses at the end of the contract are recognized immediately in the profit or loss.

Based on management's assessment, no provisions for expected losses on existing contracts are required to be recognized in 2017, 2016 and 2015.

(i) *Revenue Recognition Using the Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on sale of condominium units. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Since 2016 is the initial year that the Group adopted the estimate and that the construction is only at its initial stage, management considers the difference between the actual and estimated percentage-of-completion as not material. However, actual results may vary due to changes in estimates brought about by changes in factors mentioned above.

(j) *Impairment of Receivables*

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

Based on management's assessment, the outstanding balances of receivables, net of outstanding allowance, as of December 31, 2017 and 2016 are fully collectible (see Note 9).

(k) *Valuation of AFS Financial Assets*

The Group carries certain investments in AFS financial assets presented as part of Other Non-current Assets account, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and other comprehensive income.

The carrying value of the Group's AFS financial assets and the amount of fair value changes recognized in 2017, 2016 and 2015 are disclosed in Note 16.2.

(l) *Determining Realizable Amount of Deferred Tax Assets*

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

Management assessed that the deferred tax assets as of December 31, 2017 and 2016, will be fully utilized as it is expecting sufficient taxable profits against which the deferred tax assets can be applied (see Note 24).

(m) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.20). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, there is no impairment losses required to be recognized on the Group's non-financial assets in 2017, 2016 and 2015.

(n) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 23.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used on estimating such obligation are presented in Note 23.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

- (a) *Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (b) *Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.
- (c) *Rentals* – refers to leasing of real estate properties, including land and building and other structures.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, land and land development cost, property development costs, property and equipment, and investment properties. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of loans and borrowings, trade and other payables, estimated liability for land development costs, reserve for property development and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	<u>Rentals</u>			<u>Construction</u>			<u>Sale of Land and Condominium Units</u>			<u>Total</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES												
Sales to external customers	P 1,507,020	P 1,326,597	P 1,229,208	P 202,133	P 231,164	P 82,296	P 1,302,074	P 622,575	P 329,750	P 3,011,227	P 2,180,336	P 1,641,254
Intersegment sales	153,091	152,274	117,982	751,116	-	11,383	-	-	-	904,207	152,274	129,365
Total revenues	1,660,111	1,478,871	1,347,190	953,249	231,164	93,679	1,302,074	622,575	329,750	3,915,434	2,332,610	1,770,619
COSTS AND OTHER OPERATING EXPENSES												
Cost of sales and services excluding depreciation and amortization	136,497	123,578	119,409	124,513	187,487	58,700	344,559	142,210	73,261	605,569	453,275	251,370
Depreciation and amortization	65,465	62,059	69,596	7,721	14,467	748	-	-	-	73,186	76,526	70,344
Other expenses	117,733	118,980	119,003	5,148	2,745	3,664	70,513	20,750	1,232	193,394	142,475	123,899
	319,695	304,617	308,008	137,382	204,699	63,112	415,072	162,960	74,493	872,149	672,276	445,613
SEGMENT OPERATING PROFIT	P 1,340,416	P 1,174,254	P 1,039,182	P 815,867	P 26,465	P 30,567	P 887,002	P 459,615	P 255,257	P 3,043,285	P 1,660,334	P 1,325,006

Segment assets and liabilities are allocated to each segment as follows (in thousands):

	<u>Rentals</u>		<u>Construction</u>		<u>Sale of Land and Condominium Units</u>		<u>Total</u>	
	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Assets</u>	<u>Total Liabilities</u>
December 31, 2017	P 19,394,528	P 9,178,722	P 2,958,038	P 967,787	P 4,487,534	P 8,641,690	P 26,840,100	P 18,788,199
December 31, 2016	18,230,023	8,655,639	1,459,008	1,195,542	4,010,981	8,073,144	23,700,012	17,924,325

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

In 2017, rental revenues from a single lessee and sale of land from two customers account for 25.21% and 36.11% of the consolidated revenues, respectively. In 2016, 60.42% of consolidated revenues pertained to rental revenues, construction revenues and sale of land from three major customers, while in 2015, 43.35% of consolidated revenues pertained to rental revenues from one major lessee.

Rentals segment assets include certain real estate assets (i.e., parcels of land) held as investment properties for capital appreciation or future lease.

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Total segment revenues	P 3,915,434	P 2,332,610	P 1,770,619
Elimination of intersegment revenues	(904,207)	(152,274)	(129,365)
Revenues as reported in the consolidated statements of profit or loss	<u>P 3,011,227</u>	<u>P 2,180,336</u>	<u>P 1,641,254</u>
Profit or loss			
Segment operating profit	P 3,043,285	P 1,660,334	P 1,325,006
Elimination of intersegment revenues	(904,207)	(152,274)	(129,365)
Other unallocated expenses	(272,012)	(151,233)	(146,221)
Operating profit as reported in the consolidated statements of profit or loss	1,867,066	1,356,827	1,049,420
Finance costs	(72,107)	(83,791)	(107,677)
Share in net losses of associates and joint ventures	(993)	(5,298)	(692)
Finance income	15,770	4,120	6,802
Other unallocated income*	<u>283,442</u>	<u>368,064</u>	<u>265,788</u>
Profit before tax as reported in the consolidated statements of profit or loss	<u>P 2,093,178</u>	<u>P 1,639,922</u>	<u>P 1,213,641</u>

* Other unallocated income includes gain on sale of investment properties in 2017, 2016 and 2015.

	<u>2017</u>	<u>2016</u>
Assets		
Segment assets	P 26,840,100	P 23,700,012
Other unallocated assets**	6,347,650	5,443,604
Elimination of intercompany accounts	(4,137,148)	(2,345,401)
 Total assets reported in consolidated statements of financial position	 <u>P 29,050,602</u>	 <u>P 26,798,215</u>
Liabilities		
Segment liabilities	P 18,788,199	P 17,924,325
Deferred tax liabilities – net	588,750	390,685
Other unallocated liabilities**	1,241,258	2,165,890
Elimination of intercompany accounts	(1,824,499)	(2,369,654)
 Total liabilities as reported in consolidated statements of financial position	 <u>P 18,793,708</u>	 <u>P 18,111,246</u>

***Other unallocated assets and liabilities mostly pertain to intercompany advances to and/or from related parties not eliminated in the consolidation.*

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 6. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Ultimate Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described as follows:

5.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The Group also holds United States (U.S.) dollar and European Union (Euro) denominated cash and cash equivalents. The Group does not have any financial liabilities denominated in foreign currency.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine peso at the closing rate, are as follows:

	2017		2016	
	U.S. Dollar	Euro	U.S. Dollar	Euro
Financial assets	<u>P 12,615,026</u>	<u>P 7,714,442</u>	<u>P 4,660,934</u>	<u>P 7,736,970</u>

The following table illustrates the sensitivity of the Group's profit before tax and equity in 2017 and 2016 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2017		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
U.S. Dollar	+/-10.88%	P 1,372,515	P 1,269,578
Euro	+/-27.30%	<u>2,106,043</u>	<u>1,948,090</u>
Total		<u>P 3,478,558</u>	<u>P 3,217,668</u>

	2016		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
U.S. Dollar	+/-12.94%	P 603,125	P 557,891
Euro	+/-26.65%	<u>2,061,903</u>	<u>1,907,261</u>
Total		<u>P 2,665,028</u>	<u>P 2,465,152</u>

If the Philippine peso had strengthened against the U.S. dollar and Euro, with all other variables held constant, the Group's profit before tax and equity would have been lower by P3.5 million and P3.2 million, respectively, in 2017 and P2.7 million and P2.5 million, respectively, in 2016. Conversely, if the Philippine peso had weakened against the U.S. dollar and Euro by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2017 and 2016 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2017 and 2016, the Group is exposed to changes in market interest rates affecting the cash flows from cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 8 and 17). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

Interest-bearing loans and borrowings and cash and cash equivalents which are subject to repricing are tested on a reasonably possible change of +/-0.54% and +/-0.45% Philippine peso in 2017 and 2016, respectively. On the other hand, the Group's exposure to foreign currency interest rate is insignificant. The percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P7.7 million and +/-P11.0 million in 2017 and 2016, respectively.

5.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers, including related parties, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2017	2016
Cash and cash equivalents	8	P 1,431,417,365	P 815,171,402
Receivables – net (<i>except for Advances to suppliers</i>)	9	4,094,543,956	3,685,549,250
Advances to associates, joint ventures and other related parties	13.3, 25.1	119,532,475	120,354,496
		<u>P 5,645,493,796</u>	<u>P 4,621,075,148</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks which is secured by a maximum coverage of P0.5 million for every depositor per banking institution, as provided for under R.A. No. 9302, *Charter of Philippine Deposit Insurance Corporation*, which is also subjected to credit risk.

(b) *Receivables*

Large portion of the Group's receivables pertains to rental receivables from leasing operations to third parties as a result of the application of PAS 17, advances to related parties and contract receivables from the Philippine Reclamation Authority (PRA) related to various implementing agreements under the memorandum of agreement entered into by the Group in relation to the reclamation and development of Aseana Business Park (ABP) (see Notes 9.1, 9.3 and 9.4). In 2017, installment receivables net of unrealized gross profit amounting to P250.4 million have been fully collected. Except for rental receivables from various and diversified profile of third party tenants, this makes the Group exposed to significant credit risk exposure to a single group of counterparties having similar characteristics.

On July 15, 2015, the PRA's BOD approved the conveyance of certain properties to the Group in settlement of PRA's liabilities related to various implementing agreements entered into with the Group. As of December 31, 2017, the properties are not yet transferred to the Group.

Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

Receivables that are past due but not impaired as at the end of the reporting period are shown below.

	<u>2017</u>	<u>2016</u>
Not more than three months	P 57,212,280	P 6,738,443
More than three months but not more than one year	48,577,234	8,181,427
More than one year	<u>629,273,754</u>	<u>649,052,745</u>
	<u>P 735,063,268</u>	<u>P 663,972,615</u>

5.3 *Liquidity Risk*

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

As of December 31, 2017 and 2016, the Group's financial liabilities have contractual maturities as follows:

		December 31, 2017		
		<u>Current</u>		<u>Non-current</u>
		<u>Within</u>	<u>6 to 12</u>	<u>1 to 5</u>
<u>Notes</u>		<u>6 months</u>	<u>Months</u>	<u>Years</u>
Loans and borrowings	17	P 1,706,297,957	P 45,153,827	P 881,407,063
Trade and other payables (except tax liabilities)	18	246,322,799	688,060,471	-
Advances from a co-joint venturer	13.2	1,000,000,000	-	-
Advances from and due to related parties	25.2	312,485,234	-	4,343,572,018
Rental deposits	19	-	88,498,491	116,756,462
Construction bond	19	-	14,101,059	-
		<u>P 3,265,105,990</u>	<u>P 835,813,848</u>	<u>P 5,341,735,543</u>
		December 31, 2016		
		<u>Current</u>		<u>Non-current</u>
		<u>Within</u>	<u>6 to 12</u>	<u>1 to 5</u>
<u>Notes</u>		<u>6 months</u>	<u>Months</u>	<u>Years</u>
Loans and borrowings	17	P 2,138,066,759	P 26,941,968	P 639,891,757
Trade and other payables (except tax liabilities)	18	210,590,773	169,039,832	-
Advances from a co-joint venturer	13.2	1,000,000,000	-	-
Advances from and due to related parties	25.2	320,226,591	-	4,343,572,018
Rental deposits	19	-	27,935,823	105,285,583
Construction bond	19	-	12,190,368	-
		<u>P 3,668,884,123</u>	<u>P 236,107,991</u>	<u>P 5,088,749,358</u>

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Values and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2017		2016	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
<i>Loan and receivables:</i>					
Cash and					
cash equivalents	8	P 1,431,417,365	P 1,431,417,365	P 815,171,402	P 815,171,402
Receivables – net	9	4,094,543,956	4,094,543,956	3,685,549,250	3,685,549,250
Advances to					
associates, joint					
ventures and					
other related					
parties	13.3,				
	25.1	<u>119,532,475</u>	<u>119,532,475</u>	<u>120,354,496</u>	<u>120,354,496</u>
		5,645,493,796	5,645,493,796	4,621,075,148	4,621,075,148
<i>AFS financial assets</i>	16.2	<u>75,795,710</u>	<u>75,795,710</u>	<u>26,886,815</u>	<u>26,886,815</u>
		<u>P 5,721,289,506</u>	<u>P 5,721,289,506</u>	<u>P 4,647,961,963</u>	<u>P 4,647,961,963</u>
Financial Liabilities					
<i>At amortized cost:</i>					
Loans and					
borrowings	17	P 2,476,902,945	P 2,432,942,006	P 2,663,409,274	P 2,611,229,585
Trade and other					
payables	18	934,383,270	934,383,270	379,630,605	379,630,605
Advances from					
and due to					
related parties	25.2	4,656,057,252	4,656,057,252	4,663,798,609	4,663,798,609
Advances from a					
co-joint					
venturer	13.2	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Rental deposits	19	205,254,953	205,254,953	133,221,406	133,221,406
Construction bond	19	<u>14,101,059</u>	<u>14,101,059</u>	<u>12,190,368</u>	<u>12,190,368</u>
		<u>P 9,286,699,479</u>	<u>P 9,242,738,540</u>	<u>P 8,852,250,262</u>	<u>P 8,800,070,573</u>

See Notes 2.4 and 2.10 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 5.

6.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments as of December 31, 2017 and 2016 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties' BODs and stockholders or upon instruction by the Ultimate Parent Company.

The following financial assets presented as part of Advances to Associates, Joint Ventures and Other Related Parties account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from Related Parties and Due to a Related Party accounts:

	Notes		Gross amounts recognized in the consolidated statements of financial position		Related amounts not set off in the consolidated statements of financial position		Net amount
Advances to associates, joint ventures and other related parties:							
December 31, 2017	25.1	P	834,302,683	(P	400,425,054)	P	433,877,629
December 31, 2016			914,881,074	(	728,838)		914,152,236
Advances from and due to related parties:							
December 31, 2017	25.2	P	4,656,057,252	(P	400,425,054)	P	4,225,632,198
December 31, 2016			4,663,798,609	(	728,838)		4,663,069,771

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

7.2 Financial Instruments Measurement at Fair Value

The Group's AFS financial assets include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2017 and 2016, the Group's AFS financial assets measured at fair value amounted to P1.6 million (see Note 16.2).

The Group has no financial liabilities measured at fair value as of December 31, 2017 and 2016.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

Certain AFS financial assets amounting to P74.2 million and P25.3 million as of December 31, 2017 and 2016, respectively, were measured at cost since there is no reliable source of fair value either through using valuation technique or based on comparable prices; hence, were not included in the fair value hierarchy.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

		December 31, 2017			
Notes		Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	8	P 1,431,417,365	P -	P -	P 1,431,417,365
Receivables – net	9	-	-	4,094,543,956	4,094,543,956
Advances to associates, joint ventures and other related parties	13.3, 25.1	-	-	119,532,475	119,532,475
		P 1,431,417,365	P -	P 4,214,076,431	P 5,645,493,796

		December 31, 2017				
	Notes		Level 1	Level 2	Level 3	Total
Financial Liabilities						
Loans and borrowings	17	P	-	P	-	P 2,476,902,945
Trade and other payables	18		-	-	934,383,270	934,383,270
Advances from and due to related parties	25.2		-	-	4,656,057,252	4,656,057,252
Advances from a co-joint venturer	13.2		-	-	1,000,000,000	1,000,000,000
Rental deposits	19		-	-	205,254,953	205,254,953
Construction bond	19		-	-	14,101,059	14,101,059
			P -	P -	P 9,286,699,479	P 9,286,699,479
		December 31, 2016				
	Notes		Level 1	Level 2	Level 3	Total
Financial Assets						
Cash and cash equivalents	8	P	815,171,402	P	-	P 815,171,402
Receivables – net	9		-	-	3,685,549,250	3,685,549,250
Advances to associates, joint ventures and other related parties	13.3, 25.1		-	-	120,354,496	120,354,496
			P 815,171,402	P -	P 3,805,903,746	P 4,621,075,148
Financial Liabilities						
Loans and borrowings	17	P	-	P	-	P 2,663,409,274
Trade and other payables	18		-	-	379,630,605	379,630,605
Advances from and due to related parties	25.2		-	-	4,663,798,609	4,663,798,609
Advances from a co-joint venturer	13.2		-	-	1,000,000,000	1,000,000,000
Rental deposits	19		-	-	133,221,406	133,221,406
Construction bond	19		-	-	12,190,368	12,190,368
			P -	P -	P 8,852,250,262	P 8,852,250,262

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2017					
Land		P -	P 71,993,562,982	P -	P 71,993,562,982
Buildings and improvements		-	-	2,865,122,127	2,865,122,127
Construction in progress		-	-	946,745,476	946,745,476
	15	P -	P 71,993,562,982	P 3,811,867,603	P 75,805,430,585

	Note	Level 1	Level 2	Level 3	Total
<u>December 31, 2016</u>					
Land	P	-	P 45,949,189,925	P -	P 45,949,189,925
Buildings and improvements		-	-	3,283,643,304	3,283,643,304
Construction in progress		-	-	38,286,884	38,286,884
	15	<u>P -</u>	<u>P 45,949,189,925</u>	<u>P 3,321,930,188</u>	<u>P 49,271,120,113</u>

The fair value of the Group's investment properties as of December 31, 2017 and 2016 are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

The fair values of the Group's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

The fair value is determined by the Group using the fair values of certain parcels of land adjacent to the location of the Group's investment. The fair value is based on the market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(b) *Fair Value Measurement for Buildings and Improvements and Construction in Progress*

As of December 31, 2017 and 2016, the Level 3 fair value of the buildings and improvements was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties. Based on the foregoing inputs, the actual cost incurred to date recorded under Construction in Progress approximates its fair value.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2017</u>	<u>2016</u>
Cash on hand and in banks	P 1,291,743,244	P 676,616,645
Short-term placements	<u>139,674,121</u>	<u>138,554,757</u>
	<u>P 1,431,417,365</u>	<u>P 815,171,402</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 0.75% to 0.88% per annum in 2017, 0.40% to 1.90% per annum in 2016 and 0.60% to 0.88% per annum in 2015. Interest income from cash in banks and short-term placements amounting to P7.2 million, P3.0 million and P2.6 million in 2017, 2016 and 2015, respectively, are included as part of Finance Income in the consolidated statements of profit or loss (see Note 21.2).

9. RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Current:			
Rental receivables	9.1	P 626,426,101	P 126,971,385
Advances to:	9.2		
Related parties	25.1	714,770,208	794,526,578
Suppliers		153,081,365	209,986,057
Officers and employees		9,194,347	7,491,642
Contracts receivables	9.3, 25.4	690,680,730	650,456,807
Retention receivables	25.4	53,602,674	53,760,097
Receivables from sale of condominium units	10	30,121,275	2,090,908
Refundable deposits		18,997,481	24,300,552
Installment receivables	9.4, 15	-	250,358,746
Others	9.5, 21.3	<u>35,398,037</u>	<u>22,219,861</u>
		2,332,272,218	2,142,162,633
Allowance for impairment		<u>(1,571,691)</u>	<u>(1,571,691)</u>
		<u>2,330,700,527</u>	<u>2,140,590,942</u>
Non-current:			
Rental receivables	9.1	1,809,690,204	1,739,297,254
Receivables from sale of condominium units	10	<u>107,234,590</u>	<u>15,647,111</u>
		<u>1,916,924,794</u>	<u>1,754,944,365</u>
		<u>P 4,247,625,321</u>	<u>P 3,895,535,307</u>

There were no movements in the allowance for impairment in 2017 and 2016.

Receivables do not bear any interest. All receivables are subject to credit risk exposures (see Note 5.2).

9.1 Rental Receivables

Rental receivables represent uncollected monthly receivables from third party tenants of the Group. This includes rent receivables arising from the application of PAS 17, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods. PAS 17 rent receivables amounted to P2,420.5 million and P1,815.5 million as of December 31, 2017 and 2016, respectively.

9.2 Advances

Except for certain advances which are secured by an undertaking of another related party to pay in case of default, advances to related parties are unsecured, noninterest-bearing and are granted for working capital requirements. There are no definite repayment and settlement term on these advances.

Advances to suppliers consist of advances for working capital requirements of certain suppliers of the Group. These advances are unsecured, noninterest-bearing and collectible upon demand.

Advances to officers and employees are noninterest-bearing and collectible through salary deduction.

9.3 Contracts Receivables

Contracts receivables are noninterest-bearing and usually due within 270 days. Of the total outstanding balance, P557.5 million is due from PRA as of December 31, 2017 and 2016. Management believes that these receivables are fully recoverable through collection of the accounts from customers or with respect to the amount due from PRA, through transfer of certain properties owned by PRA to the Group (see Note 5.2).

9.4 Installment Receivables

Installment receivables pertain to noninterest-bearing receivables from sale of parcels of land to third parties.

9.5 Other Receivables

Other receivables include amounts collectible for rendering of certain services incidental to the Group's leasing and real estate businesses (see Note 21.3).

10. PROPERTY DEVELOPMENT COSTS AND REAL ESTATE TRANSACTIONS

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of construction and related engineering, architectural and other consultancy fees related to the development of its residential condominium project, "Pixel Residences" located in Aseana City. The accumulated balance of Property Development Costs as presented in the consolidated statements of financial position amounted to P593.0 million and P24.3 million as of December 31, 2017 and 2016, respectively.

The Group conducts pre-selling activities before and during the construction period of its projects. Estimated costs to complete the construction of units sold are presented as Reserve for Property Development under current and non-current liabilities sections in the consolidated statements of financial position [see Note 2.14(b)].

Sale of condominium units as presented in the consolidated statements of profit or loss comprise of residential condominium units sold amounted to P213.8 million and P21.9 million, net of day-one loss of P19.2 million and P2.7 million in 2017 and 2016, respectively. Income from subsequent amortization of day-one loss amounted to P8.6 million and P0.2 million in 2017 and 2016, respectively, and is included as part of Interest income on sale of condominium units presented under Finance Income in the consolidated statements of profit or loss (see Note 21.2). The related realized gross profit on current year's sale of condominium units amounted to P10.2 million and P0.1 million while deferred gross profit amounted to P48.4 million and P3.1 million in 2017 and 2016, respectively (see Note 22). Realized gross profit on prior years' sale amounted to P0.5 million in 2017 (nil in 2016).

Cost of sale of condominium units as presented in the 2017 consolidated statement of profit or loss includes actual costs amounting to P28.7 million and P0.5 million and estimated cost to complete amounting to P128.5 million and P18.2 million in 2017 and 2016, respectively (see Note 22).

In 2017, the title of land under the development was transferred to the Group (see Note 25.9). Portion of the land with carrying amount of P30.1 million as of December 31, 2017 are used as collateral for certain loans with local banks (see Note 17).

11. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 248,031 square meters and 254,740 square meters as of December 31, 2017 and 2016, respectively.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

	Notes	2017	2016
Balance at beginning of year		P 3,519,847,473	P 3,946,538,413
Sales during the year	22	(141,520,283)	(120,375,150)
Reclassification	15	(54,709,619)	(186,502,212)
Adjustment on estimated liability for land development costs	3.2(e)	<u>-</u>	(<u>119,813,578</u>)
Balance at end of year		<u>P 3,323,617,571</u>	<u>P 3,519,847,473</u>

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of December 31, 2017 and 2016 (see Note 7.4). As of December 31, 2017 and 2016, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 and 36,959 square meters and carrying amounts of P88.2 million and P1,060.7 million, respectively, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 17). In 2017 and 2016, the Group and certain banks mutually agreed to release a portion of the collateral. The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

12. OTHER CURRENT ASSETS

This account consists of the following:

	<u>2017</u>	<u>2016</u>
Input VAT	P 167,948,329	P 142,991,948
Prepayments	155,408,894	112,422,316
Deferred input VAT	103,843,638	-
Creditable withholding tax	102,416,124	134,244
Others	<u>3,779,975</u>	<u>7,648,119</u>
	<u>P 533,396,960</u>	<u>P 263,196,627</u>

Prepayments mostly pertain to real property taxes and other incidental business prepayments which are expected to be realized within 12 months after the end of the reporting period.

Deferred input VAT pertains to the corresponding input VAT on subcontract costs, which are yet to be recognized in installments in the next reporting period.

13. ADVANCES TO AND INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER RELATED PARTIES

This account consists of the following:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Investments in:			
Associates	13.1	P 49,526,587	P 49,751,258
Joint ventures	13.2	<u>2,866,289,204</u>	<u>2,867,057,510</u>
		<u>2,915,815,791</u>	<u>2,916,808,768</u>
Advances to:			
Joint ventures		95,503,565	95,185,925
Associates		6,178,834	6,074,294
Stockholders		300,000	300,000
Related parties under common management and ownership		<u>17,550,076</u>	<u>18,794,277</u>
	25.1	<u>119,532,475</u>	<u>120,354,496</u>
		<u>P 3,035,348,266</u>	<u>P 3,037,163,264</u>

The Group's associates and joint ventures are all incorporated and with principal operations in the Philippines. These entities are engaged in businesses related to the Parent Company's operations.

The components of the carrying amounts of investments in associates and joint ventures are as follows:

13.1 Investments in Associates

The movements in the carrying amount of investments in associates which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	<u>2017</u>	<u>2016</u>
Acquisition costs	<u>P 56,913,213</u>	<u>P 56,913,213</u>
Accumulated share in net losses:		
Balance at beginning of year	(7,161,955)	(6,927,068)
Share in net losses	(<u>224,671</u>)	(<u>234,887</u>)
Balance at end of year	(<u>7,386,626</u>)	(<u>7,161,955</u>)
	<u>P 49,526,587</u>	<u>P 49,751,258</u>

The Group's associates include ERTI, ACBMDC and AHEC. Although AHEC is currently in the process of liquidation [see Note 1.2(p)], the Group has assessed that the Group's existing share in the net assets of AHEC exceeds the carrying amount of its investment considering that AHEC has sufficient assets, including construction equipment related to the business of the Group. Upon completion of AHEC's liquidation, management of the Group believes that the Group may obtain portion of these assets in the form of a return of invested capital.

13.2 Investments in Joint Ventures

The Group's joint ventures include ABCC and BRADCO. The movements in the carrying amount of investments in joint ventures, which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	<u>2017</u>	<u>2016</u>
Acquisition costs	<u>P 2,904,530,000</u>	<u>P 2,904,530,000</u>
Accumulated share in net losses:		
Balance at beginning of year	(37,472,490)	(32,409,520)
Share in net losses	(<u>768,306</u>)	(<u>5,062,970</u>)
Balance at end of year	(<u>38,240,796</u>)	(<u>37,472,490</u>)
	<u>P 2,866,289,204</u>	<u>P 2,867,057,510</u>

a) ABCC

On December 23, 2010, the Parent Company, WHI and Alphaland Development, Inc. (ADI) entered in a Memorandum of Agreement (MOA) whereby the Parent Company, WHI and ADI agreed to transfer certain parcels of land located in ABP in exchange for shares of stock of ABCC, the joint venture entity. While the increase in authorized capital stock of ABCC is pending approval by the SEC, the Parent Company agreed to transfer 96,751 square meters of land with carrying amount of P1,886.5 million as of that date. Relative to this, the Parent Company recognized investment in ABCC, under a deed of assignment, amounting to P2,902.5 million (equivalent to the fair market value of the parcels of land contributed) which is accounted for as an investment in a joint venture.

Further, the Parent Company and WHI agreed to contribute additional parcels of land to ABCC in exchange for additional shares of stock upon transfer of risks and rewards of the subject parcels of land from PRA to the Parent Company and WHI. As of December 31, 2017, the risks and rewards of the parcels of land to be contributed are not yet transferred to the Parent Company and WHI.

Likewise in 2010, the Parent Company agreed, through the MOA, to receive non-interest bearing advances amounting to P1,000.0 million from ADI in consideration of which the Parent Company agreed to assign all its rights and interest on certain number of common shares to be issued by ABCC to the Parent Company so as to arrive at the agreed ownership structure of ABCC. Since then, assignment has been put on hold pending the performance of certain conditions under the MOA. These advances are presented as Advances from a Co-joint Venturer account in the consolidated statements of financial position.

b) BRADCO

On February 15, 1992, the Parent Company entered into a joint venture agreement with the Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) to form BRADCO, a joint venture. The Company and AFPRSBS each owns 50% interest in the joint venture.

Pursuant to the joint venture agreement, the Parent Company and BRADCO entered into a construction agreement whereby the Parent Company undertook the construction of a building intended to be held for lease. The construction of the building was completed in 2015 with the accumulated costs totaling P38.6 million recognized as part of Buildings and improvements under Investment Properties account.

13.3 Advances to Related Parties

Advances to related parties were made to provide additional working capital requirements for various related parties. These advances are unsecured, noninterest-bearing and have no fixed repayment and settlement terms (see Note 25.1).

13.4 Financial Information of Associates and Joint Ventures

Except for the audited financial information of ABCC and ACBMDC as of and for the years ended December 31, 2017 and 2016, the unaudited financial information of the associates and a joint venture as of December 31, 2017 and 2016 and for the years then ended are as follows:

December 31, 2017					
	Assets		Liabilities	Revenues	Net Income (Loss)
<i>Associates:</i>					
ERTI	P 7,306,384	P	7,950,956	P 1,430	(P 393,470)
ACBMDC	1,060,336		1,959,784	1,202	(165,039)
AHEC*	-		-	-	-
<i>Joint Ventures:</i>					
ABCC	8,428,096,600		185,729,750	-	(2,276,266)
BRADCO	2,963,135,145		698,645,082	5,384	44,483
December 31, 2016					
	Assets		Liabilities	Revenues	Net Loss
<i>Associates:</i>					
ERTI	P 7,362,056	P	7,470,743	P 1,467	(P 403,529)
ACBMDC	1,142,566		1,871,475	1,836	(181,681)
AHEC*	-		-	-	-
<i>Joint Ventures:</i>					
ABCC	8,428,055,800		183,423,684	-	(8,961,914)
BRADCO	2,494,126,100		529,036,694	-	(3,900,995)

*No financial information for 2017 and 2016. As of December 31, 2017, AHEC is under liquidation.

These associates and joint ventures are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

13.5 Acquisition of Assets

On December 9, 2016, AHI acquired 100% equity ownership interest in Reine. Reine holds investment properties representing land and building.

In accordance with the Group's policy (see Note 2.26), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination. The purchase price upon acquisition amounting to P160.0 million was allocated among the asset and liability accounts based on their relative fair values.

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Reine arising from its own operations shall be updated and accounted for in the books of the Group on a line-by-line basis, as if they are consolidated into a single entity. The registered office of Reine is located at Escolta, Manila while its principal place of business is in Makati City.

14. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of 2017 and 2016 are shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Other Equipment</u>	<u>Total</u>
December 31, 2017								
Cost	P 9,291,800	P 4,034,354	P 36,307,260	P 416,235,610	P 39,264,635	P 34,860,606	P 14,244,402	P 554,238,667
Accumulated depreciation and amortization	<u>-</u>	<u>(2,376,794)</u>	<u>(14,376,605)</u>	<u>(318,110,172)</u>	<u>(36,414,616)</u>	<u>(25,469,013)</u>	<u>(13,552,911)</u>	<u>(410,300,111)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 1,657,560</u>	<u>P 21,930,655</u>	<u>P 98,125,438</u>	<u>P 2,850,019</u>	<u>P 9,391,593</u>	<u>P 691,491</u>	<u>P 143,938,556</u>
December 31, 2016								
Cost	P 9,291,800	P 4,034,354	P 35,492,165	P 405,550,668	P 39,264,635	P 27,451,902	P 14,244,402	P 535,329,926
Accumulated depreciation and amortization	<u>-</u>	<u>(2,112,031)</u>	<u>(8,120,241)</u>	<u>(289,238,965)</u>	<u>(33,812,045)</u>	<u>(21,991,581)</u>	<u>(13,253,462)</u>	<u>368,528,325</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 1,922,323</u>	<u>P 27,371,924</u>	<u>P 116,311,703</u>	<u>P 5,452,590</u>	<u>P 5,460,321</u>	<u>P 990,940</u>	<u>P 166,801,601</u>
January 1, 2016								
Cost	P 9,291,800	P 4,034,354	P 34,358,236	P 352,013,714	P 35,500,707	P 24,225,288	P 13,105,250	P 472,529,349
Accumulated depreciation and amortization	<u>-</u>	<u>(1,847,268)</u>	<u>(3,359,673)</u>	<u>(264,187,961)</u>	<u>(29,885,436)</u>	<u>(19,633,692)</u>	<u>(13,032,880)</u>	<u>(331,946,910)</u>
Net carrying amount	<u>P 9,291,800</u>	<u>P 2,187,086</u>	<u>P 30,998,563</u>	<u>P 87,825,753</u>	<u>P 5,615,271</u>	<u>P 4,591,596</u>	<u>P 72,370</u>	<u>P 140,582,439</u>

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of property and equipment is shown below.

	<u>Land</u>	<u>Land Improvements</u>	<u>Leasehold Improvements</u>	<u>Machinery and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Office Equipment</u>	<u>Machinery and Other Equipment</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 9,291,800	P 1,922,323	P 27,371,924	P 116,311,703	P 5,452,590	P 5,460,321	P 990,940	P 166,801,601
Additions	-	-	815,095	10,684,942	-	7,408,704	-	18,908,741
Depreciation and amortization charges for the year	-	(264,763)	(6,256,364)	(28,871,207)	(2,602,571)	(3,477,432)	(299,449)	(41,771,786)
Balance at December 31, 2017, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,657,560</u>	<u>P 21,930,655</u>	<u>P 98,125,438</u>	<u>P 2,850,019</u>	<u>P 9,391,593</u>	<u>P 691,491</u>	<u>P 143,938,556</u>
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 9,291,800	P 2,187,086	P 30,998,563	P 87,825,753	P 5,615,271	P 4,591,596	P 72,370	P 140,582,439
Additions	-	-	1,133,929	53,536,954	3,763,928	3,226,614	1,139,152	62,800,577
Depreciation and amortization charges for the year	-	(264,763)	(4,760,568)	(25,051,004)	(3,926,609)	(2,357,889)	(220,582)	(36,581,415)
Balance at December 31, 2016, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,922,323</u>	<u>P 27,371,924</u>	<u>P 116,311,703</u>	<u>P 5,452,590</u>	<u>P 5,460,321</u>	<u>P 990,940</u>	<u>P 166,801,601</u>

As of December 31, 2017 and 2016, fully depreciated assets with original costs amounting to P324.4 million and P307.2 million, respectively, are still being used in operations.

The amount of depreciation and amortization is allocated as follows:

	Notes	2017	2016	2015
Cost of construction contracts Capitalized as part of land and land development costs	20.1	P 7,721,327	P 14,466,637	P 747,935
General and administrative expenses	2.14	22,395,603	9,136,432	8,574,354
	22	<u>11,654,856</u>	<u>12,978,346</u>	<u>10,472,258</u>
		<u>P 41,771,786</u>	<u>P 36,581,415</u>	<u>P 19,794,547</u>

The management believes that the carrying amount of property and equipment is recoverable in full; hence, no impairment loss is recognized in 2017, 2016 and 2015.

15. INVESTMENT PROPERTIES

The gross carrying amounts and the accumulated depreciation of investment properties at the beginning and end of 2017 and 2016 are shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
December 31, 2017					
Cost	P 13,234,248,660	P 1,759,236,249	P 25,228,650	P 946,745,476	P 15,695,459,035
Accumulated depreciation	-	(340,267,692)	(2,498,292)	-	(342,765,984)
Net carrying amount	<u>P 13,234,248,660</u>	<u>P 1,418,968,557</u>	<u>P 22,730,358</u>	<u>P 946,745,476</u>	<u>P 15,622,693,051</u>
December 31, 2016					
Cost	P 13,303,681,180	P 1,670,413,757	P 25,228,650	P 272,833,239	P 15,272,156,826
Accumulated depreciation	-	(272,391,090)	(1,489,146)	-	(273,880,236)
Net carrying amount	<u>P 13,303,681,180</u>	<u>P 1,398,022,667</u>	<u>P 23,739,504</u>	<u>P 272,833,239</u>	<u>P 14,998,276,590</u>
January 1, 2016					
Cost	P 13,520,316,126	P 1,666,521,782	P 25,228,650	P 38,286,885	P 15,250,353,443
Accumulated depreciation	-	(209,654,976)	(480,000)	-	(210,134,976)
Net carrying amount	<u>P 13,520,316,126</u>	<u>P 1,456,866,806</u>	<u>P 24,748,650</u>	<u>P 38,286,885</u>	<u>P 15,040,218,467</u>

The reconciliation of the carrying amounts of investment properties at the beginning and end of 2017 and 2016 is shown below.

	<u>Land</u>	<u>Building and Improvements</u>	<u>Condominium Units</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation	P 13,303,681,180	P 1,398,022,667	P 23,739,504	P 272,833,239	P 14,998,276,590
Additions	67,000,000	7,201,260	-	755,533,468	829,734,728
Disposal	(191,142,139)	-	-	-	(191,142,139)
Reclassification from CIP to building and improvements	-	81,621,231	-	(81,621,231)	-
Reclassification from land and land development costs	54,709,619	-	-	-	54,709,619
Depreciation charges for the year	-	(67,876,601)	(1,009,146)	-	(68,885,747)
Balance at December 31, 2017, net of accumulated depreciation	<u>P 13,234,248,660</u>	<u>P 1,418,968,557</u>	<u>P 22,730,358</u>	<u>P 946,745,476</u>	<u>P 15,622,693,051</u>
Balance at January 1, 2016, net of accumulated depreciation	P 13,520,316,126	P 1,456,866,806	P 24,748,650	P 38,286,885	P 15,040,218,467
Additions	155,814,198	3,891,974	-	234,546,354	394,252,526
Disposal	(400,646,792)	-	-	-	(400,646,792)
Reclassification from land and land development costs	186,502,212	-	-	-	186,502,212
Change in the estimated liability for land development costs	(158,304,564)	-	-	-	(158,304,564)
Depreciation charges for the year	-	(62,736,113)	(1,009,146)	-	(63,745,259)
Balance at December 31, 2016, net of accumulated depreciation	<u>P 13,303,681,180</u>	<u>P 1,398,022,667</u>	<u>P 23,739,504</u>	<u>P 272,833,239</u>	<u>P 14,998,276,590</u>

The amount of depreciation is allocated as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cost of rentals	20.2	P 65,464,981	P 62,059,362	P 69,596,302
General and administrative expenses		<u>3,420,766</u>	<u>1,685,897</u>	<u>2,151,604</u>
	22	<u>P 68,885,747</u>	<u>P 63,745,259</u>	<u>P 71,747,906</u>

a) Building and Improvements

In 2016, additions to building and improvements include the building of Reine amounting to P2.9 million arising from the asset acquisition by AHI (see Note 13.5).

The Group received certain condominium unit with parking lots valued at P23.7 million as a result of a deed of exchange in 2015 (see Notes 25.9 and 27.1). The remaining estimated useful life of these assets approximates to those applied in depreciating similar type of assets.

Construction in progress account also includes capitalized borrowing costs from interest-bearing loans obtained specifically to finance the construction amounting to P16.3 million and P1.4 million in 2017 and 2016, respectively (see Note 17). There were no capitalized borrowing costs in 2015.

b) Land

In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million where the obligation was offset against the advances granted to the related party (see Notes 25.1 and 25.10). There was no similar transaction in 2016 and 2015.

In 2017, 2016 and 2015, the Group sold certain investment properties to third parties with selling price amounting to P400.9 million, P713.1 million and P490.4 million, respectively, which resulted in the recognition of gain on sale of investment properties amounting to P257.7 million, P312.5 million and P247.3 million, respectively, and are presented as part of Other Income (Charges) account in the consolidated statements of profit or loss. Outstanding balance arising from the sale transaction amounted to P226.1 million as of December 31, 2016 and is presented as part of Installment receivables under Receivables account in the 2016 consolidated statement of financial position (see Note 9). There was no outstanding balance arising from the sale in 2017.

In 2017 and 2016, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million and P186.5 million, respectively. The reclassification resulted from the change in management intention evidenced by using the parcels of land rental in 2017 (see Note 11).

In 2016, additions to land include the property owned by Reine amounting to P153.4 million acquired through asset acquisition (see Note 13.5).

c) Other Information

Land and building rental revenues recognized from investment properties amounted to P1,349.1 million, P1,205.1 million and P1,114.9 million in 2017, 2016 and 2015, respectively, and are shown as Rentals under Revenues account in the consolidated statements of profit or loss. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 20.2).

The fair value of investment properties amounted to P75,805.4 million and P49,271.1 million as of December 31, 2017 and 2016, respectively (see Note 7.4).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2017, 2016 and 2015.

Certain investment properties with carrying amount of P1,519.5 million and P2,016.6 million as of December 31, 2017 and 2016, respectively, are used as collateral for certain loans with local banks (see Note 17).

As of December 31, 2017 and 2016, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom.

16. OTHER NON-CURRENT ASSETS

This account includes the following:

	Note	2017	2016
AFS financial assets	16.2	P 75,795,710	P 26,886,815
Deposits for future investment	16.1	33,476,935	33,319,800
Refundable deposits		-	5,410,612
Others		<u>10,288,288</u>	<u>12,318,950</u>
		<u>P 119,560,933</u>	<u>P 77,936,177</u>

16.1 Deposits for Future Investment

Included in the deposits for future investment as of December 31, 2017 and 2016 are deposits totaling to P19.8 million made by the Group to acquire a certain property. While the title of the property is not yet transferred to the Group, management remains committed to purchase the property as of December 31, 2017 and 2016.

This account also includes deposits made by the Group to third party landowners of certain parcels of land located in Romblon under a joint agreement to develop the property. The Group is entitled to an irrevocable and exclusive option to purchase the property from the landowners. In case the Group exercises the said option, the total amount from which the landowners have received the deposits shall form part of the total purchase price; otherwise, whatever amount of deposits received by the landowners shall be forfeited in favor of the latter. The Group remains committed under the joint agreement. As of December 31, 2017 and 2016, the deposits made by the Group amounted to P13.7 million and P13.5 million, respectively.

16.2 Available-for-sale Financial Assets

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

	Note	2017	2016
Balance at beginning of year		P 26,886,815	P 25,717,510
Additions		48,828,780	1,250,000
Unrealized fair value gain (loss)	27.2	<u>80,115</u>	(<u>80,695</u>)
Balance at end of year		<u>P 75,795,710</u>	<u>P 26,886,815</u>

AFS financial assets consist of investment in golf club shares and certain equity securities. The Group used Level 2 in determining the fair value of AFS financial assets except for certain AFS financial assets measured at cost (see Note 7.2). Additions during 2017 and 2016 pertain to certain investments in equity securities acquired by the Group which did not result in a control or significant influence by the Group over the investees.

Fair value gains (losses) recognized on these AFS financial assets are shown as part of Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income which formed part of the balance of revaluation reserves on AFS financial assets presented as part of Revaluation Reserves under the equity section of the consolidated statements of financial position (see Note 27.2).

17. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the consolidated statements of financial position as follows:

	2017	2016
Current	P 1,656,593,434	P 2,148,561,483
Non-current	<u>820,309,511</u>	<u>514,847,791</u>
	<u>P 2,476,902,945</u>	<u>P 2,633,409,274</u>

The Group obtained bank loans to support its working capital requirements, financing and investing activities, which include the Group's construction and development of certain investment properties (see Note 15).

Bank loans represent partially secured and unsecured loans from local commercial banks. These loans bear annual interest rates ranging from 3.00% to 3.25% per annum, 2.79% to 3.80% per annum and 2.50% to 4.15% per annum in 2017, 2016 and 2015, respectively, and are subject to monthly repricing based on prevailing market rate. Bank loans have maturity of six months from the end of each reporting period while other portion of the loans have quarterly payments over a period of seven years starting in the second year from initial loan release with two years grace period.

As of December 31, 2017 and 2016, bank loans are partially secured by certain assets as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Investment properties	15	P 1,519,516,046	P 2,016,613,491
Land and land development costs	11	88,235,704	1,060,667,122
Property development costs		<u>30,089,741</u>	<u>-</u>
		<u>P 1,637,841,491</u>	<u>P 3,077,280,613</u>

The reconciliation of the carrying amounts of the Group's loans and borrowings arising from financing activities is shown below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 2,663,409,274	P 2,879,546,211
Additional borrowings	358,972,403	421,211,951
Repayments	(545,478,732)	(637,348,888)
Balance at end of year	<u>P 2,476,902,945</u>	<u>P 2,633,409,274</u>

In 2017, 2016 and 2015, interest costs related to bank loans amounted to P65.9 million, P77.6 million and P97.2 million, respectively, and were recognized as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 21.1). On the other hand, capitalized borrowing costs in 2017 and 2016 amounted to P16.3 million and P1.4 million, respectively (see Note 15). There is no unpaid interest related to bank loans as of December 31, 2017 and 2016.

The Group has no significant loan covenant obligations as of December 31, 2017 and 2016 (see Note 29).

18. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Trade payables	25.6	P 698,295,258	P 290,352,986
Accrued expenses		206,128,350	97,442,587
Deferred output VAT payable		133,623,833	81,002,856
Retention payable		22,998,861	3,676,614
Income tax payable		23,573,076	44,567,204
Other payables		8,506,415	1,834,860
Output VAT payable		-	12,424,501
		<u>P 1,093,125,793</u>	<u>P 531,301,608</u>

Accrued expenses include withholding taxes on compensation, expanded withholding taxes and other statutory liabilities that are expected to be settled within twelve months from the end of each reporting period.

Deferred output VAT payable relates to outstanding receivables from installment sales and construction contracts as of the end of the reporting periods.

Retention payable represent a portion of progress billings received from third party contractors for the construction work performed which is retained by the Group to bind the contractors in completing the agreed performance obligation.

19. DEPOSITS AND ADVANCES

This account consists of:

	<u>2017</u>	<u>2016</u>
Current:		
Advance rentals	P 284,646,483	P 248,703,413
Reservation deposits	134,542,236	13,665,624
Rental deposits	88,498,491	27,935,823
Construction bond	14,101,059	12,190,368
Unearned rent income	2,648,953	1,464,708
Buyers' deposits	1,009,196	1,009,196
Others	15,158,112	9,406,578
	<u>540,604,530</u>	<u>314,375,710</u>
Non-current:		
Advance rentals	397,188,898	535,902,823
Rental deposits	116,756,462	105,285,583
Unearned rent income	54,190,339	54,639,327
Buyers' deposits	5,827,833	5,827,832
Others	-	1,251,140
	<u>573,963,532</u>	<u>702,906,705</u>
	<u>P 1,114,568,062</u>	<u>P 1,017,282,415</u>

Advance rentals pertain to payments received from tenants to be applied on future rentals due on the lease of the Group's properties held under operating lease agreements. For income tax purposes, advance rentals are considered as part of taxable income upon receipt, less initial direct costs incurred by the Group in negotiating and arranging the specific operating lease, which shall be amortized over the same term as that of the advance rentals (see Note 24). In addition, the non-current portion of the advance rentals was applied starting in 2017 in accordance with the terms of the lease agreement.

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term.

Buyers' deposits represent advances received from customers for real estate land to be sold. Buyers' deposits will be applied against the receivables from customers upon consummation of sale.

20. COSTS OF SERVICES

20.1 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Construction materials		P 71,841,745	P 172,998,045	P 23,596,685
Subcontract	25.7	42,456,220	8,269,240	32,107,140
Salaries and employee benefits	23.1	10,215,311	2,480,013	1,446,932
Depreciation and amortization	14	7,721,327	14,466,637	747,935
Gasoline and oil		<u>-</u>	<u>3,739,549</u>	<u>1,549,063</u>
	22	<u>P 132,234,603</u>	<u>P 201,953,484</u>	<u>P 59,447,755</u>

20.2 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utilities		P 72,719,382	P 63,441,429	P 61,749,418
Depreciation	15	65,464,981	62,059,362	69,596,302
Real property tax		21,414,885	24,743,404	27,639,460
Outside services		19,581,760	19,840,598	12,480,137
Repairs and maintenance		9,589,936	4,275,988	6,840,274
Professional fees		4,671,968	3,673,197	3,810,910
Office supplies		3,245,176	4,213,176	4,203,421
Others		<u>5,274,210</u>	<u>3,390,270</u>	<u>2,685,157</u>
	22	<u>P 201,962,298</u>	<u>P 185,637,424</u>	<u>P 189,005,079</u>

21. OTHER INCOME (CHARGES)

Presented below are the details of Other Income (Charges).

21.1 Finance Costs

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Interest expense:				
Bank loans	17	P 65,929,168	P 77,596,673	P 97,159,703
Retirement benefit obligation	23.2	4,005,985	2,404,687	732,158
Obligations under finance lease		-	687,312	1,134,725
Others		<u>2,171,936</u>	<u>3,102,203</u>	<u>8,650,749</u>
		<u>P 72,107,089</u>	<u>P 83,790,875</u>	<u>P 107,677,335</u>

In 2016, the Group fully settled its obligation under finance lease covering certain portion of building and improvements and certain transportation equipment.

Other finance costs in 2015 include interest on deficiency tax assessments paid in 2015 pertaining to taxable years 2011 and 2010. There was no similar transaction in 2017 and 2016.

21.2 Finance Income

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Interest income:				
Cash and cash equivalents	8	P 7,154,349	P 2,993,008	P 2,572,486
Sale of condominium units	10	<u>8,606,028</u>	<u>159,647</u>	<u>-</u>
		15,760,377	3,152,655	2,572,486
Foreign currency gain – net		<u>9,394</u>	<u>967,540</u>	<u>4,229,042</u>
		<u>P 15,769,771</u>	<u>P 4,120,195</u>	<u>P 6,801,528</u>

21.3 Other Income

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income from rendering of administrative and other services	25.5	P 14,400,000	P 25,252,110	P 3,726,988
Sales of scrap		-	-	2,232,143
Others	9	<u>11,355,500</u>	<u>30,357,890</u>	<u>12,520,464</u>
		<u>P 25,755,500</u>	<u>P 55,610,000</u>	<u>P 18,479,595</u>

Others includes parking fee income, vetting fee and signage rental. In 2016, others also include an amount received from a certain buyer of land in previous years as penalty settlement of the latter's non-compliance with a certain provision of the contract of sale (see Note 9.5).

22. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2017	2016	2015
Cost of sale of				
condominium units	10	P 157,266,639	P 18,727,355	P -
Cost of sale of land	11	141,520,283	120,375,150	73,260,895
Professional fees		101,529,631	23,879,153	21,627,401
Salaries and employee benefits	23.1	100,982,432	74,626,897	64,923,409
Depreciation and amortization	14, 15	88,261,930	91,190,242	82,968,099
Utilities		77,660,061	67,760,068	64,038,539
Taxes and licenses		76,711,135	83,159,596	95,903,503
Construction materials				
and spare parts		71,841,745	173,007,286	23,596,685
Commission		64,518,172	12,669,396	7,321,180
Deferred gross profit on sale				
of condominium units	10	45,772,044	3,108,132	-
Subcontract	25.7	42,456,220	8,269,240	32,107,140
Association dues	25.6	31,329,646	20,196,772	15,784,470
Representation and				
entertainment		27,315,681	24,477,460	18,352,161
Outside services		25,551,659	26,826,454	18,160,092
Donation expense		19,906,877	-	-
Repairs and maintenance		13,101,312	17,397,223	11,872,638
Office supplies		8,264,166	7,075,855	6,285,071
Bond and insurance		7,586,107	5,027,147	4,661,626
Corporate affairs		6,501,742	4,780,988	12,190,762
Transportation and travel		3,991,897	2,343,809	2,065,073
Others		32,091,072	38,610,518	36,715,653
		<u>P 1,144,160,451</u>	<u>P 823,508,741</u>	<u>P 591,834,397</u>

These expenses are classified in the consolidated statements of profit or loss as follows:

	Notes	2017	2016	2015
Cost of rentals	20.2	P 201,962,298	P 185,637,424	P 189,005,079
Cost of sale of land	11	141,520,283	120,375,150	73,260,895
Cost of construction contracts	20.1	132,234,603	201,953,484	59,447,755
Sale of condominium units:	10			
Cost of sales		157,266,639	18,727,355	-
Deferred gross profit		45,772,044	3,108,132	-
General and administrative				
expenses		461,763,755	283,216,176	268,247,316
Selling expenses		3,640,829	10,491,020	1,873,352
		<u>P 1,144,160,451</u>	<u>P 823,508,741</u>	<u>P 591,834,397</u>

The details of general and administrative expenses are shown below.

	Notes	2017	2016	2015
Professional fees		P 96,857,663	P 20,205,956	P 17,816,491
Salaries and employee benefits	23.1	90,767,121	72,146,884	63,476,477
Commission		64,518,172	12,669,396	7,321,180
Taxes and licenses		55,296,250	58,416,192	68,264,043
Association dues	25.6	31,329,646	20,196,772	15,784,470
Representation and entertainment		27,315,681	24,477,460	18,352,161
Donation		19,906,877	-	-
Depreciation and amortization	14, 15	15,075,622	14,664,243	12,623,862
Corporate affairs		6,501,742	4,780,988	12,190,762
Outside services		5,969,899	6,985,856	5,398,725
Office supplies		5,018,990	2,862,679	2,081,650
Utilities		4,940,679	4,297,999	2,282,945
Transportation and travel		3,991,897	2,343,809	2,065,073
Repairs and maintenance		3,511,376	13,121,235	5,032,364
Bond and insurance		2,311,897	1,636,877	1,976,469
Others		28,468,243	24,409,830	33,580,644
		<u>P 461,781,755</u>	<u>P 283,216,176</u>	<u>P 268,247,316</u>

Others include gasoline and oil, utilities, equipment rentals, postage and communication, bid documents and subsistence.

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

	Notes	2017	2016	2015
Short-term employee benefits		P 99,002,139	P 72,039,263	P 63,792,775
Post-employment defined benefit	23.2	1,980,293	2,587,634	1,130,634
	22	<u>P 100,982,432</u>	<u>P 74,626,897</u>	<u>P 64,923,409</u>

Salaries and employee benefits are classified and presented in the consolidated statements of profit or loss as follows:

	Notes	2017	2016	2015
Cost of construction contracts	20.1	P 10,215,311	P 2,480,013	P 1,446,932
General and administrative expenses	22	90,767,121	72,146,884	63,476,477
	22	<u>P 100,982,432</u>	<u>P 74,626,897</u>	<u>P 64,923,409</u>

23.2 Post-employment Defined Benefit Obligation

(a) Characteristics of the Post-employment Defined Benefit Plan

As the Group does not have an established retirement plan and only conforms to the minimum requirement of Philippine Law, it accrues the estimated cost of retirement benefits required by the provisions of R.A. No. 7641. R.A. No. 7641 does not, however, require it to be funded.

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

Actuarial valuations are made annually to update the post-employment benefit cost. All amounts presented are based on the actuarial valuation report obtained from an independent actuary in 2017, 2016 and 2015.

Post-employment defined benefit obligation recognized in the consolidated statements of financial position amounted to P65.7 million and P75.0 million as of December 31, 2017 and 2016, respectively.

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

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 75,018,446	P 46,966,534
Current service cost	1,980,293	2,587,634
Interest expense	4,005,985	2,404,687
Actuarial losses (gains) arising from:		
- experience adjustments	(13,003,686)	24,622,336
- changes in financial assumptions	(1,335,833)	(720,295)
Benefits paid	(966,578)	(842,450)
Balance at end of year	<u>P 65,698,627</u>	<u>P 75,018,446</u>

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

	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Recognized in consolidated profit or loss:</i>				
Current service cost	23.1	P 1,980,293	P 2,587,634	P 1,130,634
Interest expense	21.1	4,005,985	2,404,687	732,158
		<u>P 5,986,278</u>	<u>P 4,992,321</u>	<u>P 1,862,792</u>
<i>Recognized in consolidated other comprehensive income:</i>				
Actuarial losses (gains) arising from:				
- experience adjustments		(P 13,003,686)	P 24,622,336	P 31,187,127
- changes in financial assumptions		(1,335,833)	(720,295)	(755,146)
	27.2	<u>(P 14,339,519)</u>	<u>P 23,902,041</u>	<u>P 30,431,981</u>

Current service cost is recognized as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 23.1).

The interest expense is included as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 21.1).

Amount recognized in consolidated other comprehensive income is included and presented as item that will not be reclassified subsequently to consolidated profit or loss.

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

	<u>2017</u>	<u>2016</u>
Discount rates	5.70%	5.34%
Expected rate of salary increases	3.00%	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 18.9 years and 19.5 years as of December 31, 2017 and 2016, respectively, both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risk Associated with the Post-employment Plan*

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

(i) *Interest Rate Risk*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2017 and 2016:

<u>Impact on Post-employment Defined Benefit Obligation</u>					
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>
<u>December 31, 2017</u>					
Discount rate	+/- 1.0%	(P	3,349,630)	P	3,903,861
Salary growth rate	+/- 1.0%		3,302,995	(	2,851,849)
<u>December 31, 2016</u>					
Discount rate	+/- 1.0%	(P	2,946,735)	P	3,513,346
Salary growth rate	+/- 1.0%		3,299,408	(	2,830,976)

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

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

(ii) *Funding Arrangements and Expected Contributions*

At the end of the reporting period, the Group has no formal plan of funding its post-employment defined benefit obligation yet. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 18.9 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years as of December 31 follows:

	<u>2017</u>	<u>2016</u>
Within one year	P 44,040,792	P 55,319,424
More than one year to five years	2,834,326	3,713,702
More than five years to 10 years	<u>8,977,073</u>	<u>9,026,176</u>
	<u>P 55,852,191</u>	<u>P 68,059,302</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.5 years.

24. INCOME TAXES

The components of tax expense reported in the consolidated statements of profit or loss and consolidated statements of comprehensive income are as follows:

	2017	2016	2015
<i>Reported in consolidated profit or loss:</i>			
Current tax expense:			
Regular corporate			
income tax (RCIT) at 30%	P 314,420,097	P 184,918,316	P 85,257,965
Capital gains tax at 6%	24,054,600	42,444,000	29,425,500
Final tax at 20% and 7.5%	938,556	482,624	482,394
Minimum corporate			
income tax (MCIT) at 2%	<u>346,670</u>	<u>466,350</u>	<u>53,803</u>
	<u>339,759,923</u>	<u>228,311,290</u>	<u>115,219,662</u>
Utilization of excess MCIT over RCIT	(<u>152,796</u>)	(<u>40,630</u>)	-
	<u>339,607,127</u>	<u>228,270,660</u>	<u>115,219,662</u>
Deferred tax expense			
relating to origination and			
reversal of temporary differences	<u>193,763,244</u>	<u>209,146,398</u>	<u>226,732,466</u>
	<u>P 533,370,371</u>	<u>P 437,417,058</u>	<u>P 341,952,128</u>
<i>Reported in consolidated other</i>			
<i>comprehensive income –</i>			
Deferred tax expense (income)			
relating to remeasurement of			
retirement benefit obligation	<u>P 4,301,856</u>	(<u>7,170,612</u>)	(<u>9,129,594</u>)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is as follows:

	2017	2016	2015
Tax on pretax profit at 30%	P 627,953,319	P 491,976,591	P 364,092,426
Adjustment for income			
subjected to lower tax rates	(51,599,352)	(51,262,036)	(44,993,190)
Tax effects of:			
Excess of optional standard deduction			
(OSD) over itemized deductions	(50,510,106)	(7,982,463)	-
Non-deductible expenses	7,696,965	3,773,087	5,700,818
Non-taxable income	(2,398,142)	(1,434,129)	(1,436,014)
Unrecognized deferred tax on net	2,266,996	2,346,008	18,588,088
operating loss carryover (NOLCO)	(<u>39,309</u>)	-	-
Applied NOLCO			
	<u>P 533,370,371</u>	<u>P 437,417,058</u>	<u>P 341,952,128</u>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Advance rentals	P 198,433,956	P 234,273,300
Excess deferred gross profit on sale of condominium units	22,357,274	2,170,656
Retirement benefit obligation	19,709,588	22,505,533
NOLCO	5,040,768	5,335,891
MCIT	621,568	604,194
Allowance for impairment on receivables	<u>471,507</u>	<u>471,507</u>
	<u>246,634,661</u>	<u>265,361,081</u>
Deferred tax liabilities:		
Rent income based on PAS 17	(725,393,533)	(544,762,190)
Gain on exchange of parcels of land for shares of stock	(101,604,166)	(101,604,166)
Revaluation increment on land	(5,714,368)	(5,714,368)
Deferred gain on sale of land	(2,670,540)	-
Unrealized foreign currency gains	(2,345)	(273,847)
Unrealized gross profit on sale of land	<u>-</u>	<u>(3,691,701)</u>
	<u>(835,384,952)</u>	<u>(656,046,272)</u>
Net deferred tax liabilities	<u>(P 588,750,291)</u>	<u>(P 390,685,191)</u>

Movements in net deferred tax liabilities for the years ended December 31 are as follows:

	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Rent income based on PAS 17	P 180,631,343	P 229,039,075	P 215,940,850	P -	P -	P -
Advance rentals	35,839,344	(9,822,235)	3,717,054	-	-	-
Excess deferred gross profit on sale of condominium units	(20,186,618)	(2,170,656)	-	-	-	-
Unrealized gross profit on sale of land	(3,691,701)	-	-	-	-	-
Deferred gain on sale of land	2,670,540	-	-	-	-	-
Retirement benefit obligation	(1,505,911)	(1,244,962)	(468,596)	4,301,856	(7,170,612)	(9,129,594)
NOLCO	295,123	(5,107,136)	6,875,187	-	-	-
Unrealized foreign currency gains	(271,502)	(986,308)	671,045	-	-	-
MCIT	(17,374)	(561,380)	(3,074)	-	-	-
Deferred tax expense (income) – net	<u>P 193,763,244</u>	<u>P 209,146,398</u>	<u>P 226,732,466</u>	<u>P 4,301,856</u>	<u>(P 7,170,612)</u>	<u>(P 9,129,594)</u>

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The Group is liable for RCIT in 2017, 2016 and 2015 since RCIT was higher than MCIT, except for R-1 and BAH I which was subjected to MCIT in 2017 and FI in 2017, 2016 and 2015.

The Group did not recognize deferred tax assets on NOLCO and MCIT of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The total recognized and unrecognized deferred tax assets relating to NOLCO and MCIT is presented in the succeeding page.

	2017		2016	
	Recognized	Unrecognized	Recognized	Unrecognized
NOLCO	P 5,040,768	P 8,516,009	P 5,335,891	P 14,414,930
MCIT	<u>621,568</u>	<u>290,663</u>	<u>604,194</u>	<u>240,046</u>
	<u>P 5,662,336</u>	<u>P 8,806,672</u>	<u>P 5,940,085</u>	<u>P 14,654,976</u>

The details of NOLCO and MCIT related to the Parent Company's certain subsidiaries, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three years from the year the NOLCO and MCIT were incurred are shown below.

Year Incurred	Amount	Applied	Expired	Remaining Balance	Valid Until
NOLCO:					
2017	P 12,348,767	P -	P -	P 12,348,767	2020
2016	16,144,212 (	4,322,407)	-	11,821,805	2019
2015	21,174,111 (	155,427)	-	21,018,684	2018
2014	<u>29,021,880 (</u>	<u>448,035) (</u>	<u>28,573,845)</u>	<u>-</u>	
	<u>P 78,688,970</u>	<u>(P 4,925,869)</u>	<u>(P 28,573,845)</u>	<u>P 45,189,256</u>	
MCIT:					
2017	P 370,282	P -	P -	P 379,282	2020
2016	564,733 (	152,796)	-	411,937	2019
2015	141,575 (	11,563)	-	130,012	2018
2014	<u>11,103 (</u>	<u>11,103)</u>	<u>-</u>	<u>-</u>	
	<u>P 1,087,693</u>	<u>(P 175,462)</u>	<u>P -</u>	<u>P 912,231</u>	

In 2017, 2016 and 2015, the Group claimed itemized deductions in computing its income tax due, except for the Parent Company, which opted to claim OSD in 2017, and AHI, which opted to claim OSD in 2017 and 2016.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint ventures, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's significant transactions in 2017, 2016 and 2015 with its related parties and the outstanding balances as of December 31, 2017 and 2016 are presented in the succeeding page.

Related Party Category	Note	Outstanding Balances		Amount of Transactions		
		2017	2016	2017	2016	2015
Ultimate parent company:						
Cash advances granted (collected)	25.1	P 400,425,054	P 19,716,209	P 380,708,845	(P 19,416,209)	P -
Installment payable	25.2	(4,644,167,018)	(4,644,167,018)	-	595,000	125,175,068
Purchase of parcels of land	25.9	478,140,000	-	478,140,000	-	-
Associates:						
Cash advances granted (collected)	25.1	6,782,580	6,462,323	320,257	351,142	427,646
Rentals	25.3	-	-	198,412	194,064	174,410
Joint ventures:						
Cash advances granted (collected)	25.1	95,503,565	95,185,925	317,640	(7,411,084)	7,712,024
Construction contracts	25.4	-	5,965,096	-	311,431	-
Related parties under common ownership and management:						
Cash advances granted (collected)	25.1	172,271,510	547,432,282	(375,160,772)	15,863	(74,712,194)
Cash advances paid (obtained)	25.2	(428,838)	(9,389,277)	8,960,439	(2,206,515)	101,673,874
Association dues	25.6	21,216,743	10,017,642	24,441,174	15,069,868	10,239,537
Contracts of services	25.7	-	-	9,073,066	3,608,449	801,640
Other income	25.5	-	-	14,400,000	24,625,029	1,257,410
Rentals	25.3	-	-	260,665	254,953	228,819
Purchase of goods	-	-	-	-	-	51,000,000
Stockholders:						
Cash advances granted (collected)	25.1	159,319,974	246,084,335	(86,764,361)	16,301,632	(140,805,987)
Cash advances paid (obtained)	25.2	(11,461,396)	(10,242,314)	(1,219,082)	(2,050,270)	21,718,423
Purchase of parcels of land	25.10	-	-	67,000,000	-	-
Deed of exchange	-	-	-	-	-	321,685,267
Key management personnel –						
Compensation	25.8	-	-	54,330,443	51,130,395	46,695,203

No impairment loss is recognized for the reporting periods on the outstanding balances from related parties in connection with these transactions.

25.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes.

The carrying amount of the account is broken down as follows:

	Notes	2017	2016
Current	9	P 714,770,208	P 794,526,578
Non-current	13	119,532,475	120,354,496
		P 834,302,683	P 914,881,074

Certain advances to related parties are secured by an undertaking of another related party to pay in case of default.

The current portion of advances to related parties is broken down as follows:

	2017	2016
Ultimate parent company	P 384,486,679	P 19,716,209
Related parties under common ownership and management	170,659,809	528,638,005
Stockholders	159,019,974	245,784,335
Associates	603,746	388,029
	P 714,770,208	P 794,526,578

These advances are presented as Advances to related parties under Receivables account in the consolidated statements of financial position (see Note 9).

The non-current advances to related parties consist of advances to:

	<u>2017</u>	<u>2016</u>
Joint ventures	P 95,503,565	P 95,185,925
Ultimate parent company	15,938,375	-
Associates	6,178,834	6,074,294
Related parties under common ownership and management	1,611,701	18,794,277
Stockholders	<u>300,000</u>	<u>300,000</u>
	<u>P 119,532,475</u>	<u>P 120,354,496</u>

These advances are presented as part of Advances to and Investments in Associates, Joint Ventures and Other Related Parties account in the consolidated statements of financial position (see Note 13).

In 2017, DMWAI, WHI and a certain related party under common ownership and management executed an Assumption of Liability Agreement whereby WHI assumes the rights, duties, liabilities, and financial obligations of a certain related party under common ownership and management to DMWAI.

The movements in the carrying amount of the advances to related parties in 2017 and 2016 are as follows:

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 914,881,074	P 886,207,312
Additions		102,693,465	112,519,249
Collections		(116,271,856)	(83,845,487)
Offsetting	15(b), 25.10	(<u>67,000,000</u>)	<u>-</u>
Balance at end of year		<u>P 834,302,683</u>	<u>P 914,881,074</u>

No impairment losses were recognized in 2017, 2016 and 2015 on advances to related parties as management has assessed that the total amount is fully collectible.

25.2 Advances from Related Parties and Due to Ultimate Parent Company

The Group has outstanding amount due to the Ultimate Parent Company, presented as Due to a Related Party account under non-current liabilities section, representing installment payable for certain land acquired in prior years. The Group also obtains cash advances from other related parties to assist its daily operational and other requirements. The foregoing balances are broken down as follows:

	<u>2017</u>	<u>2016</u>
Current	P 312,485,234	P 320,226,591
Non-current	<u>4,343,572,018</u>	<u>4,343,572,018</u>
	<u>P 4,656,057,252</u>	<u>P 4,663,798,609</u>

Advances from and due to related parties consist of:

	<u>2017</u>	<u>2016</u>
Ultimate parent company	P 4,644,167,018	P 4,644,167,018
Stockholders	11,461,396	10,242,314
Related party under common ownership and management	<u>428,838</u>	<u>9,389,277</u>
	<u>P 4,656,057,252</u>	<u>P 4,663,798,609</u>

Advances from and due to related parties arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the year as presented in the consolidated statements of cash flows is shown below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 4,663,798,609	P 4,667,460,394
Additions	1,219,082	595,000
Repayments	(8,960,439)	(4,256,785)
Balance at end of year	<u>P 4,656,057,252</u>	<u>P 4,663,798,609</u>

Outstanding balances with related parties are unsecured, non-interest bearing, have no fixed repayment and settlement terms, except for the due to Ultimate Parent Company that is payable beyond 12 months, and are presented as Advances from Related Parties and Due to a Related Party accounts in the consolidated statements of financial position.

25.3 Rentals

The Group leases certain parcels of land and portion of a building to its associates and other related parties under common ownership and management for terms ranging from one to 12 years and with annual escalation rate of 2.00%. Rental income from these transactions amounted to P0.5 million in 2017 and P0.4 million each in 2016 and 2015, and included as part of Rentals under Revenues account in the consolidated statements of profit or loss. There were no outstanding receivables from these transactions as of December 31, 2017 and 2016.

25.4 Contract Revenues and Receivables

The Company and BRADCO entered into certain construction contracts in 2016 and prior years whereby the Group undertook to complete the design and construction of the roads and drainage system of certain lots situated at ABP. The construction was completed in 2017. The related contract receivable amounting to P27.1 million and P4.2 million and retention receivable amounting to P1.8 million as of December 31, 2017 and 2016, are included as part of Contract receivables and Retention receivables under Receivables account in the consolidated statements of financial position (see Note 9).

25.5 Other Income from Rendering of Administrative Services

The Group recognized income amounting to P14.4 million, P24.6 million and P1.3 million in 2017, 2016 and 2015, respectively, from rendering of various administrative services to its related parties and are included as part of Other income under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 21.3). There are no outstanding receivables related to these transactions.

25.6 Association Dues

The Group incurred association dues amounting to P24.4 million, P15.1 million and P10.2 million in 2017, 2016 and 2015, respectively, as member of Aseana Business Park Estate Association and Aseana Power Station Association, Inc. which are presented as part of Association dues under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 22). Outstanding payables related to these transactions amounting to P21.2 million and P10.0 million as of December 31, 2017 and 2016, respectively, are included as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 18).

25.7 Contracts of Services

On October 13, 2010, the Group renewed its contract of services with a certain related party under common ownership and management. Under such contract, the same related party will provide consultancy, management and labor services to the Group upon the latter's request. Total costs incurred related to these contracts amounted to P9.1 million, P3.6 million and P0.8 million for the years ended December 31, 2017, 2016 and 2015, respectively, and are shown as part of Cost of construction contracts under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 20.1). There was no outstanding liability related to this transaction as of December 31, 2017 and 2016.

25.8 Key Management Personnel Compensation

Compensation paid to key management personnel consist of short-term benefits, which include among others, salaries and allowances, bonuses and other employee benefits amounting to P54.3 million, P51.1 million and P46.7 million in 2017, 2016 and 2015, respectively. There are no outstanding liabilities arising from this transaction.

25.9 Transfer of Land to ARHC

In 2016, the Group is under negotiation with WHI to purchase its property to be used for the Group's residential project (see Note 10). The purchase transaction was completed in 2017. The property is presented as part of Property Development Costs account and the outstanding liability is presented as part of Trade payables under Trade and Other Payables account in the 2017 consolidated statement of financial position.

25.10 Purchase of Parcels of Land

In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million. There was no outstanding liabilities related to this transaction as of December 31, 2017 as the related liability was offset against the advances granted to such related party [see Notes 15(b) and 25.1]. There was no similar transaction in 2016 and 2015.

26. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net profit attributable to the equity holders of the Parent Company	P 1,560,481,325	P 1,200,191,746	P 874,395,883
Divided by weighted average number of outstanding common shares*	<u>2,716,691,200</u>	<u>1,716,691,200</u>	<u>930,845,575</u>
Basic and diluted earnings per share	<u>P 0.57</u>	<u>P 0.70</u>	<u>P 0.94</u>

*The Group has no potential dilutive common shares as of December 31, 2017, 2016 and 2015.

27. EQUITY

27.1 Capital Stock

The Parent Company's capital stock consists of:

	<u>Shares</u>		<u>Amount</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Common shares – P1.00 par value in 2017 and 2016				
Authorized – 4,000.0 million shares in 2017 and 2016				
Issued and outstanding:				
Balance at beginning of year	1,716,691,200	1,716,691,200	P 1,716,691,200	P 1,716,691,200
Stock dividends declared	1,000,000,000	-	1,000,000,000	-
Balance at end of year	<u>2,716,691,200</u>	<u>1,716,691,200</u>	<u>P 2,716,691,200</u>	<u>P 1,716,691,200</u>

In their respective meetings on January 20, 2017, the Company's BOD and stockholders approved the declaration of stock dividends representing 1,000,000,000 common shares or equivalent to P1,000.0 million (see Note 27.3).

On June 25, 2015, the Parent Company's BOD and stockholders approved a stock split from a par value of P100.00 per share to P1.00 per share and from 10,000,000 common shares to 1,000,000,000 common shares. On July 13, 2015, the Parent Company's BOD and stockholders approved the increase in authorized capital stock from P1,000.0 million divided into 1,000,000,000 common shares to P4,000.0 million divided into 4,000,000,000 common shares both with a par value of P1.00 per share, wherein WHI subscribed to the increase in authorized capital stock and paid by way of conversion of its deposits for future stock subscription amounting to P1,000.0 million.

On July 28, 2015 and August 17, 2015, the SEC approved the related stock split and the increase in authorized capital stock, respectively.

In 2015, the Parent Company issued 3,216,910 common shares at par value of P100.00 per share to a certain individual stockholder pursuant to a deed of exchange (see Notes 1.2, 15, 25.9 and 27.4).

As of December 31, 2017 and 2016, the Parent Company has 13 stockholders, owning 100 or more shares each of the Parent Company's capital stock.

27.2 Revaluation Reserves

The movements of this account in 2017 and 2016 are as follows:

	Investment Properties (see Note 2.24)	Retirement Benefit Obligation (see Notes 23.2 and 24)	AFS Financial Assets (see Note 16.2)	Total
Balance as of				
January 1, 2017	P 19,047,893	(P 38,980,712)	(P 1,120,135)	(P 21,052,954)
Remeasurements of				
post-employment				
defined benefit plan	-	14,339,519	-	14,339,519
Fair value gain on				
AFS financial assets	-	-	80,115	80,115
Other comprehensive				
income before tax	-	14,339,519	80,115	14,419,634
Tax expense	-	(4,301,856)	-	(4,301,856)
Other comprehensive				
income after tax	-	10,037,663	80,115	10,117,778
Balance as of				
December 31, 2017	P 19,047,893	(P 28,943,049)	(P 1,040,020)	(P 10,935,176)
Balance as of				
January 1, 2016	P 19,047,893	(P 22,249,283)	(P 1,039,440)	(P 4,240,830)
Remeasurements of				
post-employment				
defined benefit plan	-	(23,902,041)	-	(23,902,041)
Fair value loss on				
AFS financial assets	-	-	(80,695)	(80,695)
Other comprehensive				
loss before tax	-	(23,902,041)	(80,695)	(23,982,736)
Tax income	-	7,170,612	-	7,170,612
Other comprehensive				
loss after tax	-	(16,731,429)	(80,695)	(16,812,124)
Balance as of				
December 31, 2016	P 19,047,893	(P 38,980,712)	(P 1,120,135)	(P 21,052,954)
Balance as of				
January 1, 2015	P 19,047,893	(P 946,896)	(P 1,268,594)	P 16,832,403
Remeasurement of				
post-employment				
defined benefit plan	-	(30,431,981)	-	(30,431,981)
Fair value gain on				
AFS financial assets	-	-	229,154	229,154
Other comprehensive				
income (loss)				
before tax	-	(30,431,981)	229,154	(30,202,827)
Tax expense	-	9,129,594	-	9,129,594
Other comprehensive				
income after tax	-	(21,302,387)	229,154	(21,073,233)
Balance as of				
December 31, 2015	P 19,047,893	(P 22,249,283)	(P 1,039,440)	(P 4,240,830)

In 2003, certain parcel of land located in Quezon City, classified as property and equipment, was appraised by independent appraisers and resulted in revaluation increment of P19.0 million. In 2007, upon change of the intention of the management, such parcel of land was transferred from property and equipment to investment property at the appraised amount of P30.4 million. As of December 31, 2017, the parcel of land is held by the management for capital appreciation. The amount of revaluation reserves of the land remains to be recognized under equity until the land is derecognized.

27.3 Unrestricted Retained Earnings

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits (or retained earnings) in excess of their paid-in capital, except when justified by any of the reasons mentioned in the Code.

In meetings held on December 23, 2013 and October 8, 2012, the Parent Company's BOD approved the appropriation of the unrestricted retained earnings of the Parent Company amounting to P500.0 million and P700.0 million, respectively, necessary to cover the business expansion of the Group. As part of its long term corporate strategy, the Group is set to construct two additional buildings, under similar nature and purpose of its existing investment properties. The additional two buildings were expected to be completed within 2017. However, as of December 31, 2017, only one of the buildings was completed while the other building is expected to be completed in June 2018. The management has retained the appropriation in anticipation for other development in the next few years.

As a matter of policy, stockholders may be entitled to receive, upon declaration by the Parent Company's BOD and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Parent Company's BOD; (ii) when the Group is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Group, such as when there is a need for special reserves for probable contingencies.

On February 10, 2017, as discussed in Note 27.1, the BOD and stockholders declared P1,000.0 million stock dividends from the Parent Company's unrestricted retained earnings.

27.4 Other Reserves

Other Reserves account in the consolidated statements of financial position includes the excess of the consideration paid by the Group for the additional 40% direct ownership in FI and the excess minority share in net assets of UCTPI over the cost of additional investments acquired by the Group in 2015 which amounted to P297.4 million and P21.4 million, respectively.

28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

28.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. The lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum.

The future minimum lease collections under these operating leases as of the end of the reporting period is as follows:

	<u>2017</u>	<u>2016</u>
Within one year	P 678,351,396	P 629,720,842
After one year but not more than five years	2,659,730,237	2,421,887,002
More than five years	<u>32,772,787,185</u>	<u>31,030,955,038</u>
	<u>P 36,110,868,818</u>	<u>P 34,082,562,882</u>

The total rent income recognized on investment properties amounted to P1,349.1 million, P1,205.1 million and P1,114.9 million, including rent income recognized in accordance with PAS 17 amounting to P605.9 million, P749.4 million and P778.3 million in 2017, 2016 and 2015, respectively, and are presented as Land and Building Rentals under Revenues account in the consolidated statements of profit or loss.

28.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

28.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the Bureau of Internal Revenue (BIR), pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of December 31, 2017, the final deficiency tax assessments are still under protest. Management believes that the Group has enough basis in law, Supreme Court and Court of Tax Appeals decisions, and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

28.4 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the PRA and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2017, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of December 31, 2017 and 2016, the Group's ratios of net interest-bearing loans to total capital are as follows:

	Notes	2017	2016
Total loans and borrowings	17	P 2,476,902,945	P 2,663,409,274
Less: Cash and cash equivalents	8	(1,431,417,365)	(815,171,402)
Net loans and borrowings (a)		1,045,485,580	1,848,237,872
Total equity		<u>10,256,894,489</u>	<u>8,686,969,351</u>
Net loans and borrowings and equity (b)		<u>P11,302,380,069</u>	<u>10,535,207,223</u>
Gearing ratio (a/b)		<u>9%</u>	<u>18%</u>

Certain loans with a local bank are subject to a cross default arrangement wherein if the Group or any of its related parties fail to pay or default in the payments of any installment of the principal or interest, or fails to comply with or commits breach or violation of any term, condition or stipulation of any other agreement, contract, or document with the lending bank; the Group's obligation will become due and demandable.

The Group has no other significant loan covenant obligations in 2017 and 2016 (see Note 17).

30. EVENT AFTER THE END OF THE REPORTING PERIOD

On January 23, 2018, the Parent Company, along with the Ultimate Parent Company and ABCC, entered into a Settlement Agreement with ADI regarding their joint venture agreements (the JV Agreements), and all disputes related thereto, in relation to the development of the Alphaland Bay City project (the Project) located in Aseana City, Paranaque City. Based on the Settlement Agreement, the parties have agreed to terminate, rescind or otherwise cancel the JV Agreements, and waive and release any and all rights or interests they have, or may have arising therefrom.

As part of the termination of the JV Agreements, the parties agreed to withdraw their earlier request for a tax free ruling from the BIR on the property contributions for shares in ABCC and to petition the SEC to cancel its approval of the increase in capital stock of ABCC in 2012 [see Note 13.2(a)].



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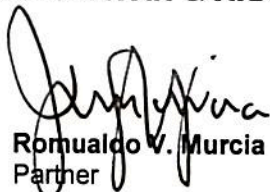
**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the Basic
Consolidated Financial Statements**

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
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The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings, Co., Inc.)
3rd Floor Aseana Powerstation Building
Pres. Macapagal Avenue
Aseana Business Park, Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and subsidiaries for the year ended December 31, 2017 on which we have rendered our report dated January 25, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 6616014, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 25, 2018

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68		
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
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**Information presented herein are based on the separate financial statements of D.M. Wenceslao & Associates.*

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule A - Financial Assets

December 31, 2017

(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Not Applicable

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Equity Securities

Powersource Philippine Distributed Power Holdings, Inc.	Seventy two million four hundred fifty three thousand seven hundred eighty (72,453,780)	P 72,453,780	P 72,453,780	p -
Aseana Real Estate and Management Corporation	One million two hundred fifty nine thousand four hundred fifty (1,259,450)	1,259,450	1,259,450	-
Tagaytay Highland International Golf Club Inc.	One (1)	600,000	600,000	-
Tagaytay Midland Golf Club	One (1)	550,000	550,000	-
Quezon City Sport Club	One (1)	480,000	480,000	-
Alphaland City Club	One (1)	450,000	450,000	-
Philippine Long Distance Telephone Company	One (1)	1,480	1,480	-
Philippine Construction Association	One (1)	<u>1,000</u>	<u>1,000</u>	<u>-</u>
		75,795,710	75,795,710	-

HELD-TO-MATURITY INVESTMENTS

Not Applicable

GRAND TOTAL		<u>P 75,795,710</u>	<u>P 75,795,710</u>	<u>p -</u>

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2017

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties							
Philippine Ecopanel, Inc.	P 352,528,779	P 22,117,747	P 374,646,526*	P -	P -	P -	P -
Stockholders	265,800,544	15,247,281	121,727,851	-	159,019,974	300,000	159,319,974
Wendel Vega Marine Carrier	81,626,460	8,166,961	3,589,830	-	86,203,591	-	86,203,591
Alphaland Bay City Corporation	50,186,860	317,640	-	-	-	50,504,500	50,504,500
Bay Resources and Development Corporation	44,999,065	-	-	-	-	44,999,065	44,999,065
Wendel Ground Improvement, Inc.	36,055,676	4,040	-	-	36,059,716	-	36,059,716
10k South Concrete Mix	21,737,482	7,758	16,204,135	-	5,541,105	-	5,541,105
Urban Agro Products, Inc.	18,202,452	1,559,081	-	-	19,761,533	-	19,761,533
European Resources & Technologies, Inc.	6,462,323	320,257	-	-	603,746	6,178,834	6,782,580
Bay Security Services, Inc.	4,819,452	15,663	-	-	4,835,115	-	4,835,115
Aseana Power Station Association, Inc.	3,482,072	-	3,482,072	-	-	-	-
Wendel Construction Co., Inc.	2,188,995	22,769,500	21,054,331	-	3,904,164	-	3,904,164
Wendel Osaka Realty Corporation	1,607,466	15,663	-	-	1,623,129	-	1,623,129
Aseana Urban Art Foundation	1,001,629	-	-	-	1,001,629	-	1,001,629
Cagayan Economic Development	750,000	-	-	-	-	750,000	750,000
Cagayan Valley Bio Energy	538,000	-	-	-	-	538,000	538,000
Patriot Log Home Asia, Inc.	15,663	16,163	29,493	-	2,333	-	2,333
Wendel Holdings Co., Inc.	-	400,425,054	-	-	384,486,679	15,938,375	400,425,054
Others	22,878,156	6,355,615	17,182,576	-	11,727,494	323,701	12,051,195
TOTAL	P 914,881,074	P 477,338,423	557,916,814	P -	P 714,770,208	P 119,532,475	P 834,302,683

*Includes amounts extinguished as a result of assumption of liability by the Parent Company's stockholder.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2017

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written- off	Current	Not Current	

Amounts Receivable from Related Parties Eliminated During Consolidation:

Aseana Holdings, Inc.	P 100,555,685	P 24,904	P 1,450,844	P -	P -	P 99,129,745	P 99,129,745
Bay Area Holdings, Inc.	105,575,897	500	4,000,000	-	101,576,397	-	101,576,397
Boracay International Airport & Dev't Corp.	39,389,582	9,267,479	145,000	-	48,512,061	-	48,512,061
Fabricom Realty Development Corporation	6,001,461	62,600	-	-	-	6,064,061	6,064,061
R-1 Consortium, Inc.	5,699,161	63,222	-	-	-	5,762,383	5,762,383
Portal Holdings, Inc.	1,993,662	-	1,993,662	-	-	-	-
Mandaue Land Consortium, Inc.	1,522,995	1,562,953	-	-	3,085,948	-	3,085,948
Aseana I.T. Plaza, Inc.	602,451	62,650	-	-	-	665,101	665,101
Aseana City Transport & Travel Corp.	350,260	6,577,525	350,660	-	6,577,125	-	6,577,125
SHLP BBP Realty, Inc.	198,514	-	-	-	100	198,414	198,514
Aseana Residential Holdings Corp.	-	2,433,864	1,800,361	-	633,503	-	633,503
							-
	P 261,889,668	P 20,055,697	P 9,740,527	P -	P 160,385,134	P 111,819,704	P 272,204,838

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule D - Intangible/Other Assets

December 31, 2017

(Amounts in Philippine Pesos)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance

Not Applicable

The Group does not have any intangible asset as at December 31, 2017.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule E - Long-term Debt

December 31, 2017

(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Consolidated Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Consolidated Statement of Financial Position
Bank of the Philippine Islands Loans payable	P	1,131,482,773	P 808,650,000
BDO Unibank, Inc. Loans payable		374,970,000	-
Security Bank Philippines Loans payable		50,140,661	11,659,511
Rizal Commercial Banking Corporation Loans payable		<u>100,000,000</u>	<u>-</u>
TOTAL	P	<u>1,656,593,434</u>	<u>P 820,309,511</u>

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F - Indebtedness to Related Parties (Non-current Liabilities)

December 31, 2017

(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Period		Balance at End of Period		Purpose
Wendel Holdings Co., Inc.	P	4,343,572,018	P	4,343,572,018	Due to related party representing installment payable for certain land acquired in prior years

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2017

(Amounts in Philippine Pesos)

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee

Not Applicable

The Group does not have any guarantee as at December 31, 2017.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule H - Capital Stock

December 31, 2017

(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares, P1.00 Par Value	4,000,000,000	2,716,691,200	-	2,136,554,780	578,831,320	1,305,100

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

Schedule of Financial Indicators for December 31, 2017 and 2016

As required under SRC Rule 68, as amended

For the Years Ended December 31, 2017 and 2016

(Amounts in Philippine Pesos)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	8,212,136,455	6,763,093,078	1.55	1.41
Total Current Liabilities	5,305,109,945	4,797,425,233		
b. Quick Ratio				
[Cash and Cash Equivalents + Receivables - net]	3,762,117,892	2,955,762,344	0.71	0.62
Total Current Liabilities	5,305,109,945	4,797,425,233		
II. Solvency ratios				
a. Solvency Ratio				
Earnings Before Interest and Taxes	2,165,284,820	1,723,712,846	0.12	0.10
Total Liabilities	18,793,707,566	18,111,245,724		
b. Debt Ratio				
Total Loans and Borrowings	2,476,902,945	2,663,409,274	0.09	0.10
Total Assets	29,050,602,055	26,798,215,075		
c. Debt-to-Equity Ratio				
Total Loans and Borrowings	2,476,902,945	2,663,409,274	0.26	0.33
Total Equity Attributable to Owners of Parent Company	9,597,931,862	8,027,332,759		
III. Asset-to-equity ratio				
Total Assets	29,050,602,055	26,798,215,075	3.03	3.34
Total Equity Attributable to Owners of Parent Company	9,597,931,862	8,027,332,759		
IV. Interest Coverage Ratio				
Earnings Before Interest and Taxes	2,165,284,820	1,723,712,846	32.84	22.02
Interest Costs*	65,929,168	78,283,985		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	1,559,807,360	1,202,504,913	0.52	0.55
Revenues	3,011,226,914	2,180,336,041		
b. Gross Profit Margin				
Gross Profit	2,332,471,047	1,650,534,496	0.77	0.76
Revenues	3,011,226,914	2,180,336,041		
c. Return on Equity				
Net profit	1,559,807,360	1,202,504,913	0.18	0.16
Average Equity Attributable to Owners of the Parent Company	8,812,632,311	7,435,642,948		
d. Return on Assets				
Net Profit	1,559,807,360	1,202,504,913	0.06	0.05
Average Total Assets	27,924,408,565	26,440,585,952		

* Interest expense for bank loans and obligations under finance lease plus capitalized borrowing costs.

D.M. Wenceslao & Associates, Incorporated
(A Subsidiary of Wendel Holdings Co., Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (<i>effective January 1, 2018</i>)			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* (<i>effective January 1, 2019</i>)			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * (<i>effective January 1, 2018</i>)			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (<i>effective when PFRS 9 is first applied</i>)			✓
PFRS 8	Operating Segments	✓		

D.M. Wenceslao & Associates, Incorporated
(A Subsidiary of Wendel Holdings Co., Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PFRS 9	Financial Instruments (2014)* <i>(effective January 1, 2018)</i>			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* <i>(effective January 1, 2019)</i>			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* <i>(effective January 1, 2019)</i>			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Amendments to PFRS 12: Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* <i>(effective January 1, 2018)</i>			✓
PFRS 16	Leases* <i>(effective January 1, 2019)</i>			✓
PFRS 17	Insurance Contracts* <i>(effective January 1, 2021)</i>			✓
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* <i>(effective January 1, 2019)</i>			✓

D.M. Wenceslao & Associates, Incorporated
(A Subsidiary of Wendel Holdings Co., Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization* (<i>effective January 1, 2019</i>)			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (<i>effective date deferred indefinitely</i>)			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (<i>effective January 1, 2018</i>)			✓
	Amendment to PAS 28: Long-term Interests in Associates and Joint Ventures (<i>effective January 1, 2019</i>)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

D.M. Wenceslao & Associates, Incorporated
(A Subsidiary of Wendel Holdings Co., Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Transfers to and from Investment Property (<i>effective January 1, 2018</i>)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (<i>effective January 1, 2018</i>)			✓

D.M. Wenceslao & Associates, Incorporated
(A Subsidiary of Wendel Holdings Co., Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

IFRIC 23	Uncertainty Over Income Tax Treatments (effective <i>January 1, 2019</i>)			✓
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
3rd Floor, Aseana Powerstation Building
Pres. Macapagal Avenue, Aseana Business Park, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2017

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P <u>3,326,433,397</u>
Prior Year's Outstanding Reconciling Items	
Gain on exchange of parcels of land for shares of stock	(1,015,991,664)
Deferred tax income from deferred tax assets	(243,237,675)
Revaluation increment on land	(<u>19,047,893</u>)
	(<u>1,278,277,232</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	<u>2,048,156,165</u>
Net Profit Realized During the Year	
Net profit per audited financial statements	2,081,779,093
Non-actual/unrealized income	
Deferred tax income from deferred tax assets	(<u>5,469,114</u>)
	<u>2,076,309,979</u>
Other Transactions During the Year	
Stock Dividends Declared	(<u>1,000,000,000</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	<u><u>P 3,124,466,144</u></u>

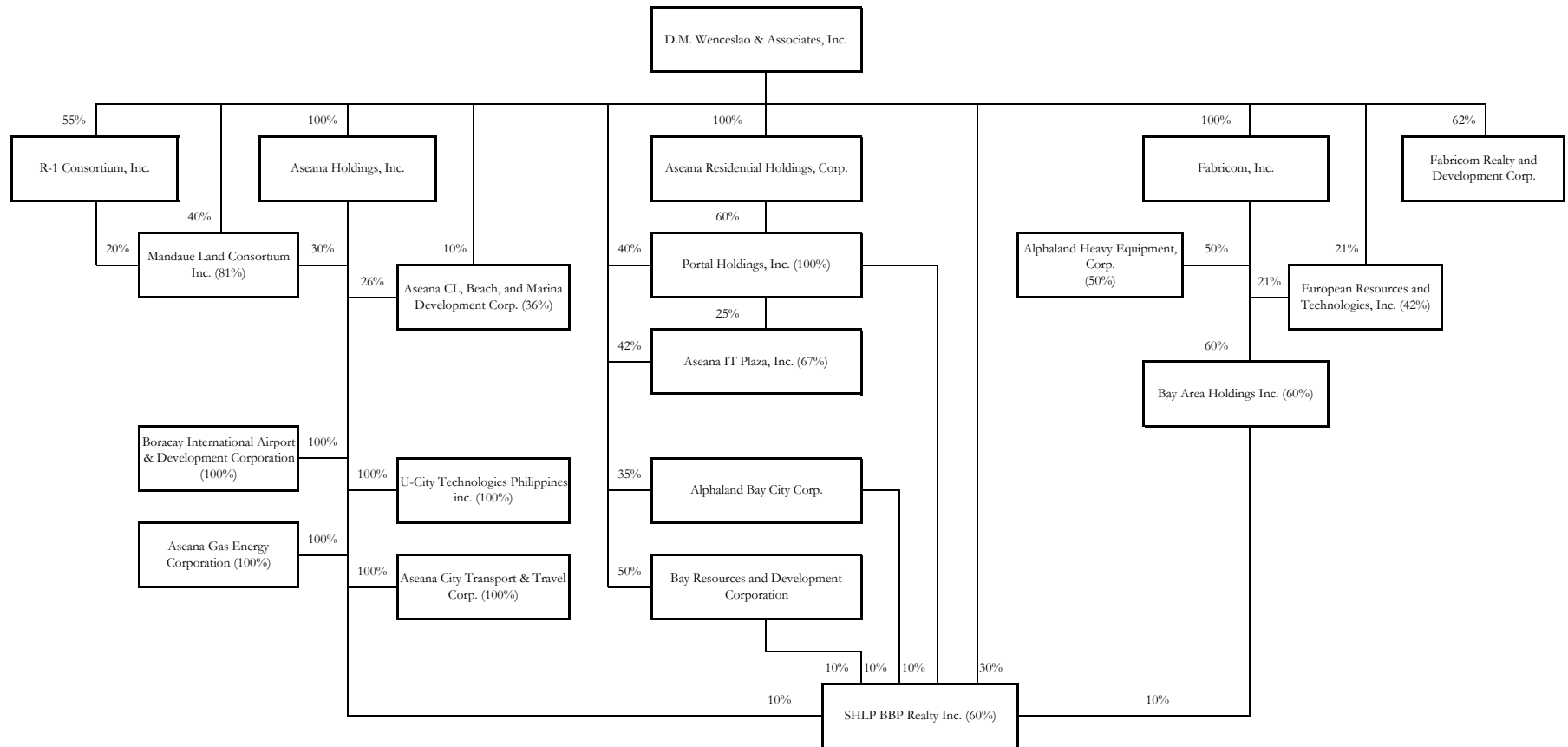
D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Map Showing the Relationship Between the Company and its Related Parties

December 31, 2017





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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo

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

T +63 2 988 2288

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings, Co., Inc.)
3rd Floor Aseana Powerstation Building
Pres. Macapagal Avenue
Aseana Business Park, Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and subsidiaries for the year ended December 31, 2017 on which we have rendered our report dated January 25, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Certified Public Accountants

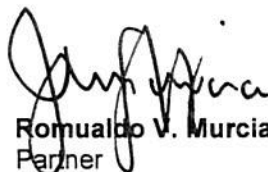
Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

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Our report on the supplementary information is reissued with respect to the Reconciliation of Retained Earnings Available for Dividend Declaration to add certain information in the separate financial statements of D.M. Wenceslao & Associates, Incorporated that were inadvertently excluded in the reconciliation.

PUNONGBAYAN & ARAULLO



By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 6616014, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 25, 2018 (dual dated on April 30, 2018 with respect to the
Reconciliation of Retained Earnings Available
for Dividend Declaration)

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
3rd Floor, Aseana Powerstation Building
Pres. Macapagal Avenue, Aseana Business Park, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2017

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P <u>3,326,433,397</u>
Prior Year's Outstanding Reconciling Items	
Rent income based on	
Philippine Accounting Standard (PAS) 17, <i>Leases</i>	(1,708,251,050)
Gain on exchange of parcels of land for shares of stock	(1,015,991,664)
Deferred tax income from deferred tax assets	(243,237,675)
Revaluation increment on land	(19,047,893)
Unrealized gross profit on real estate sale	(12,305,670)
Unrealized foreign currency gains	(<u>912,823</u>)
	(<u>2,999,746,775</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	<u>326,686,622</u>
Net Profit Realized During the Year	
Net profit per audited financial statements	2,081,779,093
Non-actual/unrealized income	
Rent income based on PAS 17	(590,202,480)
Deferred gain on sale of land	(8,901,800)
Deferred tax income from deferred tax assets	(<u>5,469,114</u>)
	<u>1,477,205,699</u>
Other Transactions During the Year	
Stock Dividends Declared	(<u>1,000,000,000</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P <u>803,892,321</u>



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **D.M. Wenceslao & Associates, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

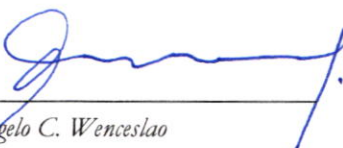
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

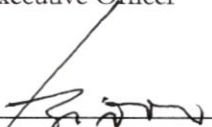
PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of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



Delfin J. Wenceslao, Jr.
Chairman



Delfin Angelo C. Wenceslao
Chief Executive Officer



Atty. Heberson M. Asiddao
Chief Financial Officer

Signed this 25th day of January 2018

• CONSTRUCTION • SUPERVISION AND MANAGEMENT • PLANNING AND DESIGN • DEVELOPMENT •





**D.M. WENCESLAO &
ASSOCIATES, INC.**
GENERAL CONTRACTORS

3rd Floor, Aseana Powerstation Bldg.
Pres. Diosdado Macapagal Blvd. corner
Bradco Avenue, Aseana City, Parañaque City
TEL.: (632) 854-5711 • FAX: (632) 853-2590

SUBSCRIBED AND SWORN before me this **FEB 27 2018** day of **2018** at **PARAÑAQUE CITY**
Philippine, Affiant exhibiting to me his competent evidence of identity _____.


ATTY. ROBERT SANGALANG
NOTARY PUBLIC
NOTARY PUBLIC - UNTIL DEC 31, 2019
ROLL OF ATTORNEY'S No. 28026
PTR No. 1234026-E Jan. 03, 2018 - Parañaque City
IBP No. 1083680 - Oct. 04, 2017 / MLA Chapter IV - 2018-19
TIN : 146-267-992 / MCLE Compliance No. V No 000174-3 / 19
NOTARIAL COMMISSION No. **173-2018**

Doc. No. 206
Page No. 47
Book No. 51
Series of 2018

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ANNEXES

- 1. Overview of the Metro Manila Office, Residential and Retail Property Markets dated April 2, 2018 prepared by Colliers International Philippines, Inc.**
- 2. Valuation Certificates prepared by Colliers International Philippines, Inc. and dated March 5, 2018 for the following properties:**
 - **Commercial land lots in Aseana City**
 - **Aseana One**
 - **Aseana Two**
 - **Aseana Powerstation Building**
 - **Aseana Town Center**
 - **DMWAI Building**
 - **Aseana Square**
 - **Aseana Three**
 - **Pixel Residences**
 - **Aseana Four**
 - **Aseana Mainstreet 1**
 - **Parkside Place 1**
 - **Aseana Five**
 - **Aseana Mainstreet 2**
 - **Parkside Place 2**
 - **Aseana Six**

Overview of the Metro Manila Office, Residential, and Retail Property Markets (2017 Update) (Full Report)

April 2018

Prepared by:
Theresa Teodoro
Lila Santelices
Veronica Cabigao

Prepared for:
DM Wenceslao & Associates, Inc.

Colliers International Philippines, Inc.
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Our Ref: CIP/CONS18-002

April 2, 2018

DM Wenceslao & Associates, Inc.

3rd Floor, Aseana Powerstation
Bradco Ave. cor. President Diosdado Macapagal Blvd.
Aseana City, Paranaque
Philippines

Attn: Mr. Delfin C. Wenceslao

**Re: Overview of the Metro Manila Residential, Retail and Office Property Markets
(the 'Project')**

With reference to your instructions received in January 2018, we have prepared an update on the overview report on the Metro Manila residential, retail and office property markets. We understand that this report shall be used in relation to DM Wenceslao & Associate Inc.'s (the "Company") planned initial public offering, and we hereby consent to the inclusion of this report, in whole or in part, in the prospectus and/or registration statement relating to the Company's planned initial public offering.

The market report is enclosed herewith.

Yours faithfully,

For and on behalf of
Colliers International Philippines, Inc.

A handwritten signature in blue ink, appearing to read "R. Raymundo", written over a horizontal line.

Richard Raymundo
Managing Director

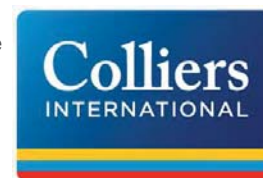
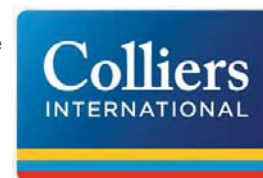
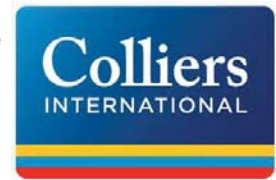


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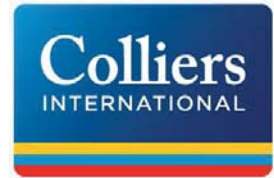
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1 INTRODUCTION

1.1 INSTRUCTIONS

This report has been prepared upon the instructions of DM Wenceslao & Associates, Inc. (the "Client") to prepare an update on the overview report on the residential, retail and office property markets of Metro Manila previously conducted in 2016. The primary purpose of the study is to provide the Client substantial knowledge of the residential, retail and office sectors in Makati CBD, Ortigas Center, Bonifacio Global City, Eastwood City, Pasay Reclamation Area, Alabang, and Quezon City. An overview of the Aseana City development shall also be provided.

We understand that the Client will use the report in relation to its planned initial public offering (IPO) and for inclusion in the prospectus in relation to DM Wenceslao & Associates, Inc.'s proposed listing on the Philippine Stock Exchange. In this regard, subject to agreement on the form and context it may appear, Colliers International Philippines, Inc. confirms that it has given its consent to the use and inclusion of the Report in any prospectus relating to any public offering that may be undertaken by the Company. The Company when so required by relevant authorities and without need of notice to or consent may pass the report to such authorities or such as parties as such authorities shall require for their action. Subject to agreement on the form and context it may appear, Colliers International Philippines, Inc also confirms the right of the Company to use, and disclose, the Report in any disclosure, presentation, report, communication or document for information purposes.

1.2 INFORMATION SOURCES

All investigations have been conducted independently and without influence from any third parties in any way. The information provided in this report has been obtained from the client, other public information and our internal database.

1.3 CAVEATS AND ASSUMPTIONS

This report is subject to our Standard Caveats and Assumptions as set out in Section 10.

2 PHILIPPINE MACROECONOMIC OVERVIEW

2.1 GROSS DOMESTIC PRODUCT

The Philippine economy, as measured by real gross domestic product (GDP), grew at an average of 6.3% annually from 2010 to 2017. During this period, the Philippines was among the fastest-growing economies in Asia Pacific.

The country's highest recorded GDP growth over the past three years was in 3Q 2017, where GDP grew 6.9%, largely driven by Manufacturing, Trade and Real Estate, and Renting and Business Activities. By 4Q 2017, GDP growth fell by 3 basis points to 6.6% and ended the year with an average of 6.7%. Though it fell short compared to the previous year's growth, the strong economy of the country still ranked second in Asia behind Vietnam and placed China on 3rd in terms of GDP growth for 2017.

Services continued to primarily contribute to overall GDP growth, recording 9.6% growth for the year, followed by Industry which ended the year growing 8.2%. Agriculture grew by 9.1% as a result of the positive outlook in production of rice and corn. Colliers is optimistic that continuous infrastructure spending will further boost economic growth in the medium term.

Table 1: Historical Economic Indicators (At Constant 2000 Prices)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Growth Rates (in %):										
Gross National Product	6.0	6.5	8.4	3.2	6.4	8.1	5.8	5.8	6.7	6.7
Gross Domestic Product	4.2	1.1	7.7	3.7	6.8	7.1	6.1	5.9	6.9	6.7
Personal Consumption Expenditure	3.7	2.3	3.4	6.1	6.6	5.6	5.4	6.3	7.0	5.8
Gov't. Expenditure	0.3	10.9	4.0	1.0	15.5	5.0	1.7	7.8	8.4	7.3
Capital Formation	23.4	-8.7	31.6	8.1	-5.3	27.7	5.4	15.1	23.7	9.0
Exports	-2.7	-7.8	21.0	-4.2	8.5	-1.0	11.3	9.0	10.7	19.2
Imports	1.6	-8.1	22.5	0.2	4.9	4.4	8.7	14.0	18.5	17.6
AHFF ^a	3.2	-0.7	-0.2	2.7	2.8	1.1	1.6	0.1	2.2	9.1
Industry	4.8	-1.9	11.6	2.3	7.3	9.2	7.9	6.0	8.5	8.2
Services	4.0	3.4	7.2	5.1	7.4	7.2	5.9	6.8	9.9	9.6
Other Indicators:										
Average Inflation ^b	8.3	4.1	3.9	4.6	3.2	3.0	4.1	1.4	1.8	3.2
PHP:USD (Average)	44.7	47.6	45.1	43.3	42.3	42.5	44.4	45.4	50.4	50.5
Average 91-Day T-Bill Rates (in %)	5.2	4.0	3.7	1.4	1.6	0.3	1.2	1.8	1.5	2.1

^a Agriculture, Hunting, Forestry, Fishing

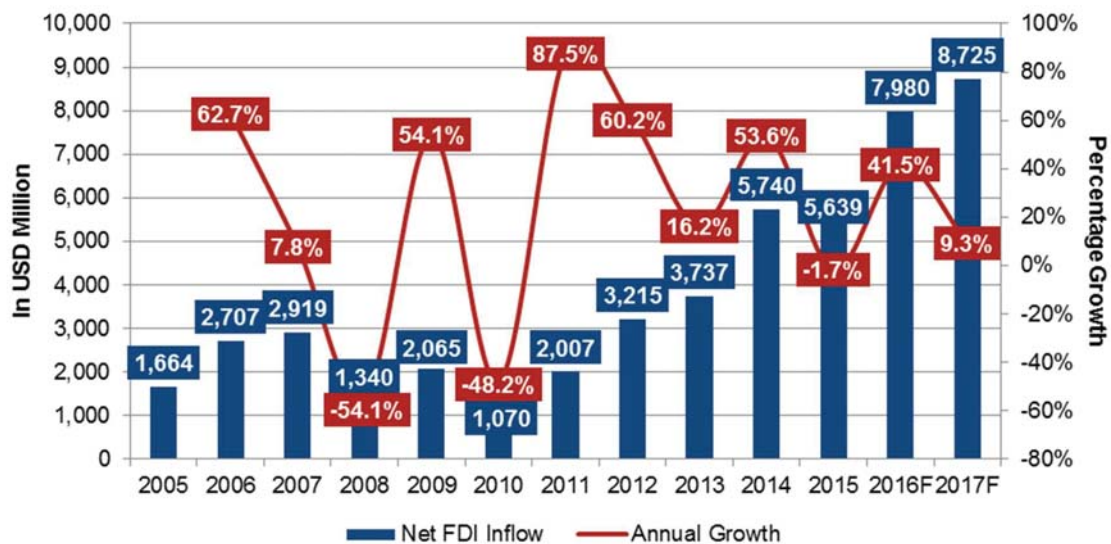
Source: Philippine Statistics Authority, Bangko Sentral ng Pilipinas

2.2 FOREIGN DIRECT INVESTMENTS

FDI declined to its lowest because of the change of leadership in government since the country hit USD238 million in June 2016. It continued to decline until July 2017, which recorded the lowest monthly level of FDI at USD307 million despite investor confidence in doing business in the country. The dip in FDI can be attributed to the decline in investments in debt instruments, which outweighed the increase of new investments in the country. For 2017, preliminary figures for foreign direct investment for January to November 2017 totaled USD8.7 billion, a 9% increase from the 2017 forecast of USD7.9 billion. Of the amount, new investment comprised USD2.8 billion, representing 32% of the total FDI.

The bulk of fresh investments originated mainly from the United States, the Netherlands, Japan, United Kingdom and Singapore. Despite the steady investment inflow, the Philippines generally still trails its ASEAN peers in terms of attracting FDI.

Figure 1: Net Foreign Direct Investment

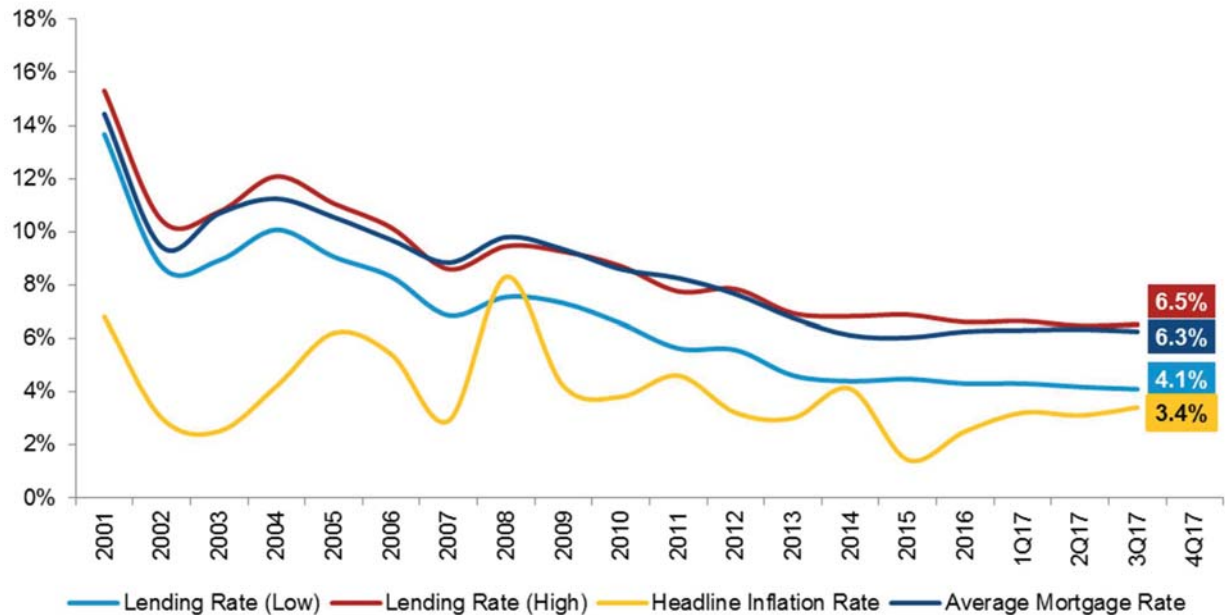


Source: Bangko Sentral ng Pilipinas

2.3 INTEREST RATES & INFLATION

Low interest rates have been a key contributor to the Philippine economy. Lending rates have dropped to historical lows, allowing businesses to access capital at very attractive rates. As of the fourth quarter of 2017, average mortgage rates were at 6.3%, while bank lending rates ranged from 4.1% to 6.5%.

Figure 2: Average Lending Rates by Year



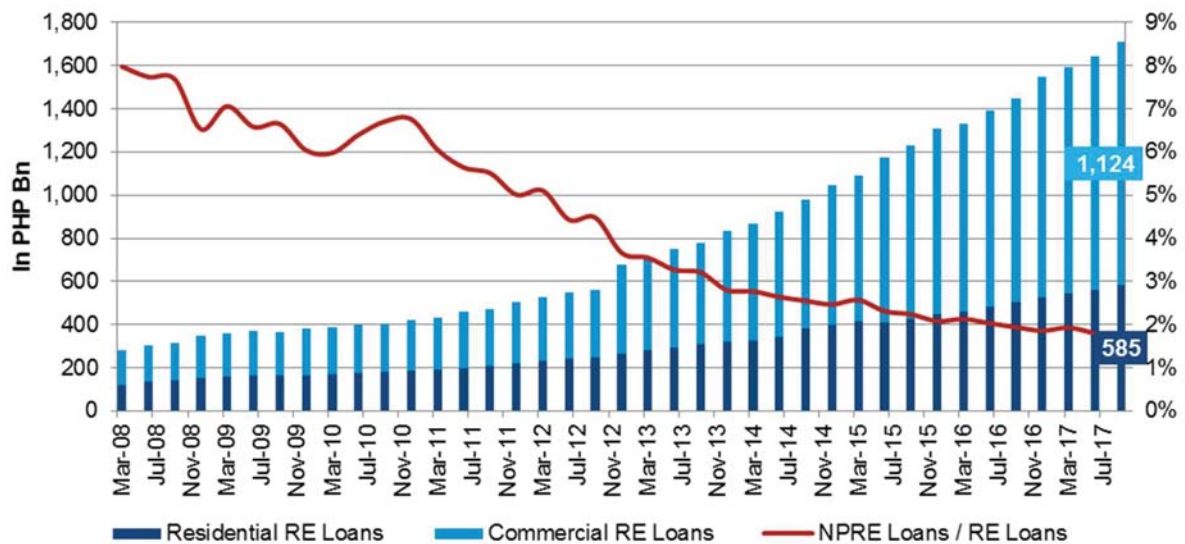
Source: Bangko Sentral ng Pilipinas

In 2017, the Bangko Sentral ng Pilipinas (BSP) announced that interest rates would remain steady. However, a 3.4% rise in inflation was seen in the fourth quarter of 2017. The growth of inflation in this last quarter was due to the increase in global prices as well as the depreciation of the peso. Furthermore, the increased inflation rate was also affected by the recently passed tax reform law which is expected to result in higher prices for basic necessities and other utilities.

2.4 REAL ESTATE LOANS

Real estate loans grew by 4% to PHP1.71 trillion in September 2017 from PHP1.64 trillion in June 2017. The proportion of non-performing real estate loans decreased by 1.72% [in the same period]. As of September 2017, real estate loans for commercial use represented two-thirds or PHP1.12 trillion of the total, while residential loans comprised the remaining 34% or PHP585 billion.

Figure 3: Residential and Commercial Real Estate Loans



Source: Bangko Sentral ng Pilipinas

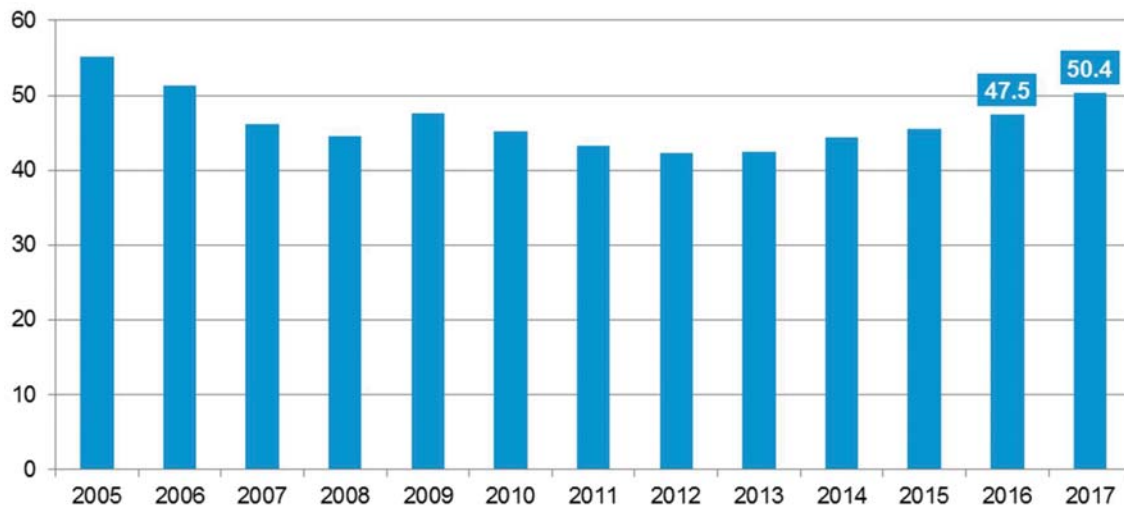
2.5 UNEMPLOYMENT

The country's unemployment rate further declined to 5.0% in September 2017 from 5.6% in July 2017. Unemployment levels are expected to ease in the coming years as the country continues to register sustained economic growth. With the current administration's new tax reform law, more employment opportunities are expected to provide attractive salary packages that would encourage employment in the country. Moreover, the current administration is prioritizing major economic sectors with significant potential to create much-needed jobs in sectors such as manufacturing, tourism and agriculture.

2.6 PHILIPPINE PHP-USD EXCHANGE RATE

The average exchange rate for the full year 2017 reached PHP50.4 to USD1. While at the PHP50-USD1 level, the central bank noted that the local currency's volatility just reflects present global and domestic market conditions. The presence of volatility is mainly driven by policy uncertainties, political tension and global market shifts. The relatively high exchange rate is partly tempered by continuing foreign exchange inflows from OFW remittances, BPO revenues, tourism receipts and foreign direct investments.

Figure 4: Average Historical PHP USD Exchange Rates



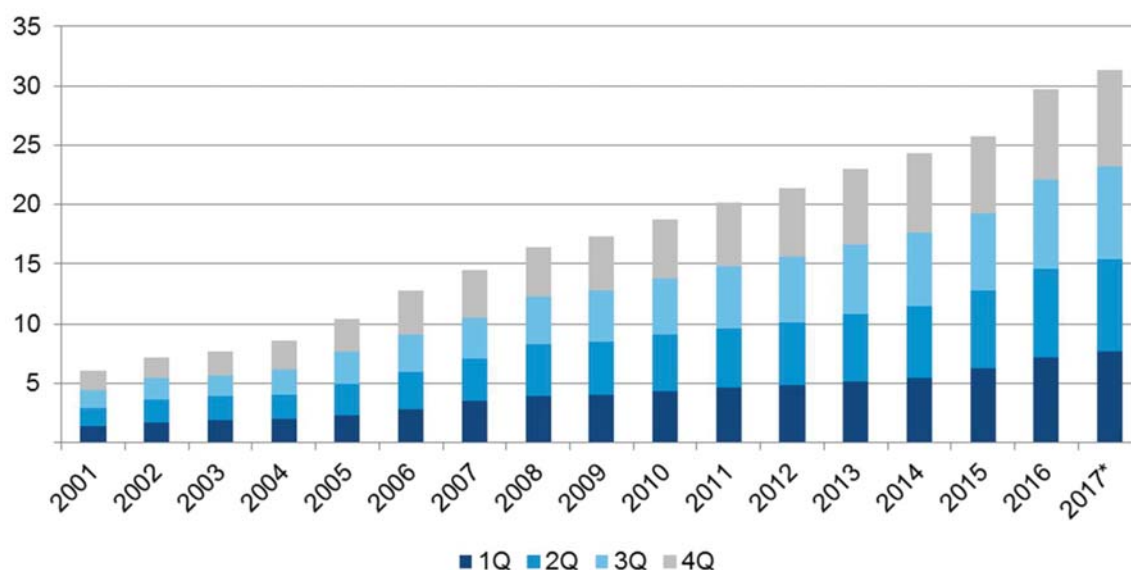
Source: Bangko Sentral ng Pilipinas

2.7 OVERSEAS FILIPINO REMITTANCES

The number of Filipinos pursuing jobs abroad has grown to roughly a tenth of the country's labor force. This diaspora has resulted in increasing remittances from such Overseas Filipino Workers (OFWs). OFW remittance levels have grown by an average of 9.5% annually since 2005. The majority of remittances come from OFWs in the United States of America, Canada, Saudi Arabia, Japan, the United Kingdom, United Arab Emirates, Germany, Italy and Hong Kong.

OFW personal remittances, including cash and in-kind transfers, amounted to USD31.3 billion at the end of 2017, with cash remittances of USD28.1 billion, and represented about 10% of the country's GDP. Overseas remittances continue to reach all-time highs year after year as 2017 closed with remittances recording a compounded annual growth rate (CAGR) of around 8% from 2012 to 2017. The growth of remittances from OFWs can be attributed to the growing economy of the country as well as the lowering of prices of necessities.

Figure 5: Overseas Filipino Worker Remittances



Source: Bangko Sentral ng Pilipinas (BSP)
*Preliminary data

2.8 POPULATION

In 2015, the Philippine population reached the 100 million mark. The population grew by 9.4% from 92.3 million in 2010 to 100.9 million in 2015. According to the Philippine Statistics Authority, the increase was reflected by the annual population growth rate of 1.7% from 2010 to 2015. It is estimated that by 2045, the Philippines will have a total population of 142 million based on the 2010 Census-based population projections.

2.9 HOUSEHOLD INCOMES AND EXPENDITURES

The latest Family Income and Expenditure Survey (FIES), conducted in 2012, highlights the rate of growth of incomes from 2006 to 2012. On a national scale, Filipino families earned an average of PHP235,000 annually, which increased by PHP29,000 from a survey conducted in 2009. Incomes have increased by 4.1% annually from the year 2000 to 2012.

Table 2: Family Income and Expenditure Survey (FIES) 2000-2012

	2000	2003	2006	2009	2012
Estimated Number of Families	15.1 million	16.5 million	17.4 million	18.5 million	21.4 million
Total Income (PHP)	2.19 trillion	2.44 trillion	3.01 trillion	3.80 trillion	5.03 trillion
Average Family Income (PHP)	145,000	148,000	173,000	206,000	235,000

Source: Philippine Statistics Authority

The local economy is primarily driven by domestic or household consumption, accounting for approximately 70% of GDP since 2008. Household Final Consumption Expenditure (HFCE) grew 5.8% in 2017, 12 basis points lower than the 7.0% growth in 2016. Despite growth in household spending, the growth of the economy was partially offset by the decline in FDIs and the rising inflation in the country.

Table 3: Consumption Indicators (at Constant 2000 Prices)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
	In Million PHP								
HFCE	3,817,908	3,945,827	4,168,910	4,442,523	4,694,760	4,948,250	5,264,137	5,632,776	5,958,500
Growth Rate (%)	2.3%	3.4%	5.7%	6.6%	5.7%	5.4%	6.3%	7.0%	5.8%
HFCE as % of GDP	72.10%	69.20%	70.60%	70.40%	68.75%	68.9%	69.3%	69.3%	68.7%
HFCE per Capita (PHP)	41,925	42,610	44,263	46,387	47,518	49,135	51,856	54,559	56,790
HFCE per Capita (USD)	880	944	1,022	1,102	1,119	1,107	1,136	1,148	1,126
Philippine Population (in millions)	91.1	92.3	94.0*	95.6*	97.4*	99.1*	101.6*	103.2*	104.9*

Source: Bangko Sentral ng Pilipinas, Philippine Statistics Authority, National Statistics Coordination Board

*NSCB Estimates

2.10 POLITICAL SITUATION AND RISK

Although considered one of the oldest democracies in Asia, the Philippines has long been negatively impacted by periods of political unrest and instability. Despite the robust economic growth over the past 6 years, the Philippines poverty rate of 25.8% (approximately 26 million Filipinos) is considerably high as compared to other ASEAN economies: Vietnam with 13.5%, Indonesia with 11.3%, Thailand with 10.5%, and Malaysia with 0.6%.

Duterte enjoys the support of lawmakers both from the Senate and House of Representatives and he is expected to use this to push for tough but essential reform measures such as lowering of corporate and personal income tax rates, and the easing of foreign ownership restrictions in key economic sectors such as mass media and public utilities. Duterte also pledged to implement reforms in tax collection, addressing major bottlenecks in vital infrastructure projects, and in raising annual infrastructure spending to at least 5% of GDP. Moreover, he has a stated policy to significantly improve the ease of doing business in the country. The full effect of Duterte's brash and bold style of leadership on the Philippine economy remains to be seen.

Ongoing disputes in the West Philippine Sea among ASEAN countries and China remain a potential area for conflict. On this matter, the Philippine government took a multilateral approach and brought its case regarding the country's claim of sovereignty to the International Tribunal for the Law of the Sea (ITLOS). In June 2016, the Philippines' claim for exclusive sovereign rights over the West Philippine Sea was upheld, and at the same time the ITLOS declared that the "nine-dash line" claims of China are invalid. As a result, Pres. Duterte proposed a joint exploration or co-ownership of the disputed territory.

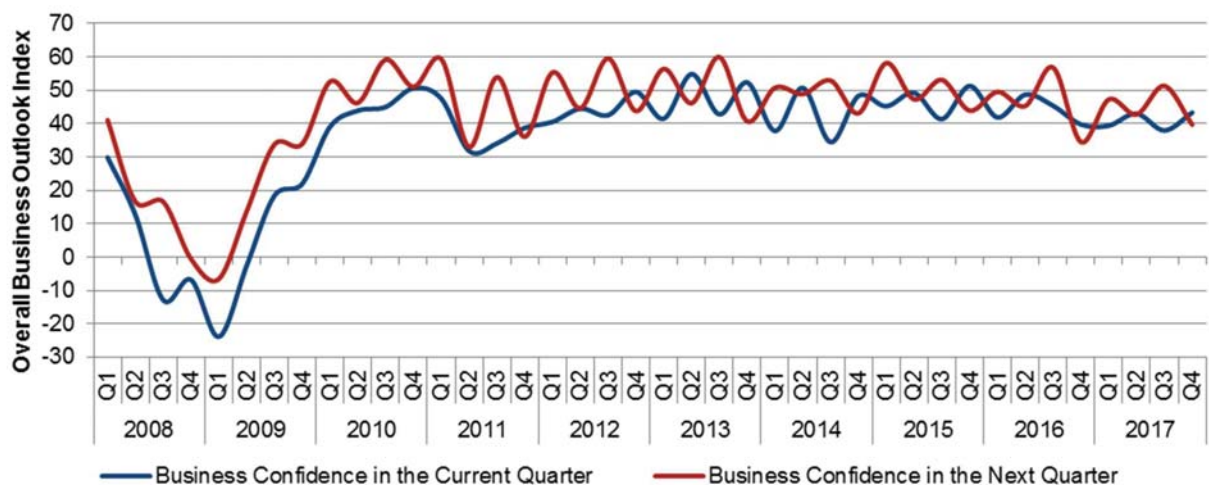
with China to utilize the natural resources without dealing with the controversial claim. In addition, this is to preserve the bilateral and economic relationship with China.

2.11 POSITIVE BUSINESS SENTIMENT AND INVESTOR CONFIDENCE

Business optimism continues to generally remain high despite a dip in confidence in 4Q 2017. The maintained positive outlook can be attributed to an increase in government spending, consumer spending during Christmas season, the expansion and development of businesses in different sectors, and the favorable macroeconomic conditions in the country.

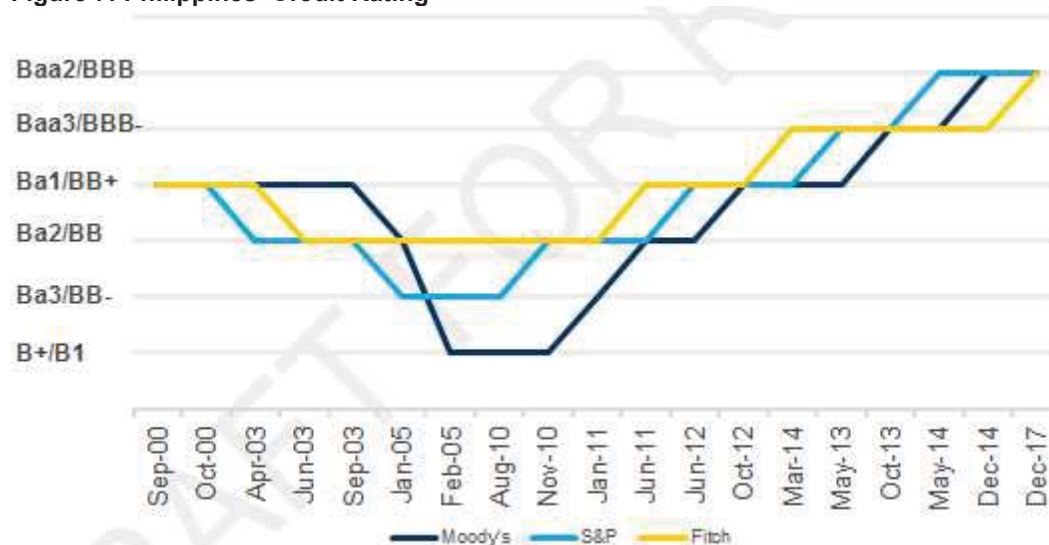
The Philippines garnered several rating upgrades since 2010, which has led to a more favorable climate for attracting investments in the country. Since 2014, the country has sustained its BBB rating from Standard & Poor's and Moody's. The country also experienced an upgrade of its Fitch rating from BBB- to BBB in December 2017. The investment grade ratings are a testament to foreign investors' confidence in the country's approach to expanding the economy. Several economic policies implemented by the government, as well as the fight against crime and corruption have driven investors' investments in the country. Further, the country's continuing debt reduction policies, improvement in fiscal management, positive economic growth forecasts and limited vulnerability to common risks that affect emerging markets, have led to the various upgrades by the three major credit agencies.

Figure 6: Bangko Sentral's Business Outlook Index



Source: Bangko Sentral ng Pilipinas

Figure 7: Philippines' Credit Rating



Source: S&P, Moody's, Fitch

2.12 PHILIPPINE GAMING INDUSTRY OVERVIEW

The Philippines continues to emerge in the global gaming market as revenue maintained its growth year on year (YoY). In 2017, the Philippine Gaming and Amusement Corporation (PAGCOR) recorded gross gaming revenue of PHP57.34 billion, a 7.6% increase from the previous year's PHP53.3 billion. This can be attributed to the new income-sharing scheme with lessors, the entry of the Philippine Offshore Gaming Operators (POGOs), and the improvement of the country's relationship with China and other neighboring countries, which helped in promoting the gaming industry of the country.

2.12.1 OPERATIONS AND GAMING STATISTICS

The Philippine gaming industry is regulated by PAGCOR, which now mainly approves gaming licenses (while also previously operating a limited number of casino operators). Currently, there are eight (8) PAGCOR licensed casinos under the name Casino Filipino of which five (5) are located the Metro Manila and Luzon area. Typical games offered in these establishments are Baccarat, Black Jack, Roulette, Craps, Bingo, Big and Small, Pai-Gow, Stud Poker and Slot Machines.

Table 4: List of Casino Filipino Branches

General Area	Casino	Location
Metro Manila	Casino Filipino Malate	New World Hotel Manila Bay A. Mabini cor. Pedro Gil St., Malate, Manila
	Casino Filipino Pavilion	Waterfront Manila (formerly Manila Pavilion Hotel) United Nations Ave., Ermita, Manila
	Casino Filipino Angeles	McArthur Highway, Balibago, Angeles City, Pampanga
	Casino Filipino Olongapo	30 Magsaysay Avenue, Olongapo City, Zambales

General Area	Casino	Location
	Casino Filipino Tagaytay	E. Aguinaldo Highway, Tagaytay City
Visayas & Mindanao	Casino Filipino Cebu	Waterfront Cebu City Hotel and Casino Salinas Drive, Lahug, Cebu City
	Casino Filipino Davao	Grand Regal Hotel Davao Km. 7, Lanang, Davao City
	Casino Filipino Bacolod	L'Fisher Hotel 14th Lacson St., Bacolod City, Negros Occidental

Source: PAGCOR, Colliers International Research

Previously, these casinos were operated solely by PAGCOR in leased sites usually in hotels, with the building owner receiving rent and/or a percentage of revenues as compensation for the usage of the space. However, with the emergence of integrated resorts, PAGCOR has allowed companies to both own and operate their casinos through the issuances of licenses, with the agreement that PAGCOR is paid a licensing fee. These licensees have the financial capability to pursue large scale developments with substantial hotel and entertainment components that could be comparable to those found in Las Vegas and Macau, and thus would be able to draw tourists and high rollers from abroad.

However, in January 2018, President Duterte imposed a moratorium on new casino operations due to concerns about the rapid increase in the number of casinos in the country. PAGCOR followed the moratorium and is currently only processing applications that were submitted prior to the issuance of the President's orders. The gaming regulators have suspended the acceptance of applications since January 13, 2018. Currently, there are five (5) upcoming casinos that will be located in the Manila Bay area, Cebu and Boracay that had pending applications before the moratorium. PAGCOR sees that the existing and upcoming casinos are sufficient based on current market maturity.

Table 5: Installed Capacity in Casinos (2017*)

Casinos	Tables	Electronic Gaming Machines
PAGCOR- Casino Filipino	526	10,461
City of Dreams Manila	267	1,754
Resorts World Manila	316	2,015
Solaire Resort and Casino	394	1,883
Okada Manila	87	911
ThunderBird Binangonan	25	243
Thunderbird-Poro Point	28	321
Royce Casino	28	168
Widus Hotel and Casino	39	166
Midori Casino	52	306
Total	1,762	18,228

Source: PAGCOR
*As of June 2017

Newly-arrived integrated resort casinos such as Resorts World Manila, Solaire Resort and Casino and City of Dreams Manila have taken a significant share of the gaming market in Metro Manila and have dislodged the older casinos that were once dominant. The Airport Casino Filipino and Casino Filipino Heritage closed down in 2014 and 2013 respectively, due to poor performance in light of these newer integrated resort casinos.

The Philippines also saw further new entrants in the gaming industry with the surge of Online Gaming. PAGCOR started providing online licenses for offshore-based operators from any foreign country, provided that Philippine-based gamers are not allowed to play. With the approval of PAGCOR, this new subsector of the gaming industry was named Philippine Offshore Gaming Operators (POGO).

PAGCOR sees offshore gaming to be an income generator in the industry with the collection of license and royalty fees from such POGO operators. Application and processing fees for POGO are at USD50,000 for e-casinos and USD40,000 for sports betting. Upon approval, USD200,000 and USD150,000, respectively, will be collected from operators. In 2016, PAGCOR reportedly collected over USD19.97 million (PHP1.0 billion) in licensing and processing fees from POGO operators.

There are 51 approved POGOs in the Philippines and three (3) accredited Gaming Laboratory of PAGCOR for offshore gaming operators as of November 2017. With the surge of POGOs in the country, PAGCOR set a target aggregate gaming revenue of PHP61.66 billion for 2018, which would represent a 34.7% increase from 2017. Most of the POGOs are located within the emerging CBDs such as the Manila Bay area and Alabang. They typically occupy office spaces ranging from 10,000 up to 30,000 sq m.

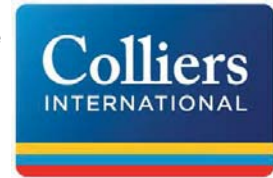
2.12.2 UPCOMING GAMING ESTABLISHMENTS

New gaming developments are still mostly comprised of the integrated resort projects of PAGCOR's Entertainment City in Manila. Okada Manila, previously known as Manila Bay Resorts, opened in December 2016 offering 87 gaming tables and 911 slot machines. Westside City Resorts World is expected to open in 2021, and such property is expected to increase gaming supply by 221 table and 1,440 gaming machines.

Table 6: Integrated Resorts Casino Supply in PAGCOR Entertainment City

Casino	Developer	Completion	No. of Tables	Slot Machines
Solaire Resort and Casino	Bloomberry	1Q 2013	394	1,883
City of Dreams Manila	Melco Crown	4Q 2014	267	1,754
Okada Manila	Tiger Leisure and Entertainment	4Q 2016	87	911
Westside City Resorts World	Travellers International Hotel Group	2020	221	1,440

Source: Colliers International Research



In April 2016, Enrique Razon Jr. of Bloomberry Resorts announced that his group's plans to build a mixed-use development with a casino and hotel component in the North Triangle Area in Quezon City. Seen as a follow-up to the Solaire Resort and Casino in the Manila Bay Area, Bloomberry's second casino will be built on a 1.5-hectare site that was acquired from the National Housing Authority. Construction is targeted to begin in 2018, although the land is still occupied by informal settlers. Although Bloomberry was able to obtain a permit that allowed them to expand outside of the PAGCOR Entertainment City, concerned groups have been protesting the development of a casino in Quezon City.

2.12.3 GAMING INDUSTRY OUTLOOK

The growing interest in the Philippine gaming industry is fueled by a mix of favorable economic and technological developments. Key trends and drivers of the sector are briefly discussed and highlighted below:

- **Large Local Mass Market**

The Philippines remains one of the largest and promising consumer markets in Southeast Asia with over 100 million in total population.

- **Entry of POGO in the Gaming Industry**

The Philippine Gaming Industry attracts the international market of operators and players, partly due to the surge in the number of offshore gaming operators in the country. However, licenses are issued for only five years so there's no assurance of a long-term sustainable growing subsector.

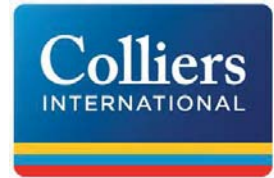
- **Favorable Cost Structure**

Under Revenue Memorandum Circular No. 102-2017 of the BIR, "the entire gross gaming earnings/receipts or the agreed or predetermined minimum monthly revenues/income from gaming operations under existing rules, whichever is higher, shall be subject to a franchise tax of 5 percent, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description. This income is therefore exempt from any kind of tax, income or otherwise, as well as fees, charges or levies of whatever nature, whether national or local".

POGO operators, however, will be subject to normal income tax and other applicable taxes if income was derived from non-gaming operations. Presently, POGO does not require tax incentives from the government and only needs office spaces to operate.

- **Growing Real Estate Demand**

In terms of real estate, the entry of POGOs in the country balanced the decline in demand for BPO offices in 2017. During the year, it is estimated that roughly 35% of 870,000 sq m in office space transactions in Metro Manila were from offshore gaming. The market took up 312,000 sq m of office space, a large increase from the mere 80,000 sq m in 2016.



- **Diverse Locations**

POGO locations are currently scattered all over the metro with concentration mostly in the Manila Bay area because of Entertainment City, as well as in the fringes of Makati City.

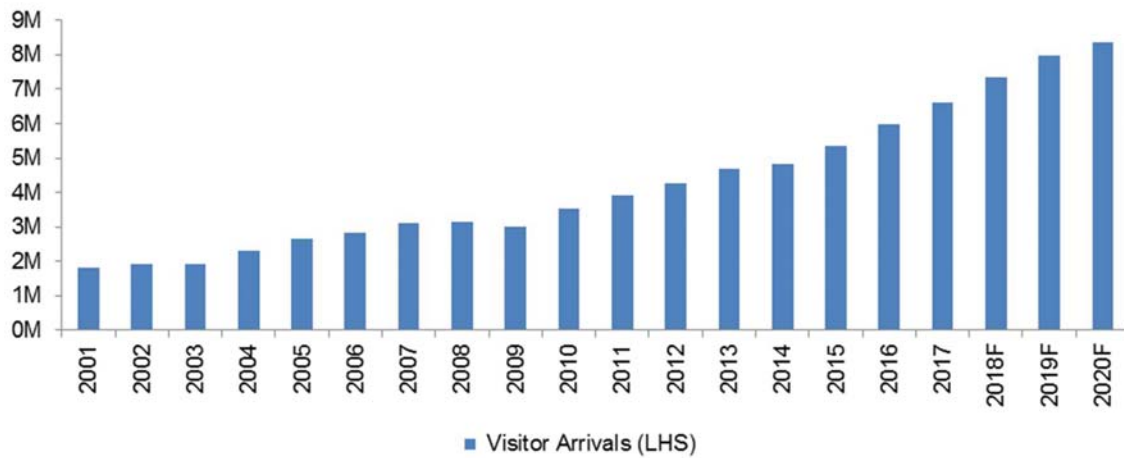
One POGO company, OLE Group, set up offices at Chino Roces Ave, outside of the Makati CBD. Typically, POGO operators locate in the Manila Bay area since they are complemented by the casino and hospitality developments within the area. Moreover, this area still offers significant office space and residential options for such operators.

2.13 TOURISM OUTLOOK

Philippine tourism arrivals have seen annual growth of roughly 9.2% since 2012. A more stable economic and political environment coupled, with the effective government marketing initiatives, helped boost tourism growth in the country. Despite a change in government in 2016, tourist arrival continued to grow by 8% YOY. In 2017, however, tourist arrivals slowed to 5% growth YOY.

The Department of Tourism (DOT) is promoting “Experiential Tourism”, which taps into Filipinos’ hospitality in welcoming tourists. This campaign is expected to help promote tourism in other rural destinations in the country that are not as developed as more famous destinations such as Boracay Island. Local tourism will play a key role in this as more Filipino Millennials are tapped and become the ambassadors for this campaign. DOT notes that domestic travel has also been growing, which can be attributed to airlines providing more flights and connectivity. International promotions of the Philippines are also expected to help grow the tourism industry and achieve DOT’s target of 7.5 million foreign tourists for 2018.

Figure 8: Philippines Inbound Tourist Arrivals

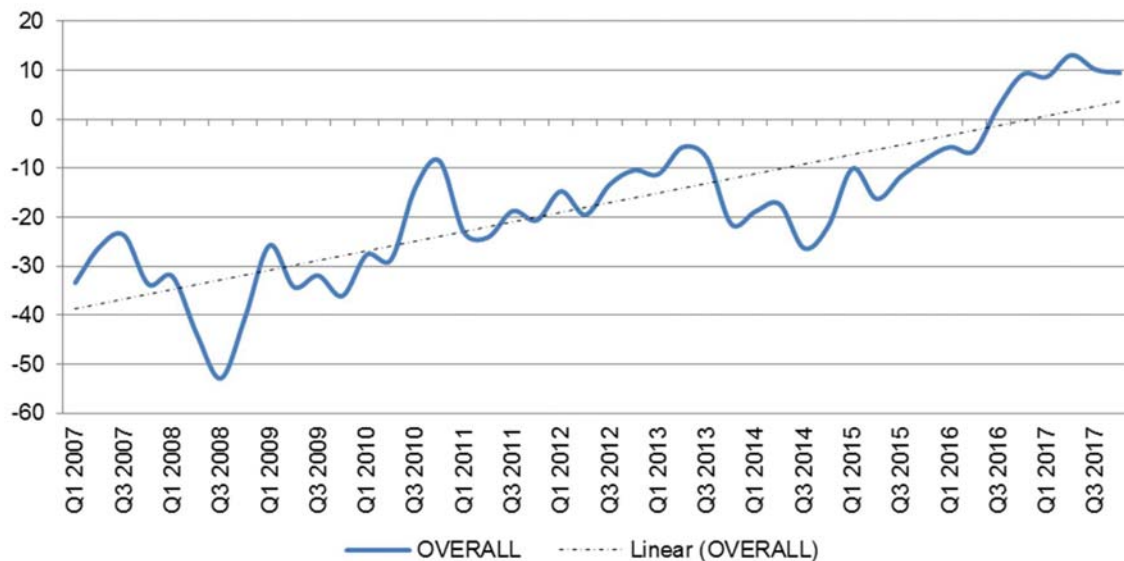


Source: Department of Tourism, Colliers International Research (forecasts)

2.14 CONSUMER OUTLOOK INDEX

The BSP conducts periodic surveys of consumer sentiment to monitor how the typical Filipino perceives the economy and their purchasing power. Since its low in the aftermath of the Global Financial Crisis in 2008, consumer expectations have been trending upwards.

Figure 9: Bangko Sentral's Consumer Expectations Survey Index*



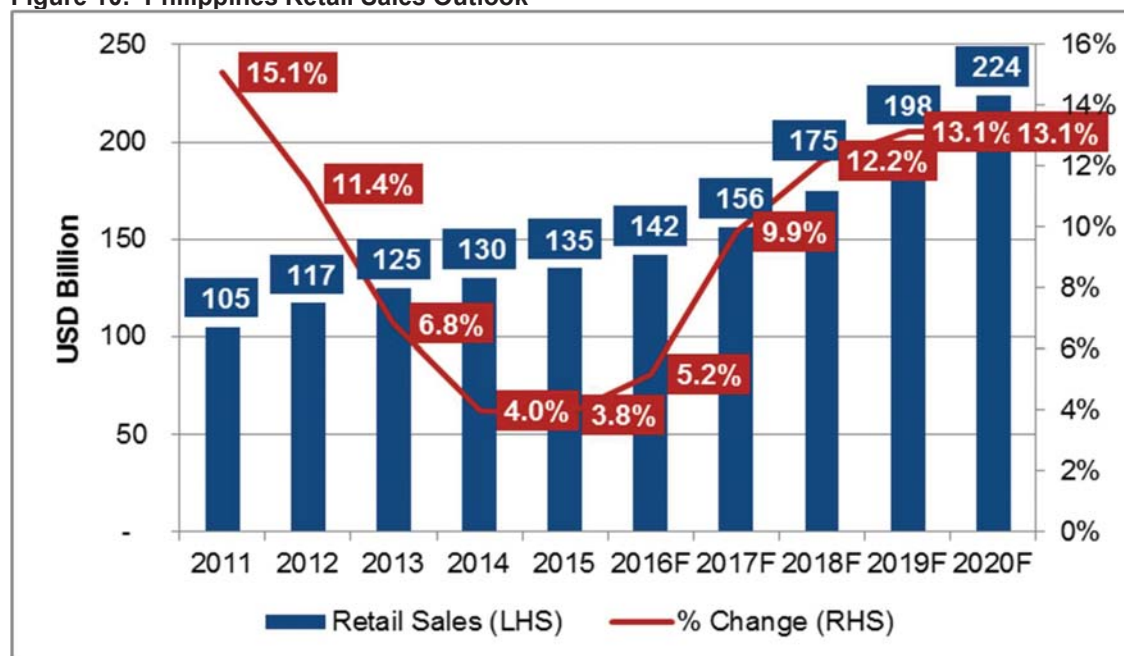
Source: Bangko Sentral ng Pilipinas

Since 2007, the survey results have been on negative but in 3Q 2016, consumer confidence turned positive. Consumer confidence is at record-high, with confidence index recorded at 13.1 in 2Q 2017. The overall growth can be attributed to higher optimism brought by additional family income and higher salaries, and availability of more jobs leading to an increase in the employed members of the family. However, 4Q 2017 consumer expectations fell by a few basis points because of negative sentiment due to concerns on higher prices of basic goods and services, peace and order, natural calamities, poor health and high medical expenses.

2.15 RETAIL SALES OUTLOOK

Rising household incomes due to an expanding BPO industry, robust OFW remittances, a low inflationary environment and more stable political conditions all point to a positive medium-term outlook for Philippine retailing. More than 70% of total GDP is from local consumption, with food and beverages forming bulk of house spending. As family incomes rise along with lower tax rates and higher consumer spending, non-essential items such as consumer electronics, automobiles and even luxury items are expected to see further growth. The Economist Intelligence Unit's retail outlook for the Philippines forecasts a 5-year CAGR of 10.6% from 2015 to 2020, with USD 223.6 billion of retail sales by 2020.

Figure 10: Philippines Retail Sales Outlook



Source: Economist Intelligence Unit

3 METRO MANILA MARKET OVERVIEW

3.1 LOCATION & PHYSICAL CHARACTERISTICS

Metro Manila has a total land area of 636 square kilometers and is composed of 16 cities and one (1) municipality. It is bounded by Manila Bay in the west, the Sierra Madre Rizal Mountains in the east, the fertile plains of Central Luzon in the north, and Cavite, Laguna and Laguna de Bay in the south.

3.2 LOCAL ECONOMY

Metro Manila is the economic center of the Philippines with the region accounting for 36.6% of the country's real GDP in 2016 and growing by 7.5% in 2015-2016, higher than the national GDP growth rate for the same period.

Table 7 : Gross Regional Domestic Product (GRDP)

REGION	Real GRDP (in Billion PHP)	% of Total GDP	Growth Rates
			2015-2016
Philippines	8,126,403,433	100%	6.9%
NATIONAL CAPITAL REGION	2,977,477,320	36.6%	7.5%
Cordillera Administrative Region	136,652,941	1.7%	2.1%
Region I - Ilocos Region	257,208,121	3.2%	8.4%
Region II - Cagayan Valley	138,870,188	1.7%	3.3%
Region III - Central Luzon	773,276,165	9.5%	9.5%
Region IVA - CALABARZON	1,364,951,206	16.8%	4.8%
Region IVB - MIMAROPA	125,559,540	1.5%	2.7%
Region V - Bicol Region	164,372,408	2.0%	5.7%
Region VI - Western Visayas	324,071,277	4.0%	6.1%
Region VII - Central Visayas	525,163,813	6.5%	8.8%
Region VIII - Eastern Visayas	172,148,589	2.1%	12.4%
Region IX - Zamboanga Peninsula	165,107,955	2.0%	4.7%
Region X - Northern Mindanao	305,448,007	3.8%	7.6%
Region XI - Davao Region	333,033,026	4.1%	9.4%
Region XII - SOCCSKARGEN	213,301,758	2.6%	5.0%
Caraga	99,018,770	1.2%	2.5%
Autonomous Region in Muslim Mindanao	50,753,348	0.6%	3.0%

Source: Philippine Statistics Authority - National Statistical Coordination Board, Gross Regional Domestic Product 2010 - 2016.

It is also the hub of business and industry in the country with a total of 187,650 establishments or 20.5% of the 915,726 total in 2016, according to the Philippine Statistics Authority. Among industry sectors, as of December 31, 2016, the most number of establishments in Metro Manila are under the Wholesale and

Retail sector with 79,403 or 42.3% followed by Accommodation and Food Services with 23,648 establishments, and Manufacturing with 19,600 establishments.

There are also several business districts in the region, namely Makati Central Business District, Ortigas Center and Bonifacio Global City containing most of the headquarters of many multinational and local corporations. The City of Manila is also a bustling center of industry with the Port of Manila being one of the world's busiest container ports. It was ranked 32nd in the world in terms of container volume, handling 4.5 million twenty-foot equivalent units (TEU) in 2016 according to maritime journal Lloyd's List.

Other important cities in Metro Manila are Paranaque and Pasay City. Paranaque City is the airport hub of the national capital as the country's main airport, the Ninoy Aquino International Airport that has both domestic and international flights, is located in the city. Pasay City, on the other hand, is the location of the next emerging CBD known as Aseana City. It is also the entertainment hub where several hotels and casinos are situated. The area is called the Entertainment City which houses City of Dreams, Okada Manila, Solaire Resort and Casino and the upcoming Westside City Resorts World.

Businesses in the capital region employ 5.2 million people or about 12.5% of the 41.5 million employed persons in the country. Most of these employees work in wholesale and retail trade with a share of 20% of all employed persons. The average daily pay of PHP512 in Metro Manila is also the highest in the country, 50% higher than the national average of PHP341 in 2017.

3.3 METRO MANILA SOCIO-ECONOMIC AND DEMOGRAPHIC PROFILE

3.4 DEMOGRAPHICS

In 2015, the population of the Philippines reached the 100 million mark and grew 1.8% year-on-year from 92.3 million in 2010 to 100.9 million in 2015. According to the PSA, the annual population growth rate was at 1.7% from 2010 to 2015. Moreover, Metro Manila reached a Household Population of 12.8 million (referring to the number of people living in private households).

Metro Manila has the highest population concentration at 12.9 million based on the 2015 Census. It represents roughly 13% of the Philippine population and has expanded by a compounded rate of 1.6% between the census years of 2010 and 2015. Among the cities, Quezon City accounts for 23% of the population with 2.9 million inhabitants followed by the City of Manila with 1.7 million (14%) and Caloocan City with 1.5 million (13%). Paranaque City, the location of Aseana City, has a population of 665,822 and a household population of 663,733.

Table 8 : 2010 and 2015 Census in Metro Manila

City/Municipality	2015 Population	2010 Population	2015 HH** Population	2015 HH*** Size
Quezon City	2,936,116	2,761,720	2,919,657	4.3
Manila City	1,780,148	1,652,171	1,763,348	4.1

City/Municipality	2015 Population	2010 Population	2015 HH** Population	2015 HH*** Size
Caloocan City	1,583,978	1,489,040	1,581,025	4.3
Pasig City	755,300	669,773	753,030	4.2
Taguig City	804,915	644,473	801,143	4
<i>Parañaque City*</i>	<i>665,822</i>	<i>588,126</i>	<i>663,733</i>	<i>4.1</i>
Valenzuela City	620,422	575,356	619,324	4
Las Piñas City	588,894	552,573	587,675	4.1
Makati City	582,602	529,039	579,433	3.8
Muntinlupa City	504,509	459,941	481,762	3.9
Marikina City	450,741	424,150	448,893	4.6
Pasay City	416,522	392,869	412,497	3.8
Malabon City	365,525	353,337	364,283	4.2
Mandaluyong City	386,276	328,699	377,850	3.8
Navotas City	249,463	249,131	249,176	4.1
San Juan City	122,180	121,430	121,197	4.2
Pateros	63,840	64,147	63,643	4.5
Metro Manila	12,877,253	11,855,975	12,787,669	4.1
Philippines	100,981,437	92,337,852	100,573,715	4.4

Source: Philippine Statistics Authority

*Location of Aseana City

**Household Population – the population enumerated in private households during a census. The household is a social unit consisting of a person living alone or a group of persons who sleep in the same housing unit and have a common arrangement in the preparation and consumption of food.

*** Household Population – the population enumerated in private households during a census.

Table 9: Major Occupation Group – Metro Manila (2015)

Major Occupation Group	Metro Manila	
Laborers and unskilled workers	22%	1,041,000
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	19%	897,000
Service Workers and shop and market sales workers	15%	726,000
Clerks	13%	641,000
Trade and related workers	9%	423,000
Plant and machine operators and assemblers	8%	393,000
Professionals	8%	378,000
Technicians and Associate professionals	5%	223,000
Farmers, forestry workers, and fishermen	0%	15,000
Special Occupations (including non-gainful activities)	0%	15,000
Total		4,752,000

Source: Philippine Statistics Authority

As the political, economic and industrial center of the country, Metro Manila's labor force is largely composed of laborers and unskilled workers (22%), roughly numbering 1,041,000 persons. This occupation group does simple and routine tasks which may require tools and physical effort. Government officials, corporate executives, managers, proprietors and supervisors follow with 897,000 employees.

Those involved in BPO operations are classified under different occupation groups depending on the services delivered. BPO employees could be classified under clerical support workers, managers and supervisors or technicians and associate professionals depending on the level of services delivered.

Table 10: Breakdown of Occupied Housing Units – Metro Manila (2010)

Metro Manila	Total Households	Single House	Duplex	Multi-Unit Residential	Others
Total	2,759,829	1,596,506	314,367	825,256	23,700
Owned / Being Amortized	1,335,662	924,529	136,552	270,068	4,513
Rented	921,052	367,815	118,003	426,397	8,837
Rent-Free with Consent of Owner	309,829	178,646	38,120	86,930	6,133
Rent-Free without Consent of Owner	140,308	96,217	16,518	26,287	1,286
Not Applicable	52,491	29,118	5,132	15,319	2,922
Not Reported	487	181	42	255	9

Source: Philippine Statistics Authority

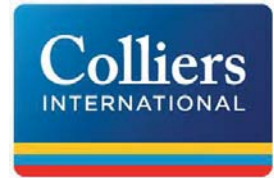
Less than half of the total household population of 2,759,829 lived in housing units which they own or are servicing mortgages for their homes (approximately 48.4%). 57.8% of the total household population live in single houses. Out of the 1,596,506 households in single houses, 57.9% own or are amortizing their houses while 23.0% are renting. Meanwhile, 11.2% of single houses are rent-free with consent of the owner and 6.0% are informal settlers or without consent of the owner. 29.9% of the total household population live in multi-unit residential developments. Out of the 825,256 households in multi-unit dwellings, a majority (51.7%) are renting.

3.4.1 OVERSEAS FILIPINO WORKER (OFW) CONCENTRATION

Table 11: Breakdown of Occupations of OFWs from Metro Manila (2015)

OFW Major Occupation Group	Metro Manila	
Officials of Government and special interest organizations, corporate executives, managers, managing proprietors, and supervisors	5.3%	14,257
Professionals	12.7%	34,163
Technicians and Associate professionals	9.0%	24,210
Clerks	6.8%	18,292
Service Workers and shop and market sales workers	23.6%	63,484
Farmers, forestry workers, and fishermen	-	-
Trade and related workers	11.5%	30,935
Plant and machine operators and assemblers	13.6%	36,584
Laborers and unskilled workers	17.5%	47,075
Total		269,000

Source: Philippine Statistics Authority



An estimated 2.4 million Overseas Filipino Workers (OFWs) were recorded in 2015, approximately 11% of which are from Manila. Most are employed as Service Workers, Shop and Market Sales Workers at 23.6% followed by Laborers and Unskilled Workers at 17.5% and Plant and Machine Operators and Assemblers at 13.6%.

3.4.2 BANKING AND ECONOMIC ACTIVITY

Total deposits in Metro Manila grew at a CAGR of 16% from 2012 to 2016. Highest growth can be seen in Mandaluyong City which grew at a CAGR of 25% from total deposits of PHP121 million in 2012 to PHP300 million in 2016. This is followed by Pasay City which grew at a CAGR of 21%, and the City of San Juan, which grew at a CAGR of 20%. In terms of percentage share, Makati City still has the highest share of total deposits in Metro Manila at 36.5% or PHP2.6 billion. Quezon City and Manila followed with 15.9% and 15.6% shares, respectively, while Pasay City and Paranaque City recorded shares of 2.7% and 2.5%, respectively.

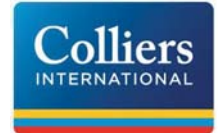


Table 12 : Metro Manila Banks Total Deposits

Areas	2012	2013	2014	2015	2016	June 2017	% of Total (2016)	CAGR (2012-2016)
Metro Manila	3,890,259,555	5,377,104,639	5,951,985,871	6,222,411,447	7,046,187,376	7,395,666,331	100.00%	16%
Makati City	1,528,551,246	174,782,650	2,286,871,164	2,301,824,570	2,575,143,074	2,728,441,840	36.50%	14%
Quezon City	605,237,513	810,494,631	908,864,857	1,014,735,230	1,122,639,899	1,174,251,640	15.90%	17%
City of Manila	620,108,419	813,710,534	919,653,209	994,487,834	1,101,578,589	1,074,170,446	15.60%	15%
Pasig City	301,180,856	435,477,971	525,266,982	514,276,909	588,955,779	658,913,386	8.40%	18%
Mandaluyong City	121,002,493	27,748,921	211,935,421	244,510,641	299,821,956	333,352,235	4.30%	25%
Taguig City	134,021,390	206,934,988	225,345,542	222,562,575	273,207,507	290,849,224	3.90%	19%
City of San Juan	95,520,806	118,739,291	136,281,744	150,512,381	196,747,744	210,786,299	2.80%	20%
Pasay City	91,109,768	122,377,239	176,579,535	167,388,288	192,461,752	208,572,524	2.70%	21%
Paranaque City	101,716,317	132,802,823	147,440,547	151,672,734	174,524,019	178,134,251	2.50%	14%
Caloocan City	84,335,490	105,817,373	118,933,330	136,664,602	148,009,544	152,552,127	2.10%	15%
City of Muntinlupa	68,680,803	90,465,423	96,134,737	109,721,493	121,120,335	128,892,578	1.70%	15%
Valenzuela City	34,396,099	43,742,387	50,259,753	57,017,539	66,000,729	69,407,460	0.90%	18%
Marikina City	32,399,501	40,167,623	45,012,253	53,750,226	65,200,113	65,099,281	0.90%	19%
Las Pinas City	36,417,917	43,774,457	44,793,462	49,563,775	60,129,294	60,866,367	0.90%	13%
Malabon City	22,891,703	2,192,257,001	29,457,284	32,263,614	36,874,972	37,825,098	0.50%	13%
City of Navotas	9,357,466	12,806,530	13,461,022	15,966,287	17,868,265	17,232,979	0.30%	18%
Pateros	3,331,770	5,004,797	5,695,029	5,492,750	5,903,806	6,318,597	0.10%	15%

Source: PDIC, Colliers International

3.5 UPCOMING INFRASTRUCTURE

Twelve Private-Public-Partnership contracts were awarded with a cumulative worth of around PHP250 billion. Some of the road and transport infrastructure projects include the Southwest Integrated Transport System (ITS), the South Terminal ITS, Cavite-Laguna Expressway (CALAX), the Mega Manila Subway and the NLEX-SLEX Connector Road. Some of the awarded projects are expected to be completed in the next five to seven years all over Metro Manila, Northern and Southern Luzon.

The upcoming infrastructure discussed below will be beneficial to Aseana City as it provides access from the Northern and Southern parts of Metro Manila to the Manila Bay area. Moreover, these infrastructure projects open the market to different investors, both local and foreign.

The Southwest Integrated Transport System is the closest to Aseana City. It will be a gateway for passengers coming from the province of Cavite and will provide easy access to the emerging CBD as it is located in the Asia World reclamation area. The highway extensions, such as the Metro Manila Skyway Stage 3, Cavite-Laguna Expressway and LRT 1 Extension will be the most beneficial infrastructure projects for the area.

Table 13 : Metro Manila Road & Transit Infrastructure Projects

Project	General Status	Target Date of Completion*	Likelihood of Completion**	Description
Southwest Integrated Terminal Exchange	Under Construction	2018	Very Likely	Terminal for passengers coming from Cavite
Integrated Transport System - South Terminal	Under Construction	2018	Likely	Terminal for passengers coming from Batangas/Laguna
LRT-2 East Extension	Under Construction	2019	Very Likely	Extending LRT 2 stations to Antipolo City
Manila North Expressway Project (Segments 8, 9, 10)	Under Construction	2018	Definite	14-km extension to Commonwealth Ave.
Plaridel By-Pass Toll Road Project	Under Construction	2018	Very Likely	Connecting Balagtas, Bulacan to Maharlika Highway in San Rafael, Bulacan
MRT Line 7	Under Construction	2019	Likely	A 22.8-km elevated railway from Q. Avenue to San Jose del Monte, Bulacan

Project	General Status	Target Date of Completion*	Likelihood of Completion**	Description
Metro Manila Skyway (MMS) Stage 3	Under Construction	2019	Definite	Elevated expressway from Buendia, Makati City to Balintawak, Quezon City
Bonifacio Global City to Ortigas Pasig Bridge	Under Construction	2020	Likely	4-km roadway to linked BGC from Pasig
South Luzon Expressway Toll Road 4	Contract Awarded	2019	Very Likely	A 56.87-km expressway from Calamba, Laguna to Tayabas, Quezon
Cavite-Laguna Expressway (CALAX)	Contract Awarded	2020	Very Likely	A 4-lane, 45.2-km expressway connecting CAVITEX to SLEX
Clark International Airport Expansion	Contract Awarded	2020	Likely	Construction of a new terminal building
NLEX-SLEX Connector Road	Contract Awarded	2021	Likely	an 8-kilometer elevated road from C-3 Road Caloocan City to PUP Sta. Mesa, Manila
LRT-1 Cavite Extension	Contract Awarded	2021	Very Likely	Extending LRT 1 from Baclaran to Bacoar, Cavite
Mega Manila Subway	Contract Awarded	2024	Likely	Transit line to connect Mindanao Ave. to Pasay City
North-South Railway	NEDA Evaluation	TBA	Likely	Railway line from Metro Manila to Legaspi City, Albay
LRT Line 6	Under Review	TBA	Indefinite	19-km elevated railway from Aguinaldo Highway to Bacoar, Cavite

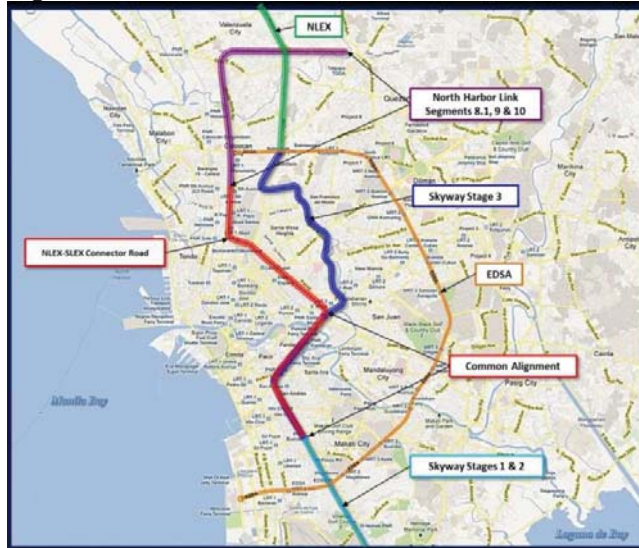
Source: Department of Public Works and Highways, Public-Private Partnership Center, Colliers International Research

*Status as of December 2017

**Colliers Assessment

3.5.1 NLEX – SLEX CONNECTOR ROAD

Figure 11: NLEX - SLEX Connector Road Plan



Source: Department of Public Works and Highways

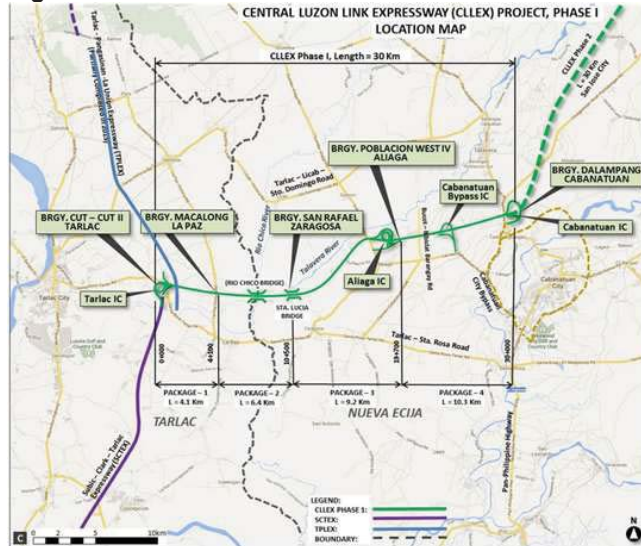
The NLEX-SLEX connector road is an expected 8-kilometer elevated road project awarded to the Metro Pacific Tollways Development Corporation (MPTDC) in C-3 Road Caloocan City to PUP Sta. Mesa, Manila, and connects to Skyway Stage 3, traversing along the PNR rail track. There will be two interchanges located at: (1) C-3 Road, Caloocan; and (2) Espana, Manila. Main objectives of this project are to reduce travel time from SLEX to NLEX from two hours to 20 minutes, decongest traffic in Metro Manila and provide convenient access to transport and cargo terminals (such as Manila North Harbor and the NAIA and Clark Airports) for around 35,000 daily motorists. Currently, construction is still ongoing and is estimated to be completed in year 2021.

3.5.2 CENTRAL LUZON LINK EXPRESSWAY

The Central Luzon Link Expressway is a two-phase project that will connect Metro Manila to various destinations in Central Luzon. This will be accessed through the North Luzon Expressway, starting at Cabanatuan City to San Jose City both of which are in the province of Nueva Ecija.

CLLEX Phase 1

Figure 12: CLLEX Phase 1



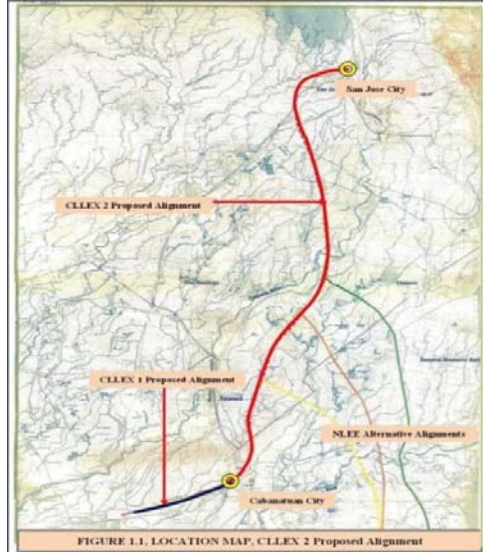
Source: Department of Public Works and Highways

The project will comprise the construction of a four-lane expressway with a total length of 30.7 kilometers that will extend from Tarlac to Cabanatuan, Nueva Ecija. This is an important lateral (east-west) link of overall high standard highway network within a 200-kilometer radius from Metro Manila. It diverges from SCTEx at 2.5 kilometers north of Luisita Interchange and traverses a flat plain of Central Luzon in the east-west direction, then ends in Cabanatuan City.

The objective of this project is to provide a fast, safe, comfortable and reliable means of transport in Central Luzon. This will also decongest the traffic along the Pan-Philippine Highway (Daang Maharlika). By providing additional roadways, this will support the socio-economic development of the regional cities of Tarlac and Cabanatuan, thus contributing to decongestion in Metro Manila.

CLLEX Phase 2

Figure 13: CLLEX Phase 2



Source: Department of Public Works and Highways

Phase 2 is an extension of CLLEX Phase 1 that connects Cabanatuan City and San Jose City by passing through the municipalities of Talavera and Llanera in Nueva Ecija. The total length is 35.7 kilometers that will provide a free-flowing alternative route and decongest traffic along the Pan Philippine Highway (PPH) between said cities of Nueva Ecija and the town of Plaridel in the province of Bulacan.

The objective of the project is to provide a reliable means of transportation from Metro Manila to various destinations within Central Luzon through a four-lane high grade expressway. This will help decongest the traffic within Metro Manila. The project will also provide a linkage between the existing SCTEX and PPD at some latitude above the cities of Cabanatuan and San Jose.

3.5.3 CAVITE LAGUNA EXPRESSWAY (CALAX)

Figure 14: Proposed CALAX ROW Access



Source: Department of Public Works & Highways

The Cavite-Laguna Expressway (CALAX) will start from the CAVITEX in Kawit, Cavite and end at the SLEX-Mamplasan Interchange in Biñan, Laguna. The project will have an expected total length of 44.6 kilometers. The main highway will connect the provinces of Cavite and Laguna via two major toll roads – the Cavite Expressway (CAVITEX) and the South Luzon Expressway (SLEX). As of February 2018, construction of the project is ongoing. Target completion of the CALAX is in 2020.

Developers are now looking at Cavite as another emerging CBD with ProFriends, Ayala Land, Inc., and Vista Land having first-mover advantage in the areas of Imus, General Trias, Dasmariñas, and Bacoor in developing large township developments. Cavite will soon be more than just an industrial zone when residential, offices, and retail developments are completed in these township projects.

Once constructed, the four-lane CALAX will be connected from the CAVITEX in Kawit, Cavite and end at the SLEX-Mamplasan interchange in Biñan. The CALAX will have interchanges in Kawit, Daang Hari, Governor's Drive Aguinaldo Highway, Silang, Sta. Rosa- Tagaytay, Laguna Blvd., Laguna Technopark, and a toll barrier just before SLEX.

3.5.4 SOUTH LUZON EXPRESSWAY TOLL ROAD 4

Figure 15: Proposed South Luzon Expressway Toll Road 4



Source: Department of Public Works and Highways

The expected 57-kilometer toll road will have four lanes that will stretch from Sto. Tomas, Batangas (near end of TR-3) to Lucena City in the province of Quezon. The objective of this project is to provide faster and safer access to Regions IV and V; it also aims to contribute to the economic development of the regional growth centers so as to decrease overconcentration of socio-economic activities in Metro Manila.

The estimated cost of the project is PHP 13.1 billion. Based on the updated project brief for this project, the ROW acquisition is expected to be done in tranches and by section. As of the project timeline, TR4A of the project (Calamba, Laguna to Makban, Laguna) was completed in August 2018. The next phase TR4B (Makban, Laguna to San Pablo Laguna) will start construction on February 26, 2018 and is expected to be completed on August 2019. Target completion of the whole project is on August 2021 with the three remaining phases to be commenced in different time frames.

3.5.5 INTEGRATED TRANSPORT SYSTEM – SOUTH TERMINAL PROJECT

Figure 16: Proposed Location of the South Terminal



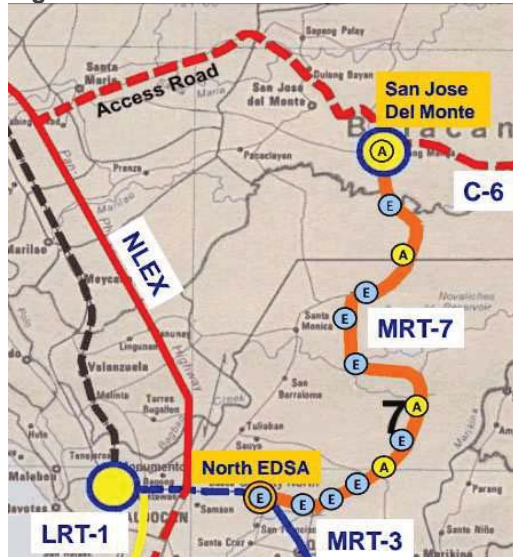
Source: Department of Public Works & Highways

The 4.7-hectare South Integrated Transport System (TTS) will be constructed in FTI, Taguig City. It will be the central terminal for passengers coming from the provinces of Laguna and Batangas through provincial buses and will have access to other transport systems such as the future North-South Railway project, city buses, taxis, and other public utility vehicles that will serve the main cities of Metro Manila. Part of its facilities is to have passenger terminal buildings, arrival and departure bays, public information systems, ticketing and baggage handling facilities, and park-ride facilities.

The estimated cost of the project is at PHP5.2 billion. Ayala Land, Inc. (ALI) was awarded the project as a result of its lowest AGP (annual grantor payment) bid. The contract was signed in January 2016 and had its groundbreaking ceremony last January 17, 2018. It is currently on-going pre-construction activities and will start actual construction in the 2nd quarter of 2018. Target completion is in the first half of 2020.

3.5.6 MRT LINE 7

Figure 17: MRT Line 7 Plan



Source: Public Private Partnership

MRT7 is a PPP project that involves the financing, design, construction, operation and maintenance of a 23-kilometer elevated railway line with 14 stations from San Jose Del Monte, Bulacan to MRT3 North Avenue in Quezon City, and the 22-kilometer asphalt road from Bocaue Interchange of the North Luzon Expressway (NLEX) to the intermodal in Tala. The project is expected to decongest Epifanio De Los Santos Avenue (EDSA), a major thoroughfare in Metro Manila, as this will provide an easier commute to Metro Manila.

As of February 2018, construction is already on-going and the project is approximately 22.6% complete. The proponent for this project is San Miguel Corporation under the Build-Gradual Transfer-Operate and Maintain (BGTOM) PPP Structure. However, in January 2018, the MMDA temporarily stopped the construction in Quezon City due to the construction's impact on traffic flow. This was immediately lifted after implementing a new traffic scheme and offering alternative roads to commuters.

The MRT-7 railway will have 13 stations which consisting of: (1) North Avenue, (2) Quezon Memorial, (3) University Ave., (4) Tandang Sora, (5) Don Antonio, (5) Batasan, (6) Manggahan, (7) Doña Carmen, (8) Regalado, (9) Mindanao, (10) Quirino, (11) Sacred Heart, (12) Tala, and (13) San Jose del Monte Intermodal Transport Terminal.

The rail component of this project involves the construction of a 22.8-kilometer rail transit system that will operate 108 rail cars in a three-car train configuration with a project daily passenger capacity ranging from 448,000 to 850,000. Delays in this project were partly due to determining the location of the common station in EDSA. Once completed by year 2020, the project is expected to shorten the 3.5-hour travel

time by road from North Avenue, Quezon City to San Jose del Monte, Bulacan and vice versa, to one hour by train. Initially, MRT-7 is expected to accommodate 350,000 daily passengers and once the upgrades are completed, 800,000 passengers per day will benefit from this project.

Commuters can take public utility vehicles (PUVs) or private vehicles and use the new highway from NLEX, take the train through the intermodal transport terminal (ITT), and board the MRT-7 going to North Avenue, Quezon City. There will also be a common station in North Avenue that will connect MRT-7 to Metro Rail Transit Line 3 (MRT3) and the Light Rail Transit Line 1 (LRT1).

3.5.7 NORTH SOUTH COMMUTER RAIL (NORTH LINE)

Figure 18: North South Commuter Rail Plan



Source: Public Private Partnership

The North-South Railway Project (NSRP) is part of the government's plans to promote inclusive growth in the country. The project aims to revive the railway in the country and to provide improved transport and logistics services to currently underserved areas and encourage more economic activities in North and South Luzon. The NSRP South Line will cover Metro Manila to Legazpi City, Albay, plus several existing and proposed branch lines totaling approximately 653 kilometers in length. This will operate between Tutuban in Metro Manila and Calamba City in the province of Cavite and will also feature long-haul railway operations between Tutuban and Legazpi City, including extended long-haul rail operations on the branch line between the cities of Calamba and Batangas and extensions between Legazpi City and the municipality of Matnog in the Philippines.

The NSRP North line will connect Tutuban to Malolos City in Bulacan through a 37.9-kilometer railway line. There is a proposal to have 10 stations between Tutuban and Malolos City: (1) Tutuban Station, (2)

Solis Station, (3) Caloocan Station, (4) Valenzuela Station, (5) Meycauayan Station, (6) Marilao Station, (7) Bocaue Station, (8) Balagtas Station, (9) Guiguinto Station, and (10) Malolos Station.

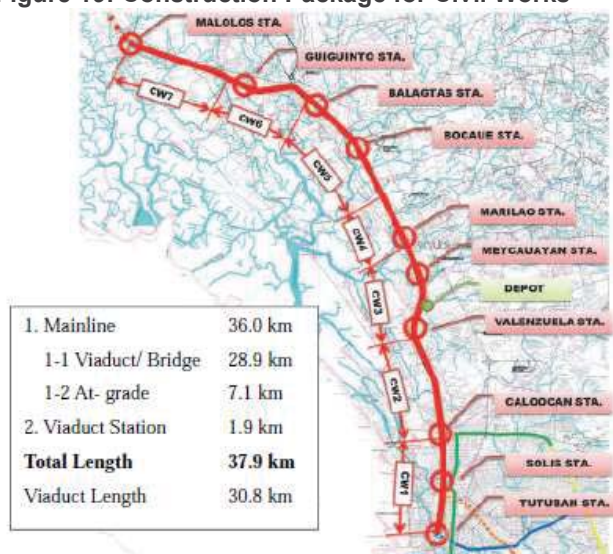
Based on the supplementary study provided by JICA for the North – South Rail Project¹, the proposed construction package for the North Line will be divided into seven sections.

Table 14: Construction Package for Civil Works (Mainline)

	Section	Station	Length
CW1	Tutuban – Caloocan	1. Tutuban 2. Solis	5.4 km
CW2	Caloocan – Valenzuela	3. Caloocan	5.3 km
CW3	Valenzuela – Marilao	4. Valenzuela 5. Meycauayan	6.1 km
CW4	Marilao – Bocaue	6. Marilao	3.7 km
CW5	Bocaue – Balagtas	7. Bocaue 8. Balagtas	6.2 km
CW6	Balagtas – Guiguinto	9. Guiguinto	5.3 km
CW7	Guiguinto - Malolos	10. Malolos	5.7 km

Source: The Supplementary Survey on North-South Rail Project (Phase 2A) in the Republic of the Philippines, JICA

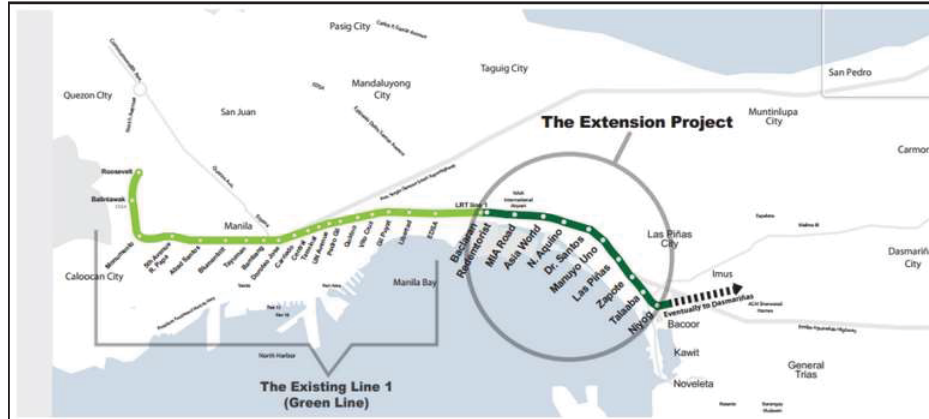
Figure 19: Construction Package for Civil Works



¹ Source: The Supplementary Survey on North-South Rail Project (Phase 2A) in the Republic of the Philippines, JICA, November 2015, Page 4-42

3.5.8 LRT LINE 1 SOUTH EXTENSION

Figure 20: Proposed LRT Line 1 South Extension Project



Source: Public Private Partnership

The 11.7-kilometer extension of the Light Rail Train Line 1 (LRT1), also called the LRT Line 1 Cavite Extension, will start from Baclaran to Bacoor, Cavite. The extension will include the construction of eight (8) passenger stations with two (2) additional passenger stations namely: Manuyo and Talaba Stations; three (3) intermodal facilities, one (1) satellite depot and modification / upgrading of the existing Line 1 depot. The estimated cost of the project is PHP 64.9 billion, and the project is expected to achieve completion by year 2021.

There will be 10 stations which will begin in the last station of the LRT-1, with stops at: (1) Baclaran station, (2) MIA Road, (3) Asia World, (4) N. Aquino, (5) Dr. Santos, (6), Manuyo Uno, (7) Las Piñas, (8) Zapote, (9) Talaba, (10) Niyog Station going to Bacoor.

The winning proponent for the project, a consortium of Ayala Corporation, Metro Pacific Investments Corporation (MPIC) group, and Macquarie, has already held its groundbreaking ceremony last September 2017. It is currently undergoing pre-construction activities which include ROW acquisition, relocation of Informal Settler Families (ISFs), utility diversion and the finalization of alignment.

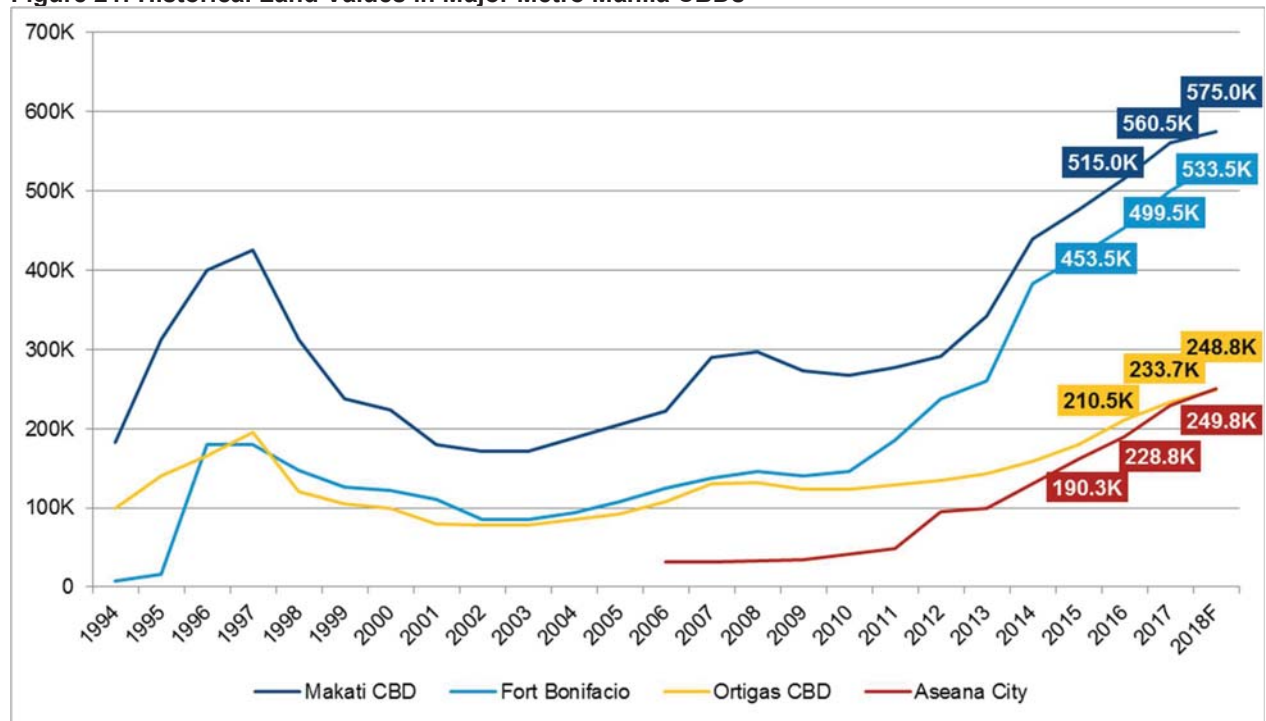
Upon the completion of this project, the accessibility to residential developments within the affected areas of Parañaque City, Las Piñas City, and Bacoor City, are expected to increase. Offices and retail developments that are primarily located in Entertainment City are also expected to benefit from increased foot traffic from visitors of Southern Metro Manila.

4 METRO MANILA LAND MARKET OVERVIEW

4.1 HISTORICAL LAND VALUES

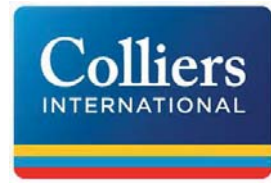
Land values in Metro Manila Central Business Districts (CBDs) naturally follow the course of economic activity in the country. During the years leading up to the Asian Financial Crisis in the late 1990s, land values more than doubled from 1994 to 1997. Following the economic recession, values declined rapidly and were even lower than the 1994 levels. Land values started to recover in 2004, growing steadily until the present year. Meanwhile, land values in Fort Bonifacio were at par with Ortigas Center until after the Global Financial Crisis in 2009 when investments in office developments and BPOs were at the forefront of recovery from the economic recession. Land values in Fort Bonifacio diverged higher than from those in Ortigas Center from 2009 to 2014. In 2014, the purchase of government-owned lots at PHP500,000 per sq m in Fort Bonifacio led to a significant increase in land values by 47% YoY. This led land prices in Fort Bonifacio to converge towards Makati CBD prices.

Figure 21: Historical Land Values in Major Metro Manila CBDs



Source: Colliers International Research

Among the CBDs, Makati still commands the highest land values being the premier financial business district in the country. Land values declined in 2009 mainly due to the Global Financial Crisis but have since escalated, growing by 4% annually from 2011 to reach an average price of PHP514,997 per sq m by the end of 2016. It is forecasted that in a span of 10 years, land value will grow to PHP 574,996 from 2009 to 2018, which is approximately 9% compounded growth.



Noticeably, Aseana City showed strength in numbers when it started its development in 2006. By 2018, land values are expected to grow at a CAGR of as high as 24% from 2009 to 2018. The escalation of prices can be attributed to a low base as well as the rising demand since it is an emerging CBD. Compared to Makati CBD, Aseana City is seen to grow at a quicker pace as the increase of land value in Makati CBD is expected to slow down to 9% in the same period.

Maximum floor area ratios (FAR) are imposed by the different CBD's estate associations, wherein the maximum gross floor area (GFA) can only be a multiple of the total land area. Since FARs may differ from lot to lot in the different CBDs, the land value per sq m may not be sufficient in indicating the inherent value of the land. Thus, accommodation values are calculated wherein the land value per sq m is divided by the maximum FAR factor. Based on the maximum FAR of 16 in Makati CBD and projected land values of PHP574,996 per sq m, we estimate that accommodation values could reach PHP35,937 per sq m by end 2018.

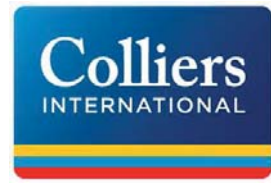
Average land values in Fort Bonifacio grew by 47% in 2014, on the back of the sale of two prime lots in Bonifacio Global City by the Government Service Insurance System (GSIS). By end-2018, land values are expected to grow at a CAGR of 16% to PHP533,467 from PHP140,000 in 2009. With a maximum FAR in the Fort Bonifacio area at 15, an average accommodation value of PHP38,105 per sq m is estimated by the end of 2018.

For Ortigas Center, maximum FAR is generally at 10 with an average land value of PHP233,678 in 2017. Land value is expected to grow by 8% from 2009 to PHP248,833 in 2018. Estimated accommodation value by end-2018 will be at PHP24,883.

Manila Bay values at the end of 2017 hit an average of PHP228,814. Within Aseana City, land values range from PHP150,000 up to PHP250,000 per sq m. From a timeframe of 2009 to 2018, land value is seen to grow by 24% to PHP250,000. The trajectory of growth can be reflected with the numerous developments within the area, especially that it is being dubbed as an emerging CBD in Metro Manila. The average FAR for developments within Aseana City is 7. By 2018, accommodation values in Manila Bay can range from PHP24,979 up to PHP41,632.

4.2 LAND SUPPLY AND DEMAND DYNAMICS

Notwithstanding economic crises, land prices in Metro Manila are mainly affected and driven by scarcity. The Makati CBD is now largely developed with only a few remaining developable lots. Scarcity and unmet demand in the CBD is prevalent as major developers such as Ayala Land and Megaworld are already repurposing lots with existing uses such as the parking spaces and structures at Legaspi and Salcedo villages. Ayala Land has also begun the redevelopment of its land holdings and properties at the northern portion of Ayala Avenue, and started the development of a portion of Ayala Triangle, one of the large open spaces within the business district, unlocking a brand new prime hotspot in the area.



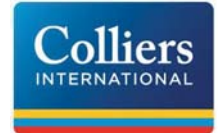
Seeing the demand for large properties appropriate for mixed-use township developments, government agencies are also starting to offer their numerous properties to the private sector. Developers are quick to act on these opportunities and engage in competitive bidding, normally with all major real estate players involved. The 2012 public bidding of the 74-hectare Food Terminal Inc. complex in Taguig City was awarded to Ayala Land for an aggregate price of PHP24.3 billion, or around PHP33,000 per sq m. This was more than twice the minimum base price set by the government and PHP9 to 10 billion more than the bids of the nearest competition. At present, the Ayala Land-acquired property has been developed into a new township in the city, Arca South. Arca South is now being marketed as a mixed-use development featuring residential, commercial and office spaces. This shows the ability of township developers such as Ayala Land to dictate land prices on their large-scale projects.

The scarcity of land has also led to the resurgence of land reclamation at the Manila Bay area as a viable option for large scale developments. The SM Mall of Asia Complex has transformed from a large retail establishment to a commercial district following the introduction of office buildings by the SM Group to complement its flagship retail project.

DoubleDragon Properties, Federal Land and DM Wenceslao and Associates Inc. have also maximized their land bank. DoubleDragon developed the DoubleDragon Meridian Park which is a mixed-use development with office, residential and commercial spaces. Federal Land, on the other hand, developed residential properties of Palm Beach Villas and Six Senses Residences. Lastly, DM Wenceslao and Associates Inc. developed the next emerging CBD in Metro Manila: Aseana City. It is also a mixed-use development primarily providing office spaces targeting BPO companies that want to relocate outside Makati CBD, Fort Bonifacio and Ortigas CBD. Aseana City also has a residential development with Pixel Residences and commercial developments.

The 204-hectare Aseana City and Entertainment City is an emerging vibrant commercial district with the completion of three casinos and several residential and office developments. The area is also being developed as a CBD for the Manila-Pasay Reclamation area especially with the emergence of office buildings that can cater to the IT-BPO industry.

Following the lead of the aforementioned developers, Megaworld invested in the Manila Bay area with the plan to build the 31-hectare Westside City township. It will host a residential project and two hotel developments: Kingsford Hotel with 529 rooms and Grand Westside Hotel with 685 rooms. These planned hotel developments are alongside the upcoming resort casino by Travellers International Hotel Group which will be called Westside City Resorts World or formerly known as Resorts World Bayshore Hotel. Budget allocation for this development increased five-fold from the initial PHP10 billion allocation in 2015 to PHP54 billion.



4.3 RECENT MARKET TRANSACTIONS AND LISTINGS

Colliers surveyed and compiled several recent major transactions in 2014 to 2017 in major business districts in Metro Manila. These are summarized in the table below.

Table 15 : Major Real Estate Transactions (2014 – 2017)

Date of Transaction	Building/Lot	Location	Previous Owner	Buyer	Lot Area (sq m)	Disclosed/Estimated Acquisition Value	
						Value (PHP)	PHP per sq m (lot area)
Dev Site							
Q3 2014	Jaka Tower	Makati CBD	JAKA Group	ALI	2,400	1,200,000,000	499,993
Q3 2014	Fort Bonifacio 7-3	Makati CBD	GSIS	Lee Hiong T. Wee	1,600	732,830,000	458,003
Q4 2014	Salcedo Village Plot	Makati CBD	BPI	ALI	6,986	1,600,000,000	229,022
Q4 2014	Fort Bonifacio 7-4	Makati CBD	GSIS	Focus Global	1,600	800,000,000	499,983
Q4 2014	Lot 11-A	Makati CBD	Prudentiallife Plans	Q-Creativs and Imageers	1,100	402,000,000	365,450
Q2 2016	BGC Lot	Makati CBD	SBS Philippines	Petaluma Properties, Inc.	1,083	444,030,000	409,986
Hotel							
Q2 2014	Shangri-La at the Fort	Makati CBD	Alphaland Corp	Shang Properties Inc	35,000	8,500,000,000	242,854
Office							
Q1 2015	Gercon Plaza	Makati CBD	Gerry Contreras	Banco De Oro Unibank - BDO	1,899	2,000,000,000	1,053,150
Q3 2015	Forbes Media Tower	Makati CBD	Century Properties	Mitsubishi	34,000	4,500,000,000	132,351
Q2 2016	One Corpoate Center (22FL)	Ortigas CBD	Amberland Corp	UCPB Gen	2,883	273,634,200	94,910
Q2 2017	Asian Reinsurance Bldg	Makati CBD	Novartis Pharmaceuticals	ALI	1,211	497,804,425	411,055

Source: Real Capital Analytics, Colliers International Research

The most notable real estate transactions in the list were the sales of commercial lots in Fort Bonifacio and Ayala Avenue. The commercial lot owned by Alphaland Corporation was bought by Shang Properties Inc. in 2014 to develop Shangri-La at The Fort. The 35,000 sq m lot was priced at PHP8.5 billion and price per sq m of PHP242,854. It is currently a full-service property that includes 96 residential units.

It was earlier mentioned that due to the scarcity of land in the traditional business districts, developers are also looking to acquire existing or unfinished buildings to be repurposed for higher commercial uses. One of the most notable acquisitions in 2014 was Ayala Land's acquisition of the unfinished Jaka Tower along Ayala Avenue. It is now being reconstructed to be the Alveo Financial Tower. The purchase price was estimated at PHP1.2 billion or P500,000 per sq m based on the lot area. Gercon Plaza is a building built in the 1980's located along Makati Avenue. It was acquired by BDO Unibank, Inc. reportedly for the expansion of its headquarters which is adjacent to the building.

Table 16: Aseana City Market Transactions

Property	Location	Size (sq m)	Total Contract Price	P/sq.m.	Accommodation Value (FAR 7)
Property 1	Beside Golden Bay	26,000	5,460,000,000	210,000	30,000
Property 2	D. Macapagal Boulevard, Aseana City	7,400	2,199,997,800	297,297	42,471
Property 3	Aseana City	6,421	995,255,000	155,000	22,143
Property 4	Aseana City	5,000	1,250,000,000	250,000	35,714
Property 5	Near Sea Residences and Phoenix Fuels	3,082	924,600,000	300,000	42,857
Property 6	Aseana City	2,519	503,800,000	200,000	28,571
Property 7	Aseana City	2,301	460,200,000	200,000	28,571
Property 8	Block 2, Lot 4, Aseana City	2,080	520,000,000	250,000	35,714
Property 9	Aseana City	1,706	341,200,000	200,000	28,571
Property 10	Block 2, Lot 18, Aseana City	1,706	426,500,000	250,000	35,714
Average		5,822	1,308,155,280	231,230	33,033

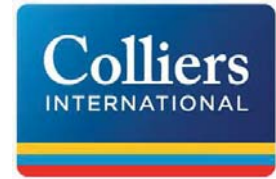
Source: Colliers International Research

The biggest transaction in Aseana City was for the empty lot beside Golden Bay with a lot size at 26,000 sq m while the smallest transactions were for two properties, each with a lot size of 1,706 sq m, in Aseana City.

Average TCP for lots in the area is at PHP1.3 billion with an average price per sq m of PHP231,230. For accommodation values, both residential and commercial options were computed. Average accommodation value is PHP33,033.

4.4 LAND MARKET OUTLOOK

Although there is still developable land within Metro Manila, much of it is held by the government and private developers. The Bases Conversion and Development Authority (BCDA) had around 120 hectares of land at South Bonifacio in administration since 2009 which are currently occupied by the military and



government agencies. In 2010, the 35-hectare JUSMAG property was awarded to Megaworld Corporation for a joint venture development leaving around 84 hectares for redevelopment. Since some of the lots in South Bonifacio have legal impediments such as the Navy Officers' Village Association, Inc. NOVAI and Consular properties as these properties are on inalienable land of the public domain and are not eligible for disposal or subject of a sale, it seems that Bonifacio South Pointe or the Bonifacio Naval Station (BNS)/Philippine Marine Corps/Army Support Command (ASCOM) area is the most viable area for development. However, this too has its own challenges since the BCDA is still petitioning the Supreme Court to subject the property to a competitive bidding instead of a Swiss Challenge based on SM Land's unsolicited proposal in 2010 as was ruled by the high court. The BCDA has cited the successful and record high dispositions of the FTI Complex and GSIS lots as its motivations for pushing for competitive bidding. Once this is resolved, we could see a clamor among developers to obtain a new piece of prime land in Taguig City, bidding at new record high prices.

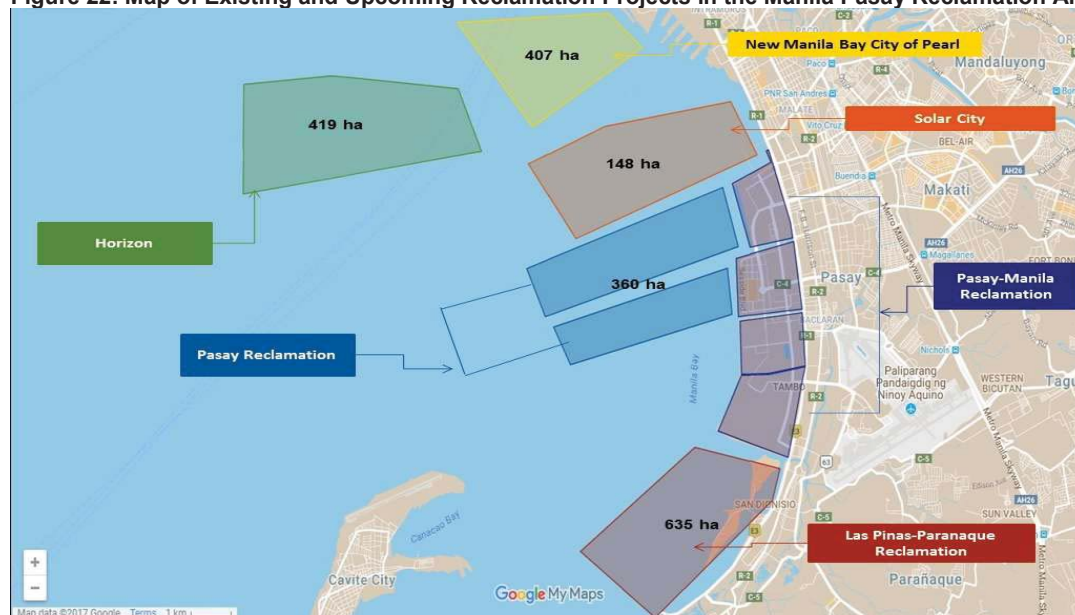
Developers such as Ortigas & Company still have prime land holdings within Metro Manila. The company still has about 50 hectares of land excluding 40 hectares from the portions of Camp Aguinaldo and Camp Crame which were donated to the government. Ortigas has preemptive rights to buy back these properties if the government no longer needs them for the original purpose the land was donated. The vast landholdings of the company have attracted the likes of SM Prime and Ayala Land, which in 2014 joined forces to own and manage Ortigas' real estate assets.

With sizable properties still in the control of the government and major developers, land reclamation seems to be the next frontier for land supply in Metro Manila. Major developments are already in the pipeline in most of the reclaimed area in the Mall of Asia complex, reducing the future supply of developable land. This leaves Aseana City as one of the most viable areas for future development. The underdeveloped landholdings of DMWAI and Wendel Holdings Inc. in the master planned development are still over 50 hectares representing a significant supply of land in Metro Manila.

Currently, a few projects are in the pipeline for Aseana City. The completion of Aseana 3 and 4 in 2018 will add 73,974 sq m of NSA. Moreover, Ri Rance Realty is undergoing construction of the Ri Rance Corporate Center that will also add 68,045 sq m in the stock of the Manila Bay area. Lastly, construction is also on-going for the upcoming mixed-use Ayala property in the area. According to Ayala Land, the development will include a shopping mall, an office building specifically for BPO companies and a 12-storey hotel. It will be located in a 9-hectare property developed under a 45-year lease from DMWAI.

4.5 PROPOSED AND UPCOMING RECLAMATION PROJECTS

Figure 22: Map of Existing and Upcoming Reclamation Projects in the Manila Pasay Reclamation Area



Source: Google Maps

Currently, there are five (5) approved reclamation projects and four (4) applications for reclamation projects in Metro Manila. Eight of these projects are located in Manila Bay while one is in Navotas City. All these projects are in partnership with the Philippine Reclamation Authority.

Table 17: Upcoming Reclamation Projects

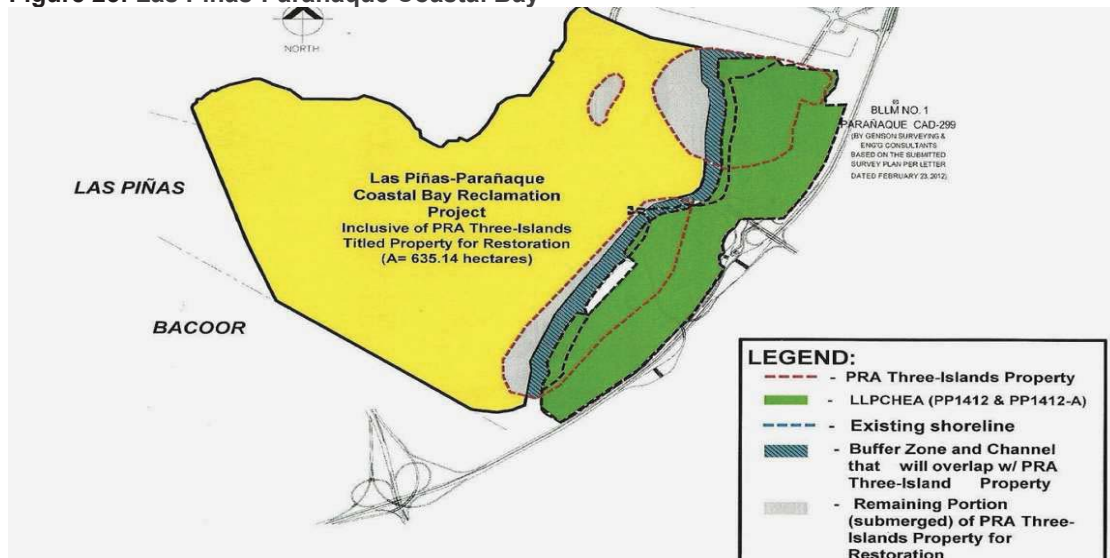
Project	Location	Area (ha)	Proponent	Status
Approved Projects		1,793		
Manila Solar City	Manila	148	Manila City and Manila Gold Coast Development Corp.	Waiting for Notice to Proceed (NTP) from PRA
300-ha Pasay Reclamation	Pasay	300	Pasay City	Completing requirements to start reclamation process
60-ha Pasay Reclamation	Pasay	60		
Las Pinas-Paranaque Reclamation	Las Pinas/Paranaque	635	Las Pinas City and Paranaque City	Approved by PRA and LGUs
Navotas Coastal Bay	Navotas	650	Navotas City and Triple One Construction Inc.	Approved by PRA and Navotas City
Project	Location	Area (ha)	Proponent	Status
Applications		1,194		
New Manila Bay City of Pearl	Manila	407	Manila City and UAA Kinming Development Corp.	Expected to be completed in 2035
Harbour Center Port Terminal Expansion	Manila	50	Manila City and R-II Builders	Signed MOU for partnership between

Project	Location	Area (ha)	Proponent	Status
				Manila City and R-II Builders
Horizon Manila	Manila	419	Manila City and Jbros Construction	Expected to start construction in 2018
Manila Waterfront City	Manila	318	Manila City and Waterfront Manila Premier Development Inc.	Signed MOU with PRA, City of Manila and WMPD
Grand Total		2,987		

Source: Philippine Reclamations Authority (PRA), Colliers International Research

Among the reclamation projects, the closest to Aseana City will be the Las Pinas-Paranaque Reclamation and the 360-ha Pasay Reclamation projects. In the Pasay-Manila Reclamation area, the largest upcoming project is the Las Pinas-Paranaque Coast Bay with 635 hectares followed by the New Manila Bay City of Pearl with 407 ha and the two Pasay Reclamation projects with a total of 360 ha. The Harbour Center Port Terminal Expansion has the smallest land area of 50 ha while Solar City has 148 ha.

Figure 23: Las Piñas-Paranaque Coastal Bay



Source: GMA News Network

The Las Pinas-Paranaque Coastal Bay project is the reclamation of a shallow coastal area from Bacoor, Cavite to Asia World. Its estimated reclamation cost is at PHP101 billion and is seen to be developed as a mixed-use project for commercial, residential, industrial and institutional zones. However, the project is currently under protest because of environmental damages that have been alleged to harm livelihood of fishermen in the area.

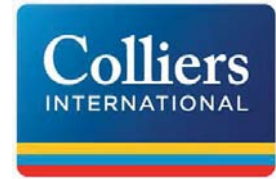
Figure 24: Manila Solar City



Source: GMA News Network

Manila Solar City, on the other hand, is an approved reclamation project that is currently waiting for the Notice to Proceed from the PRA to start development. It will consist of three (3) islands stretching out by around 2 kilometers out to Manila Bay while the side parallel to Roxas Boulevard is around 635 meters long. Lots in Manila Solar City will have sizes of 500 to 1,000 sq m. It is envisioned as a mixed-use development primarily hosting commercial, office and retail buildings. It is designed to provide walkways and a monorail system to provide a greener environment. The development aims to be a tourism destination especially with plans of the project featuring the first international cruise ship terminal in the country.

For reclamation applications, The New Manila Bay City of Pearl will be developed by a consortium led by UAA Kinming and will also house a driverless monorail, a multipurpose stadium and a golf course. The project is planned to establish another central business district within the City of Manila. The project is expected to be completed in 2035.



5 METRO MANILA OFFICE PROPERTY MARKET

5.1 OFFICE MARKET OVERVIEW

5.1.1 KEY REGULATIONS / POLICIES GOVERNING THE OFFICE PROPERTY MARKET

For the past decade or so, the office market in Metro Manila, as well as in other key cities in the Philippines has been driven by the Business Process Outsourcing (BPO) industry. BPO companies prefer the Philippines due to the deep talent pool and the relatively lower cost of operations. The strong demand coming from this sector has encouraged a lot of developers to provide facilities that will meet their demands. In addition to established business districts in Metro Manila, developers have also built office buildings in new commercial districts located in other areas of Metro Manila as well as other key cities in the other regions.

There are also some incentives provided by the government for the investors. Local and foreign investors in the Philippines are entitled to fiscal and non-fiscal incentives under the enabling laws set by the government. Under Executive Order No. 226 and Republic Act No. 7916, the Bureau of Investments (BOI) and the Philippine Economic Zone Authority (PEZA), both attached to the Department of Trade and Industry, administer incentive grants for companies investing in the country.

The presence of Information Technology (IT) and BPO firms and companies, and commercial office developers in the country has likewise been highly engaged with these agencies. Currently, there are 401 operating IT Parks and Buildings accredited under PEZA as of September 2017.

With the incentives outlined by PEZA, including income tax holidays, tax credits and other non-fiscal incentives and the demand for BPO spaces, office developers often consider seeking PEZA accreditation for their planned developments. However, the government agency has experienced a slowdown in accreditation due to adjustments in the given incentives because of the implementation of new economic policies. Though this has hampered the additional supply of accredited sites, it is seen that the industry will recover and still have significant demand in office spaces.

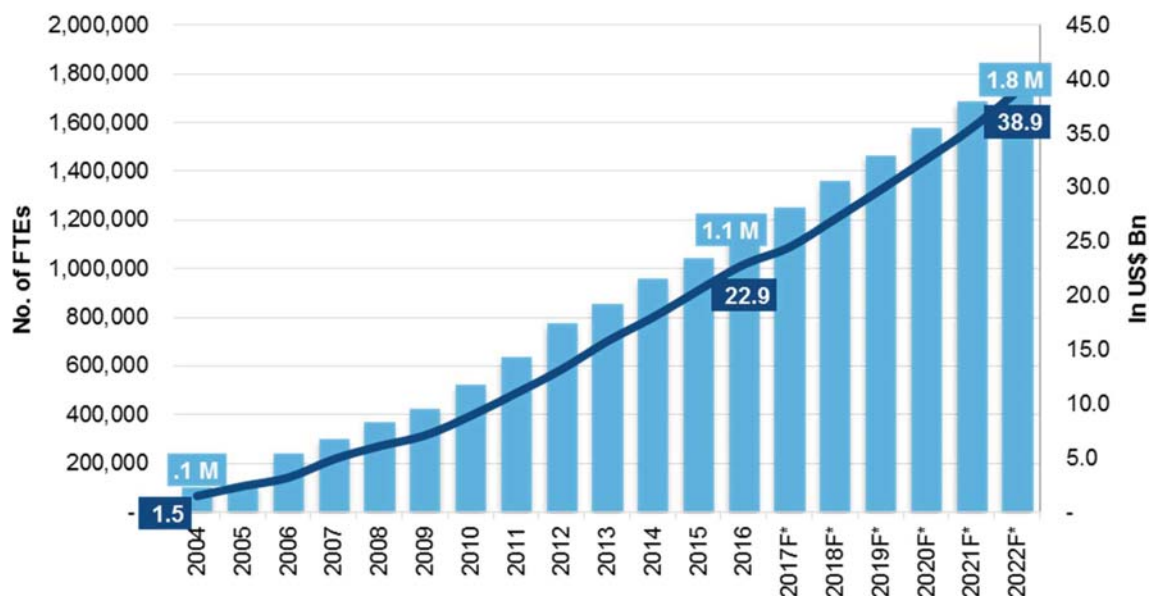
5.1.2 KEY FACTORS AFFECTING THE OFFICE PROPERTY MARKET

5.1.3 GROWING BPO SECTOR

The Philippine IT-BPO sector grew at a rapid rate to post a CAGR of 29% from 2006 to 2010. Also, BPO revenues increased six times to reach USD11 billion in 2011 from the 1.5 billion registered in 2004. The latest data from the Everest Group cited the Philippines as the largest exporter of voice-driven BPO. As of the end of 2016, this industry was estimated to have generated USD 22.9 billion in revenue.

About 1.8 million full-time employees (FTEs) are estimated to be engaged in the Offshoring and Outsourcing (O&O) Industry in 2022, an 8% CAGR from 2016. Amidst a slowdown because of change in government policy, the sector remains positive, maintaining a steady pace with demand coming from higher level services. At present, business processes have shifted its demand from delivering basic and non-core services such as voice and non-voice customer care and data entry services (BPO) to higher-level specialized services (KPO) required for specific business lines. Industries such as banking and finance, insurance, real estate, legal, medical and information technology require specific knowledge and skills sets to deliver services needed.

Figure 25: BPO Revenues and Full-time Employees



Source: IBPAP, Colliers International Research

5.1.4 PHILIPPINES' IMPROVING GLOBAL COMPETITIVENESS

The Philippines improved its competitiveness ranking from 57th to 56th among 137 economies in 2017. It trails behind six ASEAN countries: Vietnam, Brunei, Indonesia, Thailand, Malaysia and Singapore in

terms of global competitiveness. The ranking in global competitiveness serves as a benchmark for investors to look at the business environment of an economy in terms of basic requirements such as institutions and infrastructure, efficiency enhancers pertaining to education, labor market and technological readiness and innovation and sophistication which involves business and innovation processes.

The Philippines' strong macroeconomic environment attracts foreign investors to pursue business plans in the country. This also signifies the improvement of labor efficiency in the delivery of processes in outsourced and offshored companies. As the country has established a developed IT-BPO industry, delivery of complex, high-level services is the next step to enhance and promote industry growth.

5.1.5 HIGH NUMBER OF COLLEGE ENROLLEES AND GRADUATES

To fuel the high labor demands of the BPO industry, Metro Manila and its surrounding provinces have an abundance of students in college that are expected to enter the labor force once they are ready. The National Capital Region (NCR) still accounts for most of the graduates compared to the Central Luzon and CALABARZON regions, but the growth rates are much higher in the fringe provinces.

Table 18: Number of College Graduates

School Year	No. of College Graduates						CAGR
	2009/10	2010/2011	2011/12	2012/13	2013/14	2015/16	
NCR	115,042	119,376	128,432	129,148	129,680	138,062	4%
Central Luzon	52,837	51,591	46,582	50,385	57,179	54,943	1%
CALABARZON	48,967	50,330	52,660	60,196	64,811	72,554	8%
Total	216,846	221,297	227,674	239,729	251,670	265,559	3%
Philippines	481,331	496,949	522,570	564,769	585,288	645,973	5%

Source: Commission on Higher Education

*No available graduate data for 2014/15

The National Capital Region (NCR) and its neighboring regions: Central Luzon and CALABARZON produced a total of approximately 265,000 graduates, or 41% of the graduate pool in the Philippines. The number of graduates grew at a CAGR of 3% from 2010 to 2016. The growth in number of graduates shows that there is enough supply in the Philippine labor pool to sustain the future demand of employment in the country.

Table 19: Number of College Graduates per Discipline Group (Philippines)

Discipline Group	No. of College Graduates						
	2009/10	2010/2011	2011/12	2012/13	2013/14	2014/15	2015/16
Business Administration and Related	117,399	125,840	141,327	164,541	169,846	185,358	185,858
Education and Teacher Training	56,419	62,715	69,738	86,903	98,277	110,320	118,567
Information Technology	49,786	54,225	66,672	72,879	72,976	74,477	77,250
Engineering and Technology	49,373	57,439	56,690	59,399	63,539	70,646	76,423

No. of College Graduates							
Discipline Group	2009/10	2010/2011	2011/12	2012/13	2013/14	2014/15	2015/16
Medical and Allied	116,380	103,582	80,800	57,427	50,513	44,746	41,805
Other Disciplines	20,779	21,247	24,716	26,939	27,269	30,026	32,500
Social and Behavioral Science	12,723	13,168	13,816	15,953	18,831	21,160	22,281
Agricultural, Forestry, Fisheries, Vet Med.	10,043	9,618	11,605	13,796	13,986	16,906	21,209
Maritime	14,439	14,430	19,515	23,506	23,401	26,040	18,322
Service Trades	5,067	6,184	6,244	8,629	10,630	11,772	13,217
Mass Communication and Documentation	5,243	5,334	5,463	6,475	7,246	7,912	7,327
Natural Science	3,949	3,910	4,330	6,626	6,094	6,966	6,828
Humanities	5,196	4,981	5,562	6,577	5,998	7,004	6,561
Architectural and Town Planning	2,274	2,245	2,278	2,624	2,849	3,718	3,951
Fine and Applied Arts	2,346	2,516	3,207	2,813	3,342	4,112	2,945
Law and Jurisprudence	2,829	2,927	2,743	2,705	2,649	2,729	2,845
Mathematics	2,021	1,903	2,038	2,984	2,428	2,698	2,736
General	1,587	1,402	2,032	1,211	773	1,475	1,969
Religion and Theology	1,073	1,357	1,542	1,442	1,862	2,415	1,788
Home Economics	1,107	809	997	966	1,237	1,214	1,450
Trade, Craft and Industrial	1,298	1,117	1,255	374	1,542	382	141
Total	481,331	496,949	522,570	564,769	585,288	632,076	645,973

Source: Commission on Higher Education

As the IT-BPO industry develops further, delivery of high-level services is necessary to motivate investors to capitalize on investment opportunities in the country. Graduate data show that a bankable labor pool is available to provide specialized services especially in the fields of Banking, Financial Services and Insurance (BFSI), Information Technology, Engineering and Architecture and Healthcare Management Services.

All discipline groups of the mentioned services have grown by an average of 8% from SY 2009/10 to 2015/16. This shows the stable growth of graduates that can fulfill the growing demand of high-level services needed as the industry continues to develop.

Table 20: Discipline Group and Outsourcing Services

Discipline Group	Segment	IT-BPO Services & Process Group
Health - Nursing - Medical technology - Pharmacy - Midwifery - Biology	BPO	Medical Transcription - Encoding - Billing
	KPO	Health Information Management - Patient Information Management - Physician Information Services - Laboratory Information Services

Discipline Group	Segment	IT-BPO Services & Process Group
Information Technology - Information Technology - Computer Science - Computer Engineering	BPO	Contact Center Services Technical Support
	ITO	Infrastructure Management Services - Database Management - Network Management - Storage Management - Application Hosting
Engineering and Architecture - Architecture - Mechanical Engineering - Civil Engineering - Chemical Engineering - Electronics and Communications Engineering	KPO	Engineering Services - Product and Component Development Maintenance - Embedded Software - Semi-conductors and Computing Systems - Plant Design and Process Engineering - Plant Automation and Maintenance
Business - Business Management - Accountancy - Hotel and Restaurant Management - Economics - Commerce	BPO	Contact Center Services - Customer Support - Telemarketing - Credit and Debit Card Services
	KPO	Market Research Finance and Accounting Services - Accounting - Asset Management - Payroll Processing
Social Sciences and Education - Education (Elementary and Secondary) - Tourism - Sociology - Psychology	BPO	Contact Center Services Customer Support
	KPO	Human Resources Administration Education and Training - e-Training - Curriculum and Test Designs - Content Development

Discipline Group	Segment	IT-BPO Services & Process Group
Fine and Applied Arts - Fine Arts - Graphic Design	KPO	Creative Process - Animation - Multimedia Outsourcing - Game Development

Source: Tholons, Colliers International Research

5.2 METRO MANILA OFFICE PROPERTY MARKET RESEARCH

5.2.1 METRO MANILA OFFICE FOR LEASE MARKET

This office market report covers the major business districts within Metro Manila, specifically the Makati Central Business District (CBD), Ortigas Center, Fort Bonifacio, and Alabang as well as upcoming CBDs such as the Manila Bay area.

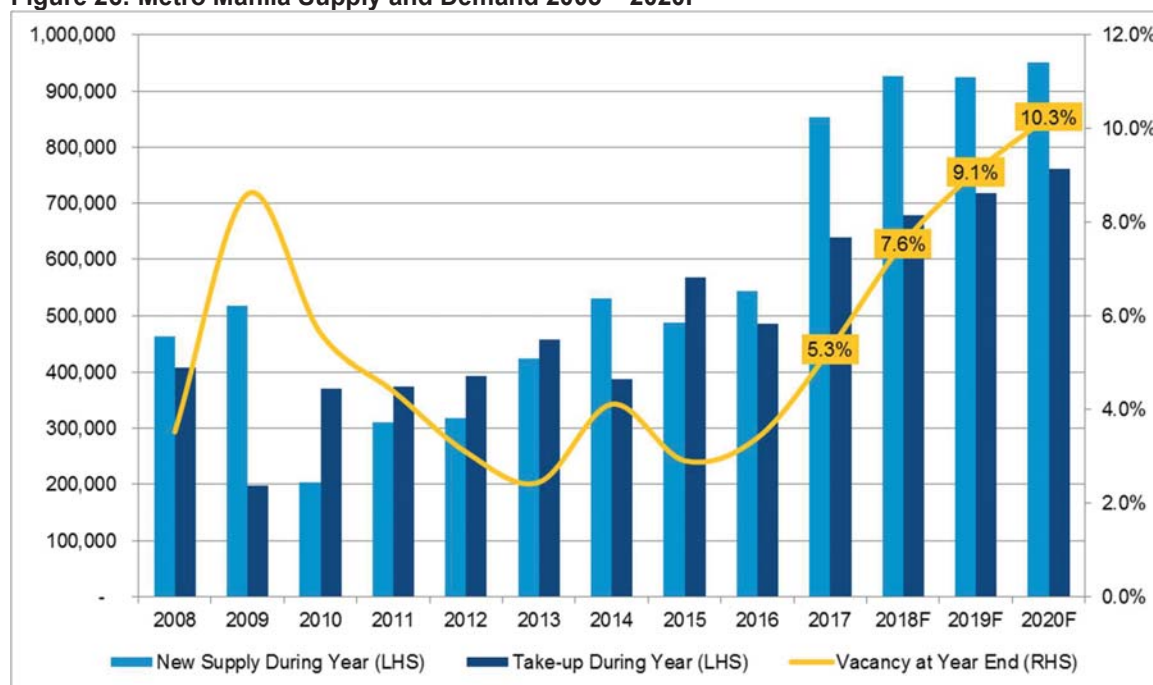
5.2.2 METRO MANILA OFFICE DEMAND AND SUPPLY

Metro Manila office demand has grown gradually but consistently over the years, with net take-up almost always exceeding the new supply for each year. In 2015, net take-up once again surpassed supply due to fewer completions of new office buildings.

The pace picked up in 2016 with the launch of new office buildings around Metro Manila which increased the stock by 12% and recovered from the decrease of supply. This resulted in the increase in vacancy rate to 3.4%. Similarly, new supply increased by 57% in 2017, leaving demand at a low rate. A high increase in vacancy rate was seen in end-year to 5.3%.

For 2017, demand shifted with the emergence of industry sectors in the country. Non-BPO or traditional offices still had the most share in office transactions at 40% of the 639,500 sq m of take-up for office spaces. This was followed closely by POGO at 35% and KPO by 16%. The shift can be seen because in 2016, the largest number of transactions was seen in KPO with 38% followed by traditional offices by 32% and BPO by 21% while POGO only had 9% of the transactions.

Figure 26: Metro Manila Supply and Demand 2005 – 2020F



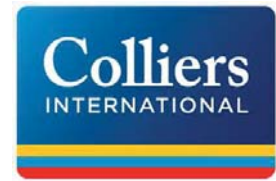
Source: Colliers International Research
Note: in sq m of Gross Leasable Area (GLA)

5.2.3 MAJOR DEVELOPERS

For end-2017, Megaworld has the highest market share of total GLA in Metro Manila, contributing 8.5% in the overall office market. This was followed by Ayala Land with 721,842 sq m or 7.4% and Filinvest Land with 4.9%. The largest completed building for the year was the Alliance Global Tower by Megaworld with a GLA of 53,060 sq m followed by Robinsons Cyber Sigma with 48,242 sq m and the 30th Corporate Center by Ayala Land with 45,481 sq m.

Table 21 : Top Office Developer's Market Share in Metro Manila (As of 2017)

Top Developers	Total Gross Leasable Area (GLA)** (sq m)	Market Share
Megaworld	825,344	8.5%
Ayala Land	721,842	7.4%
Filinvest Land	477,124	4.9%
Robinsons Land	405,745	4.2%
SM Investments	358,542	3.7%
NET Group	260,041	2.7%
Rockwell Land	151,828	1.6%
W Group	143,456	1.5%



Top Developers	Total Gross Leasable Area (GLA)** (sq m)	Market Share
Eton Properties	114,173	1.2%
Araneta	110,422	1.1%
Daiichi Properties	98,317	1.0%
Ortigas & Company	69,133	0.7%
DoubleDragon	38,877	0.4%
Century Properties	7,800	0.1%
Total	9,693,323	100.0%

Source: Colliers International Research

*Includes office buildings outside traditional business districts

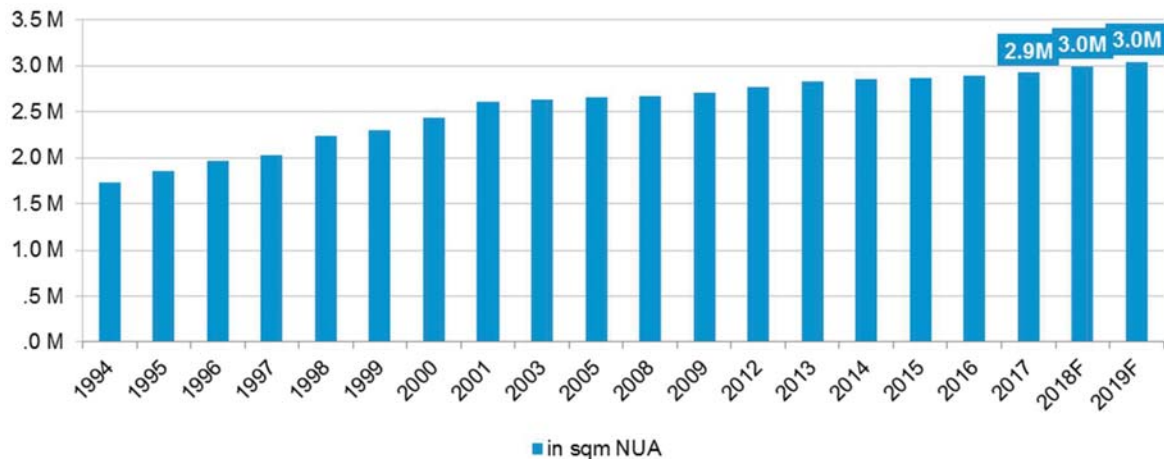
**Floor area enclosed by walls, excluding common space such as restrooms

Megaworld remains the top developer in office spaces with its 40 office buildings in Metro Manila. Most of its developments are in Fort Bonifacio with 27 buildings having an Aggregate GLA of 520,525 sq m. Ayala Land follows closely with 39 office buildings with most located in the Quezon City-North EDSA Triangle area at 14. The largest share in NSA of Ayala Land, however, is also in Fort Bonifacio with 209,072 sq m of GLA.

5.2.4 MAKATI CBD

As of end-2017, Makati CBD recorded 2.9 million sq m of total office net usable area (NUA). Although Makati is in an unusual location for a CBD being remote from the city's historic center, port and national institutions, most major Philippine companies are headquartered in Makati which is also the preferred location for most multinational companies. Fort Bonifacio has been considered an expansion for the existing CBD more than a competitive alternative especially that it has become a viable option for multinational companies in the IT-BPO industry.

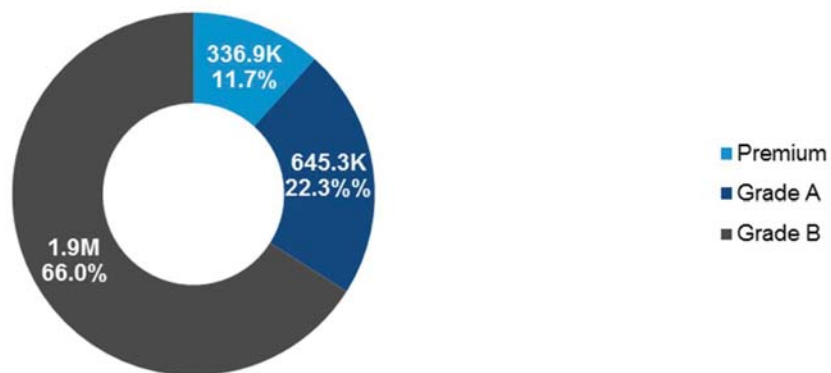
Figure 27: Makati Total Office Stock



Source: Colliers International Research
* Based on Net Usable Area (NUA)

Premium office buildings comprise 11.7% of the 3.2 million sq m NUA of Makati CBD followed by Grade A buildings at 22% with the reopening of the Insular Life Building in 2017. Grade B buildings have the highest market share in NUA at 66% or 1.9 million sq m of NUA.

Figure 28: Makati Total Office Stock per Grade - (end 2017)

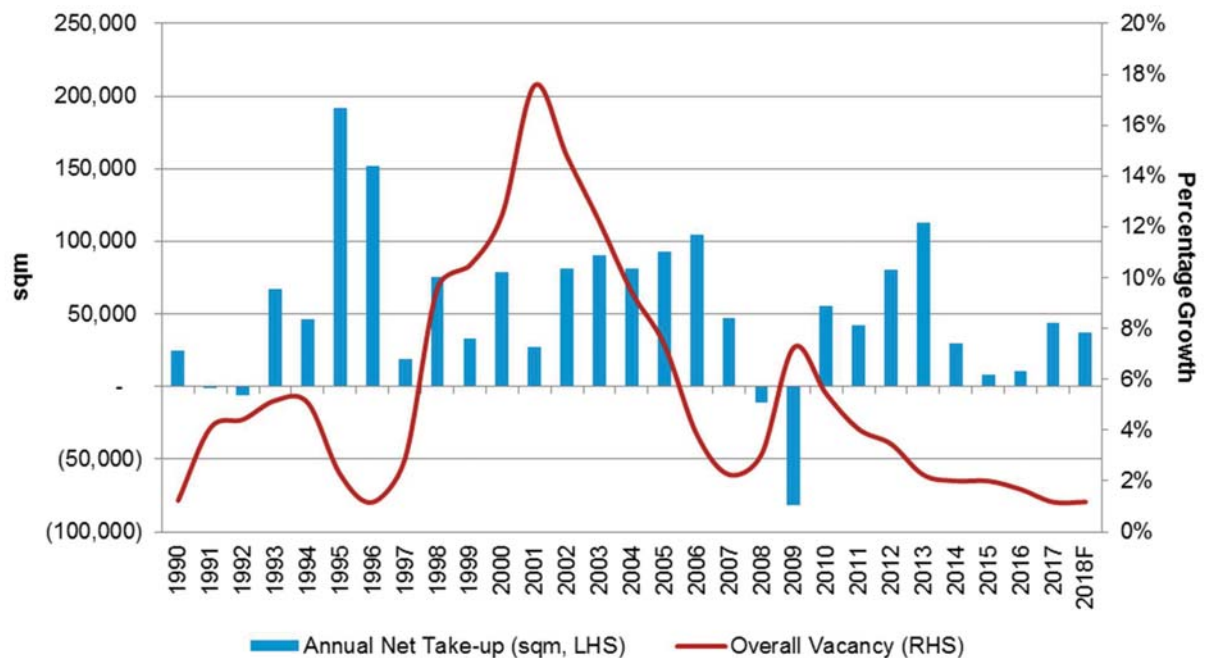


Source: Colliers International Research
*Based on Net Usable Area (NUA)

A slight increase in take-up was seen in Makati CBD in 2017 due to the completion of Insular Building and the Bank of Makati building. However, vacancy remains low at 1.2% since there is only limited supply of vacant office spaces in the area. As the country's premier CBD, Makati CBD is home to large multinational companies which have established their operations since the 1980s. Some of the most notable organizations headquartered in the area are Ayala Land Inc., SGV & Co. and Bank of the Philippine

Islands. Ayala Land remains to be the major developer of office buildings in Makati having the biggest share of GLA with 162,341 sq m followed by Megaworld with 72,717 sq m and Filinvest Land with 71,014 sq m.

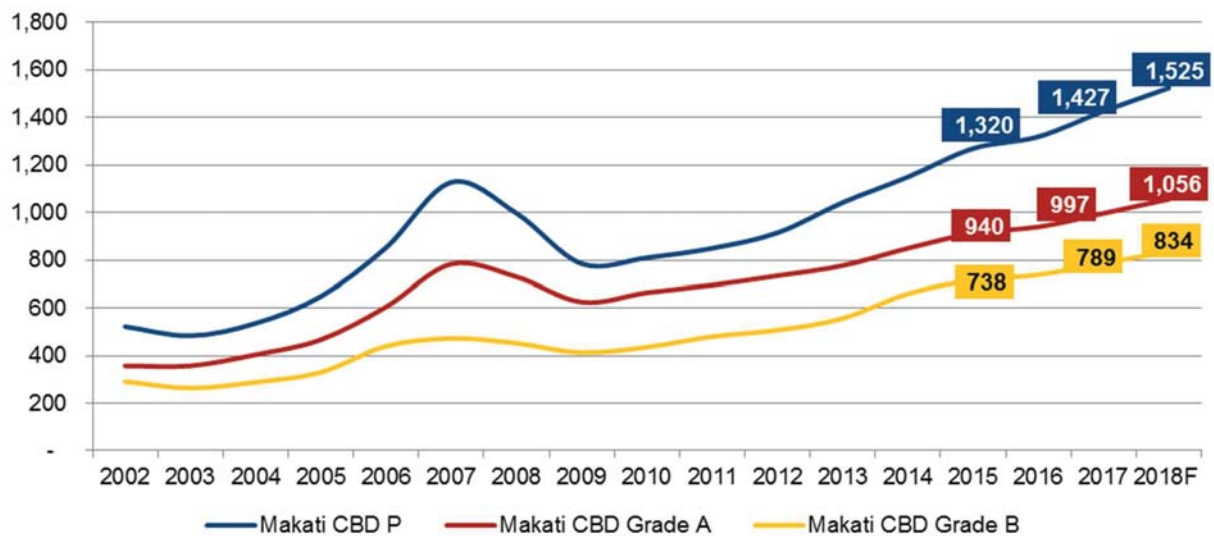
Figure 29: Makati CBD Office Net Take-up and Vacancy Rates



Source: Colliers International Research

The continuous demand for office spaces in Makati CBD has pushed rental rates to consistently increase on a yearly basis since the Global Financial Crisis in 2009. With low vacancies since that year, average lease rates are seen to increase by 7% CAGR to 2018. Highest growth in lease rates is seen in Premium and Grade B buildings with a compounded growth rate of 8% while Grade A buildings is expected to post lower growth at 6%. At the end of 2017, the lease rate for Premium office spaces is at PHP1,427 per sq m per month while Grade A and B were at PHP997 and PHP789 per sq m per month respectively.

Figure 30: Makati CBD Lease Rates (PHP/sq m/month)

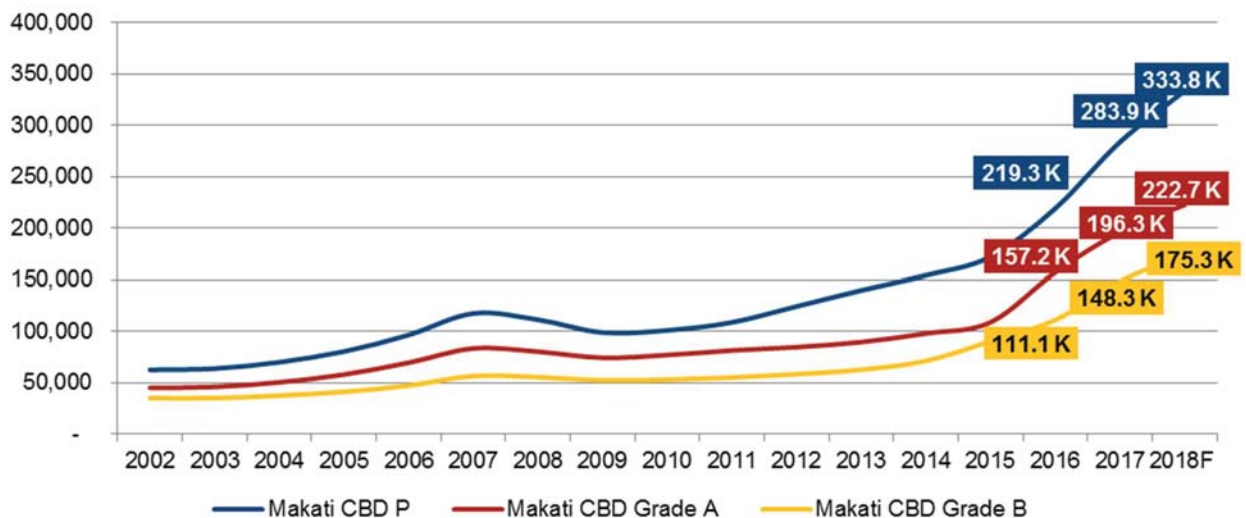


Source: Colliers International Research

Note: Figures are base rents and do not include CUSA charges.

Similar to lease rates, capital values grew to 25% to 34% YoY with prices ranging from PHP148,325 to PHP283,883 per sq m. As the market continues to become saturated, appreciation of value will continue to increase. By 2018, capital values for office spaces are seen to grow up to 18% YOY.

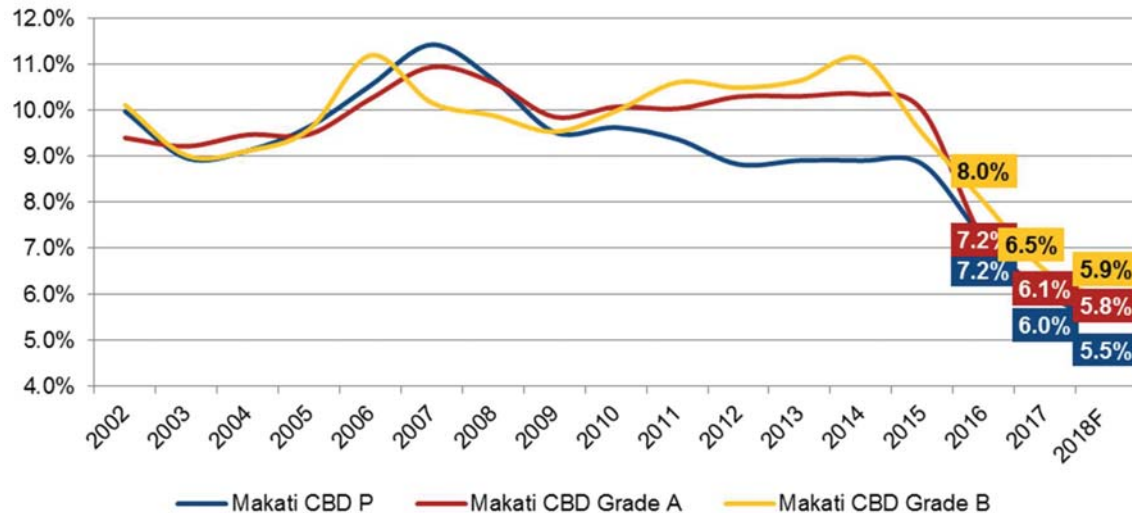
Figure 31: Makati CBD Capital Values (PHP/sq m)



Source: Colliers International Research

Estimated average yields in Makati CBD continue to decline in all office grades, currently ranging from 6.0% to 6.5%. Though lease rates continue to grow, land value appreciation continues to prevail affecting possible yields in rental income. By 2018, it is seen that yield would further depreciate to a range of 5.5% to 5.9%.

Figure 32: Makati CBD Estimated Yields



Source: Colliers International Research

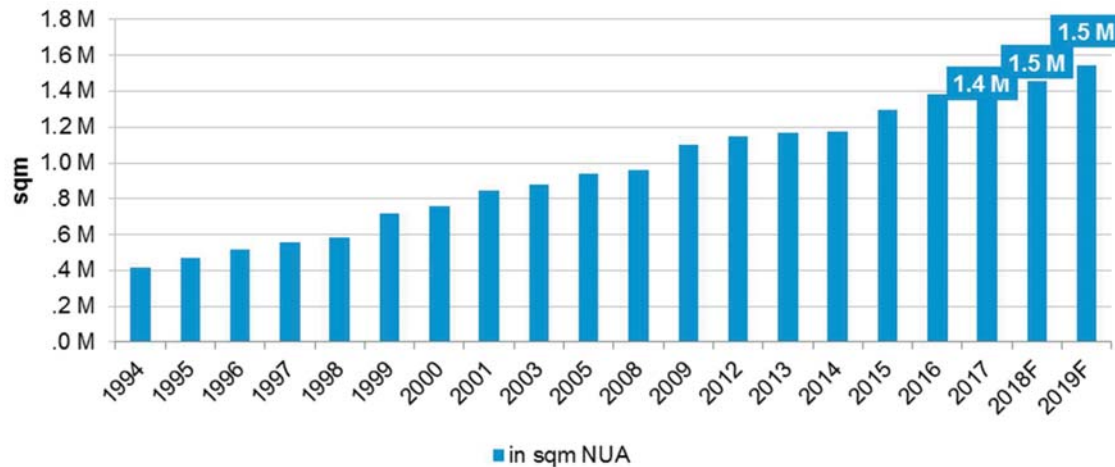
5.2.5 ORTIGAS CENTER

Ortigas used to be a major alternative to Makati as it absorbed the spillover demand from Makati in the mid-1990s. It caters to more cost-conscious occupiers as its rents are about a quarter less than Makati and Fort Bonifacio rents. Ortigas Center is surrounded by the streets of EDSA to the west, Ortigas Avenue to the north, Meralco Avenue to the east, and Shaw Boulevard to the south.

Due to the spillover demand from the Makati CBD, developers found Ortigas to be a viable alternative owing to its location and relatively lower land values. In fact, Ortigas was roughly 67% cheaper in terms of absolute land value as compared to Makati CBD in the early 1990s; today a similar discount could still be observed.

Two office buildings were completed in Ortigas Center in 2017: 30th Corporate Center of Ayala Land and the IBP Tower of Ortigas & Co. These new completed buildings added around 60,000 sq m of usable area. Among the developers, Robinsons Land remain to be the largest developer in Ortigas with 131,865 sq m NUA followed by Rockwell Land with 69,644 sq m and Ayala Land with 41,843 sq m. By 2018, stock in Ortigas will grow to 1.5 million sq m with the expected completion of five buildings.

Figure 33: Ortigas Center Total Office Stock



Source: Colliers International Research
* Based on Net Usable Area (NUA)

At end 2017, Grade B buildings had the highest share in office stock at 57.6%. This experienced an increase with the launch of the two buildings. By 2018, the launch of five new buildings will provide additional NUA of 88,687 sq m which is expected to widen the split of market share at 57.5% for Grade B and 42.5% for Grade A.

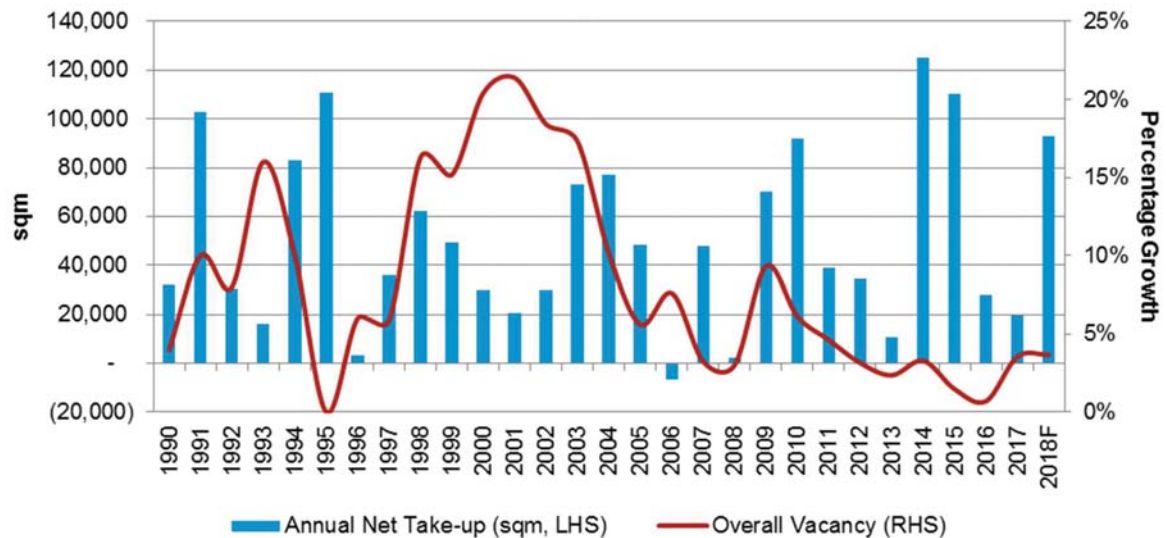
Figure 34: Ortigas Total Office Stock per Grade - (end 2017)



Source: Colliers International Research
* Based on Net Usable Area (NUA)

In 2017, an increase in vacancy was seen at 4% from 1% in 2016. This can be attributed to the completion of two new buildings which added to the total stock of the area. After completion of five more buildings in 2018, vacancy is seen to be sustained at 4%.

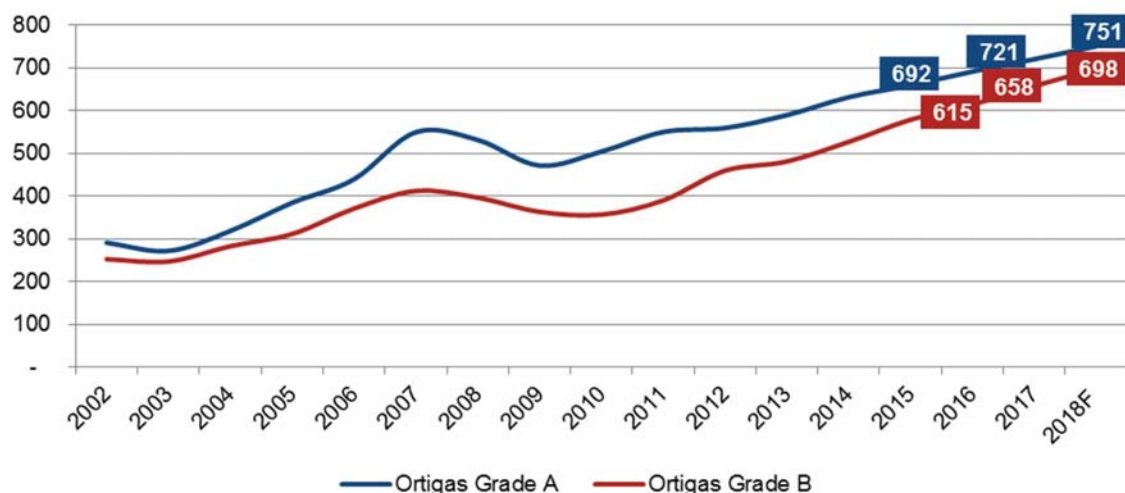
Figure 35: Ortigas Center Office Net Take-up and Vacancy Rates



Source: Colliers International Research

An increase in rents was seen in Ortigas for full year 2017. Rental rates in Grade A offices increased by 4% from PHP692 per sq m per month to PHP721 while Grade B offices grew to 7% from PHP615 per sq m per month to PHP658 per sq m per month. The growth was seen because of the increase in office stock in 2017.

Figure 36: Ortigas Lease Rates (PHP/sq m/month)

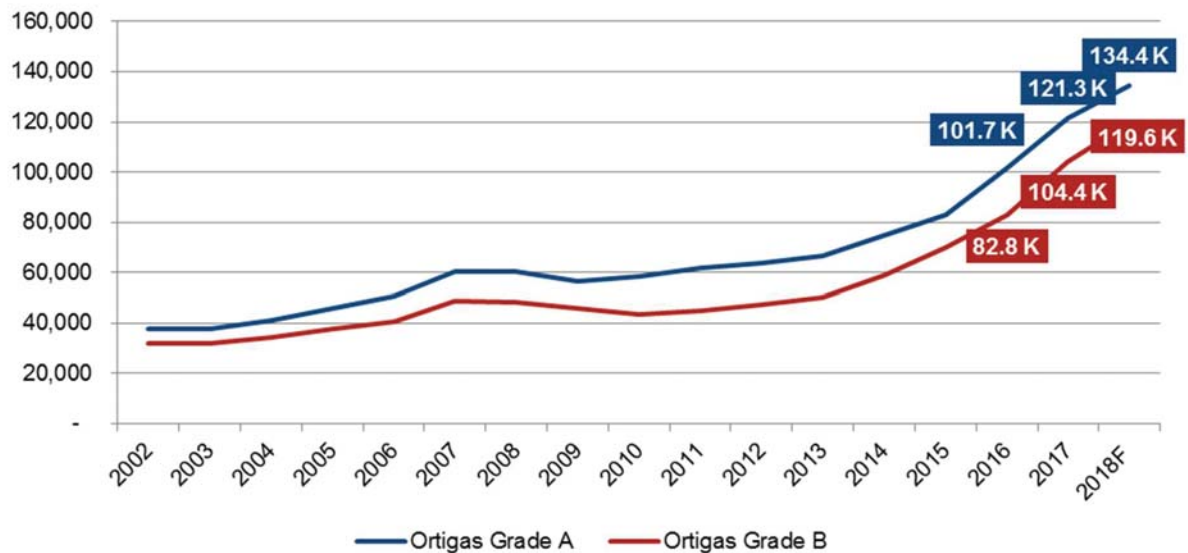


Source: Colliers International Research

Note: Figures are base rents and do not include CUSA charges.

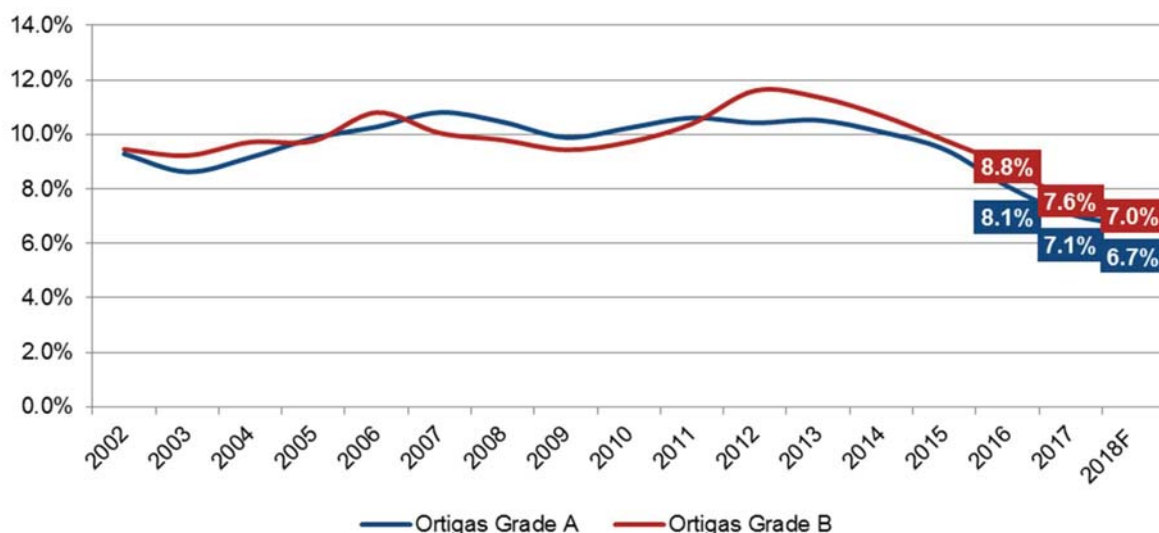
Capital values, on the other hand, also increased by 19% to 26% in 2017. Higher increases of roughly 26% were seen in Grade B buildings as completion of the buildings escalated prices. Grade A also increased by 19% as limited office spaces are available in the area.

Figure 37: Ortigas Capital Values (PHP/sq m)



Source: Colliers International Research

Figure 38: Ortigas Estimated Yields



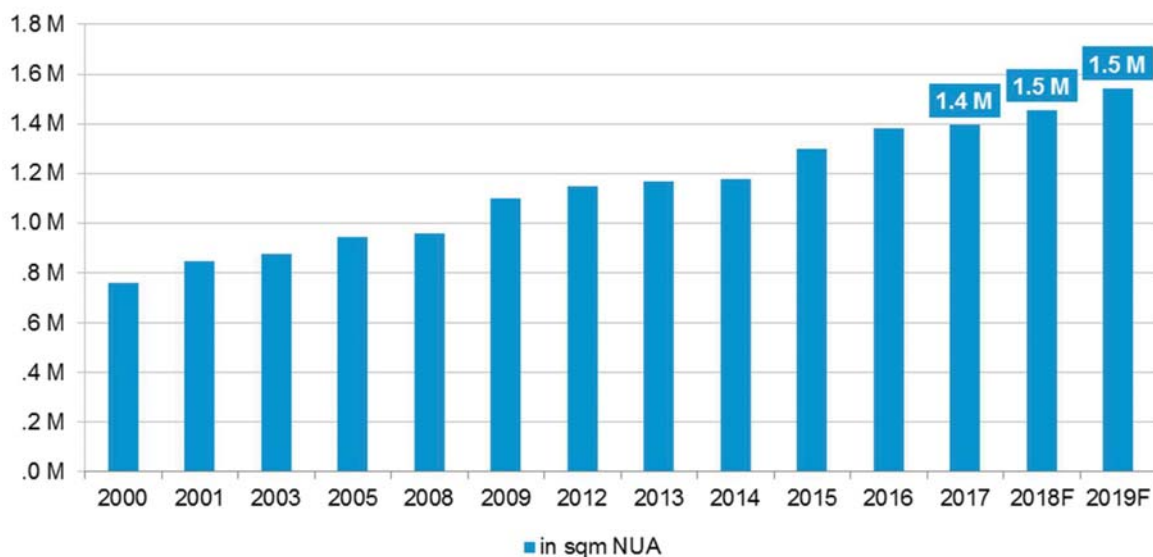
Source: Colliers International Research

Estimated yields for both Grade A and B offices were at 7.1% and 7.6% respectively. Though supply is seen to grow in the next two years, yields are expected to decline as the market has been saturated and land value starts to appreciate in the area.

5.2.6 FORT BONIFACIO

Fort Bonifacio is a former military base located immediately east of Forbes Park and Manila Golf Club some two kilometers away from the Makati CBD. Fort Bonifacio is an agglomeration of different areas of the base that have been privatized over the years, overseen by the Bases Conversion and Development Authority (BCDA). It is composed of McKinley Hill and Bonifacio Global City (BGC) which contains Veritown, North Bonifacio, and Uptown Bonifacio. Key areas of the Fort Bonifacio district were developed by different companies; Ayala Land with Bonifacio Global City, Federal Land with Veritown Fort and Megaworld with both McKinley Hill and Uptown Bonifacio.

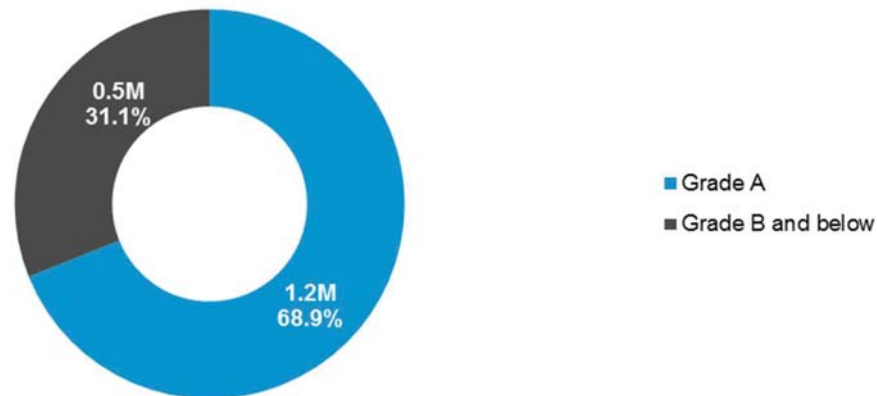
Figure 39: Fort Bonifacio Total Office Stock



Source: Colliers International Research
* Based on Net Usable Area (NUA)

Total stock in BGC reached 1.4 million sq m after the completion of thirteen projects that added 347,346 sq m NUA in 2017. Grade A offices remain prevalent in the area with 1.2 million sq m or 68.9% of the stock while Grade B offices comprise 31.1%.

Figure 40: Fort Bonifacio Total Office Stock per Grade - (end 2017)

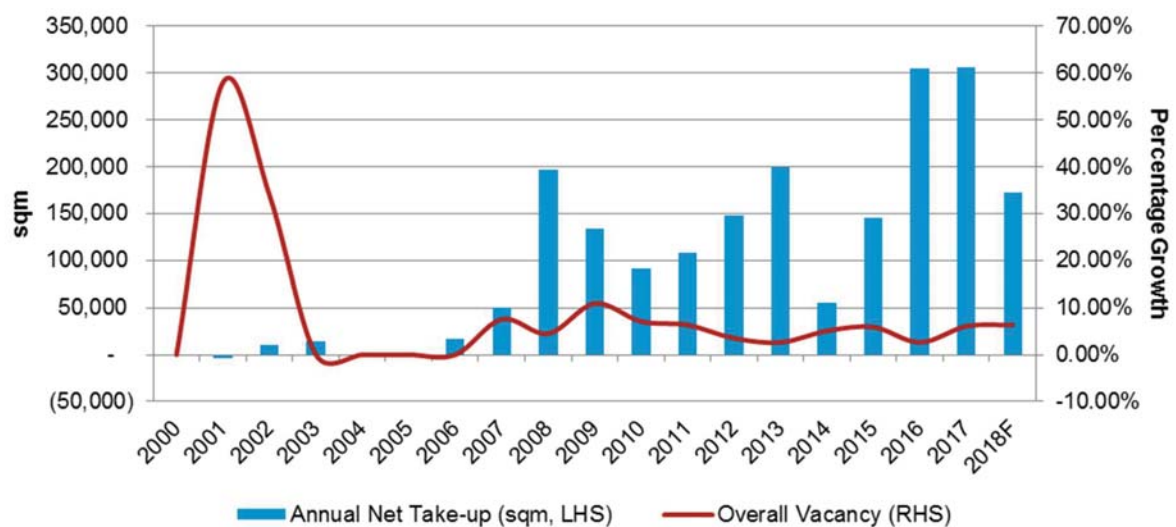


Source: Colliers International Research
*Based on Net Usable Area (NUA)

Four new buildings are expected to be completed by 2018 and will supply around 126,967 sq m NUA. The new building with the largest share of usable space will be The Finance Center developed by Daiichi Properties with 51,162 sq m.

Vacancy in BGC grew to 6.1% due to the completion of 13 office buildings. Sales take-up, however, remained steady with a minimal increase to 306,653 sq m from 304,971 sq m. Take-up is seen to decrease by 43% because of the changing market demands which is shifting from BPO offices to the KPO market.

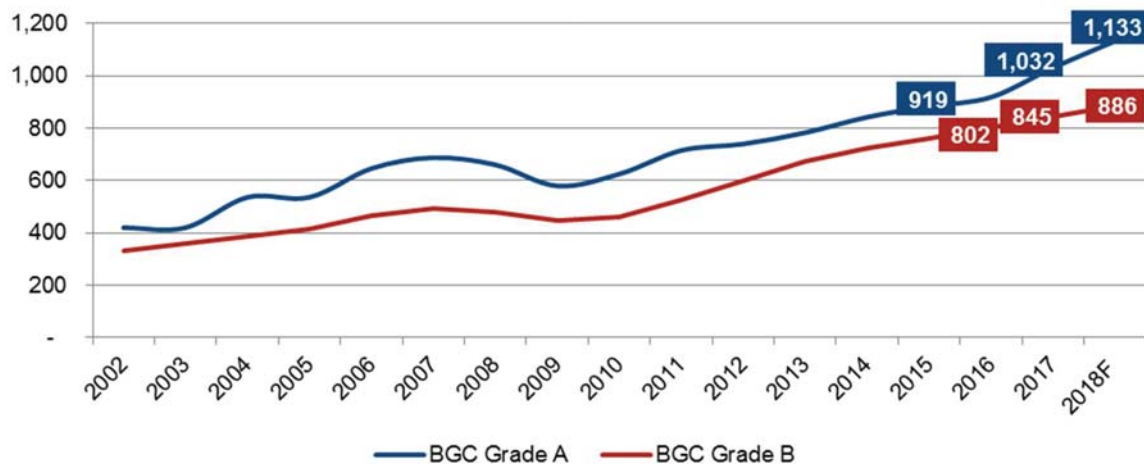
Figure 41: Fort Bonifacio Office Net Take-up and Vacancy Rates



Source: Colliers International Research

Average lease rates for Grade A grew significantly by 12% in 2017 from PHP919 per sq m per month in 2016 to PHP1,032 per sq m per month. The high increase was influenced by the completion of 10 new office buildings in Grade A. Rates for Grade B exhibited a steady increase of 5% since 2015.

Figure 42: Fort Bonifacio Lease Rates (PHP/sq m/month)

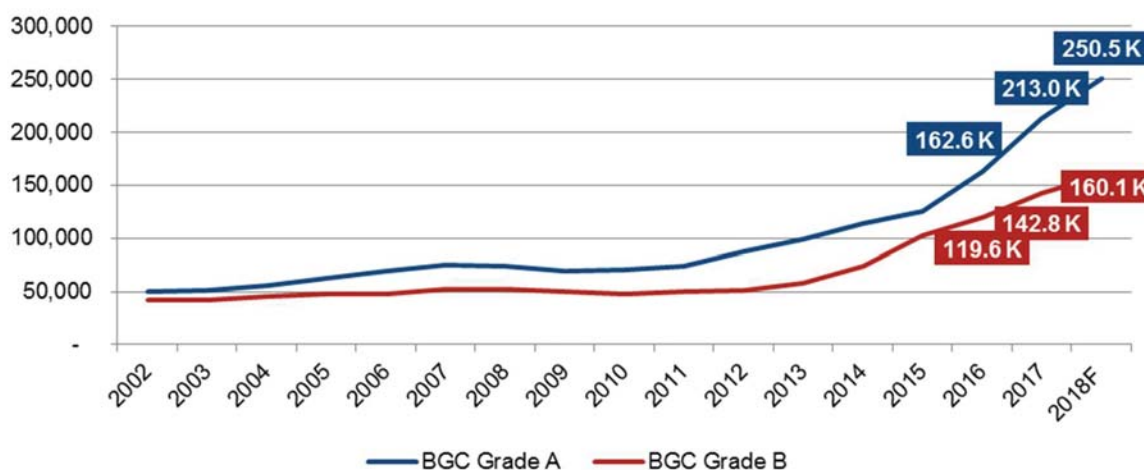


Source: Colliers International Research

Note: Figures are base rents and do not include CUSA charges.

Capital values in Fort Bonifacio continue to escalate at a high rate because of the surge of demand in the area. In 2017, average prices increased in Grade A offices by 31% from PHP162,601 per sq m to PHP212,989 per sq m per month, while the average price for Grade B offices increased 19%. It is seen that capital values will further increase by 12% to 18% as demand will increase given the strengthening of the outsourcing market.

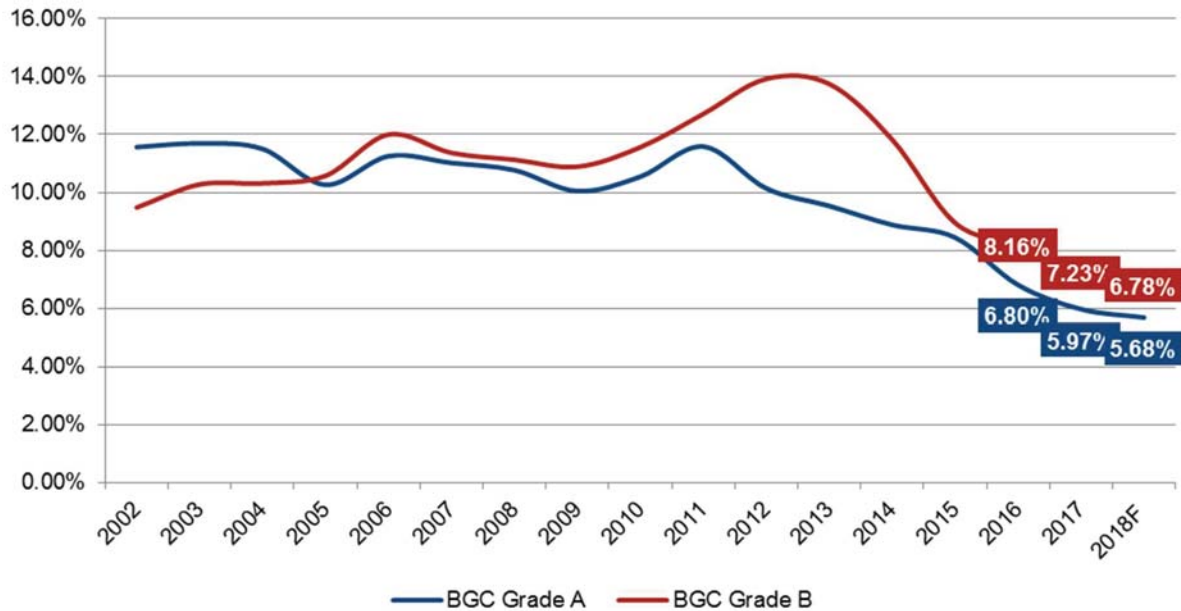
Figure 43: Fort Bonifacio Estimated Capital Values (PHP/sq m)



Source: Colliers International Research

Similar to other markets, estimated yields are seen to decline in Fort Bonifacio. By end-2017, yields went down to a range of 6.0% to 7.2%. This can be attributed to the growth of land value overtaking rental rate growth. Yields are estimated to further decline a range of 5.7% to 6.8%.

Figure 44: Fort Bonifacio Estimated Yields



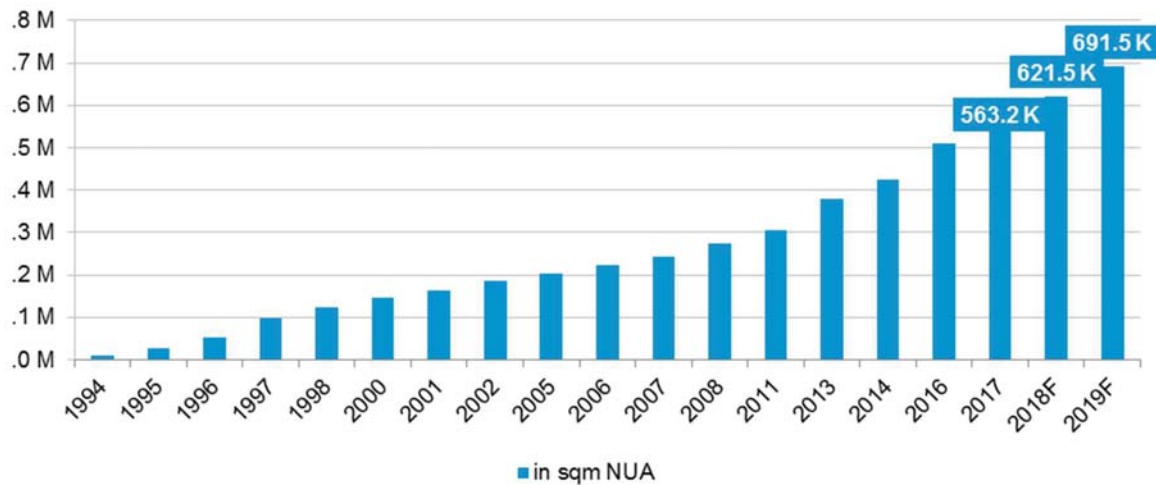
Source: Colliers International Research

5.2.7 ALABANG

Located in Muntinlupa, one of the southern Metro Manila cities, Alabang is developing as a suburban office district focused on the Madrigal Business Park and Filinvest City. The majority of occupiers drawn to the location are sales and services operations serving the southern municipalities of the NCR, Laguna and Cavite together with other industrial companies.

Office stock in Alabang reached 563,200 sq m in 2017. The completion of four new buildings in 2017 added 83,818 sq m NUA in the Alabang market.

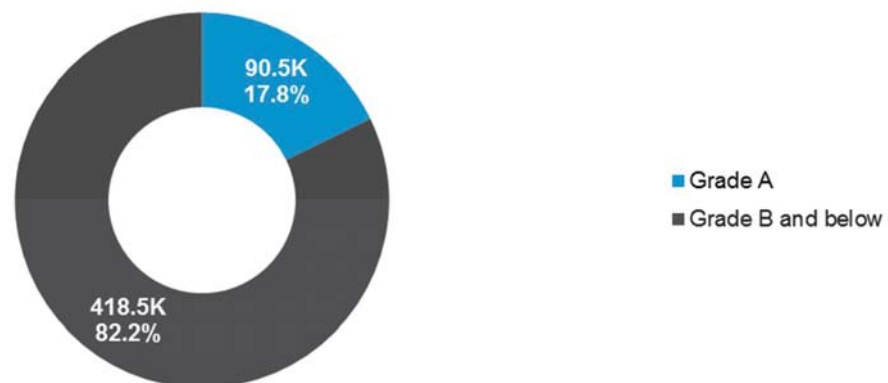
Figure 45: Alabang Total Office Stock



Source: Colliers International Research
* Based on Net Usable Area (NUA)

Office stock in Alabang is dominated by Grade B offices while Grade A stock only accounts for 17.8% of the total stock.

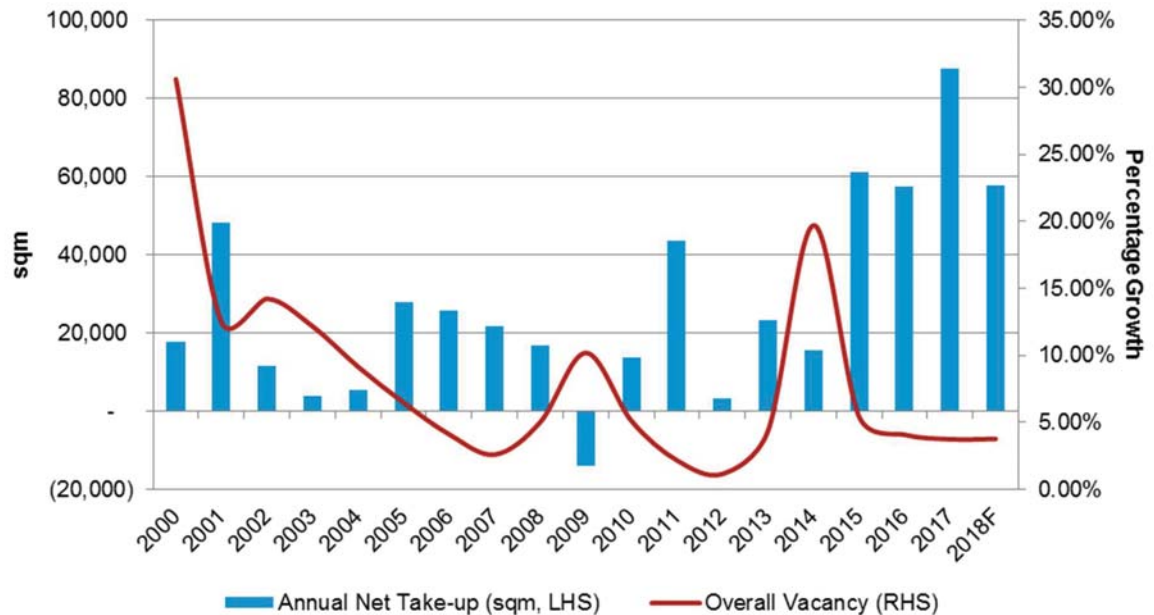
Figure 46: Alabang Total Office Stock per Grade - (end 2017)



Source: Colliers International Research
* Based on Net Usable Area (NUA)

Two new buildings will be completed in Alabang in 2018 which will add 54,144 sq m to the usable area. Filinvest Land is seen to complete Axis Tower 1 with 35,005 sq m NUA while a local developer will complete One Griffinstone Building with 19,141 sq m NUA. Vacancy in Alabang remains constant at around 4% even with the completion of new buildings until 2018.

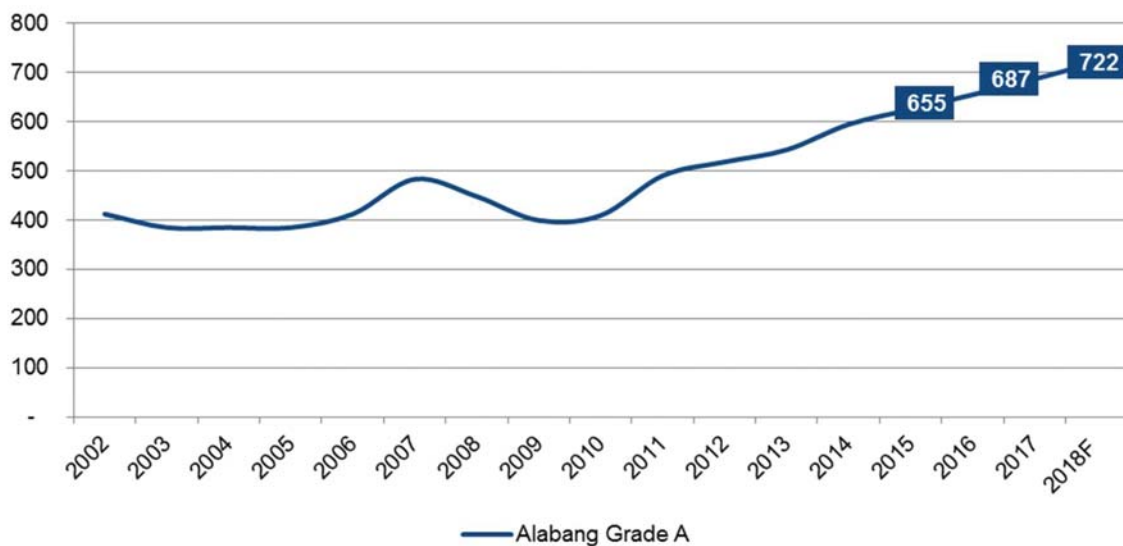
Figure 47: Alabang Office Net Take-up and Vacancy Rates



Source: Colliers International Research

Lease rates in Alabang also remain steady, increasing around 5% annually increase since 2015. In 2018, rates are seen to increase 5% to PHP722 per sq m per month.

Figure 48: Alabang Lease Rates (PHP/sq m/month)

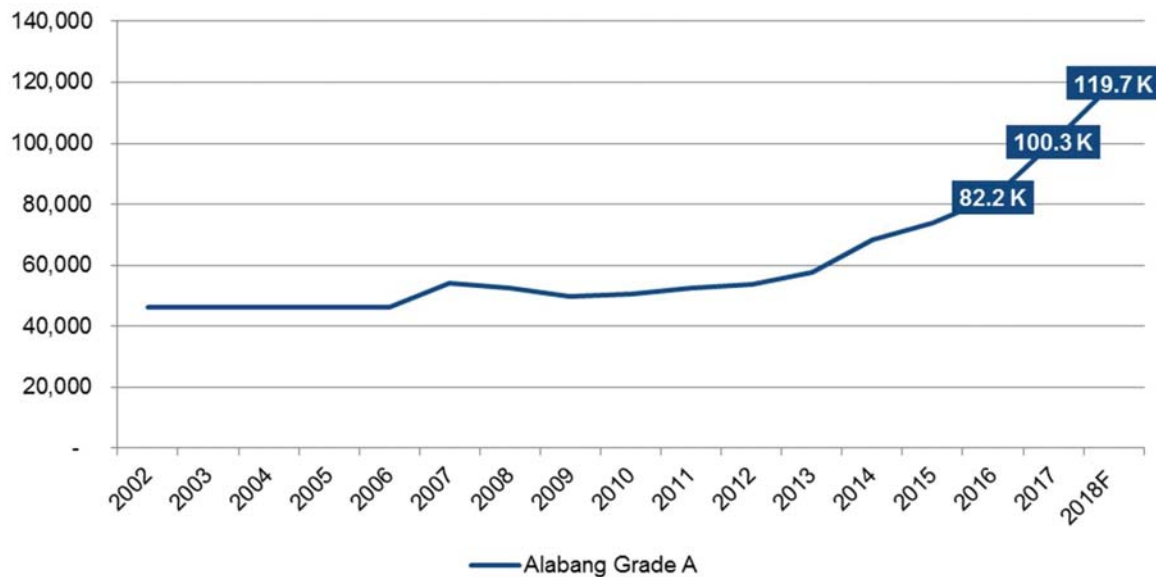


Source: Colliers International Research

Note: Figures are base rents and do not include CUSA charges.

Among the CBDs, Alabang has one of the lowest capital values at an average of PHP100,329 per sq m in 2017. The depreciating value of existing buildings has resulted to the slowdown of growth of capital value in Alabang. Despite new developments in the area, capital value is only seen to grow by 19% in 2018.

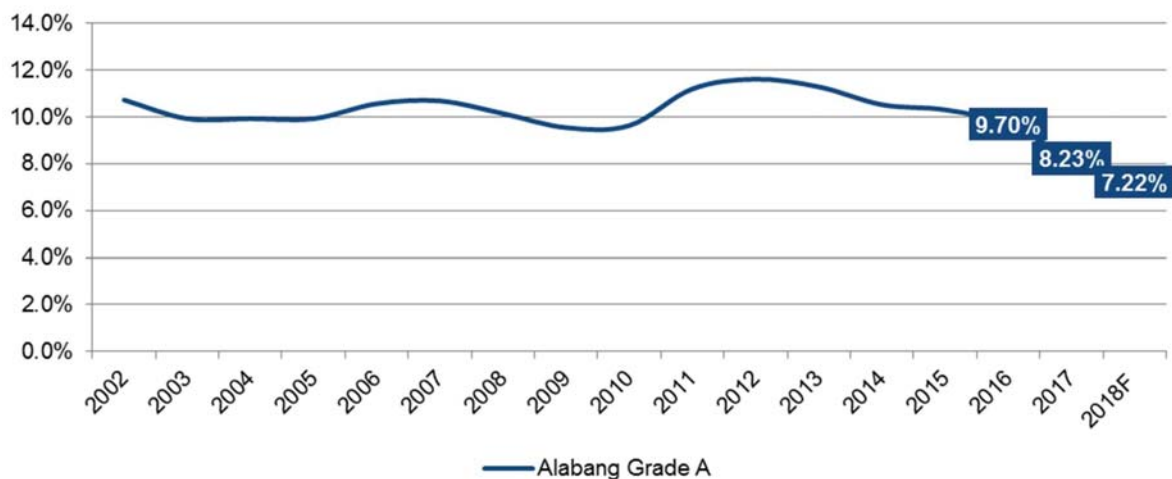
Figure 49: Alabang Estimated Capital Values (PHP/sq m)



Source: Colliers International Research

Compared to Makati CBD, Ortigas and BGC, Alabang has higher estimated yield for Grade A office spaces in Metro Manila. Though it follows a decreasing trend, it is still at 8.2% in 2017.

Figure 50: Alabang Estimated Yields



Source: Colliers International Research

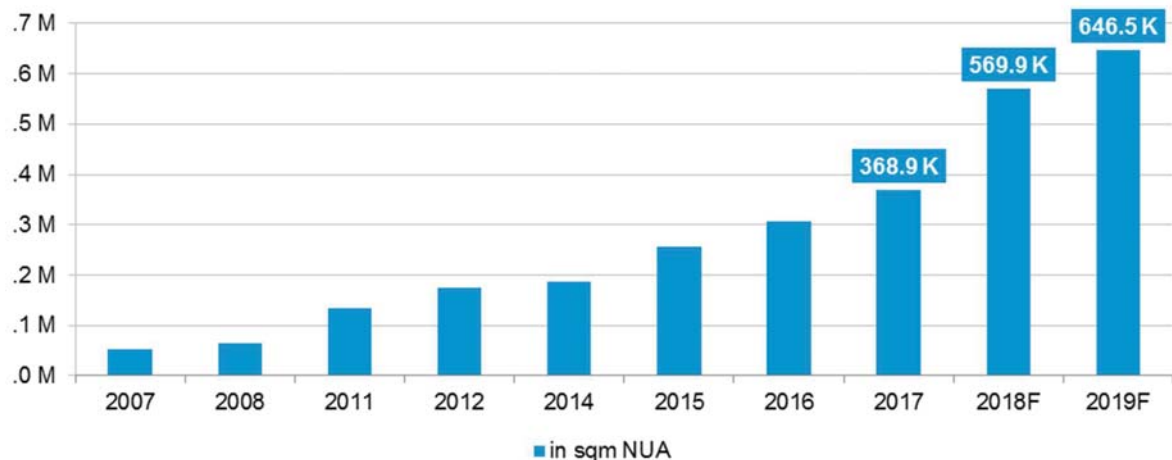
5.2.8 MANILA BAY AREA

Bounded by Roxas Boulevard and Manila Bay, this district is a result of a large-scale land reclamation project formerly known as Boulevard 2000 or the Bay City Reclamation. This project was spearheaded by the government and several private parties which eventually developed into a 780-hectare reclaimed land and completed its development in 2011. It is divided into six: 1) the CCP Complex, 2) the Financial Center, 3) Central Business Park (CBP) I-A, 4) CBP I-B&C, 5) CBP II and 6) Asia World.

A short distance from Manila, Makati and the Ninoy Aquino International Airport, the area's strategic location has proved to be an attraction to companies and corporations looking for affordable office spaces. The area is also sought after in anticipation of the boom in the area once PAGCOR Entertainment City is fully developed. It has also become one of the feeder cities, a viable option replacing the already congested and built-up Makati CBD. Many corporations look to the Bay Area as an alternative to Makati instead of Bonifacio Global City (BGC) because of the relatively lower lease rates.

The Manila Bay area saw a surge in stock with the addition of 63,293 sq m NUA in 2017. The completion of Meridian Park Tower 1, Biopolis and iMet BPO resulted in total stock of 368,932 sq m NUA at the end of the year.

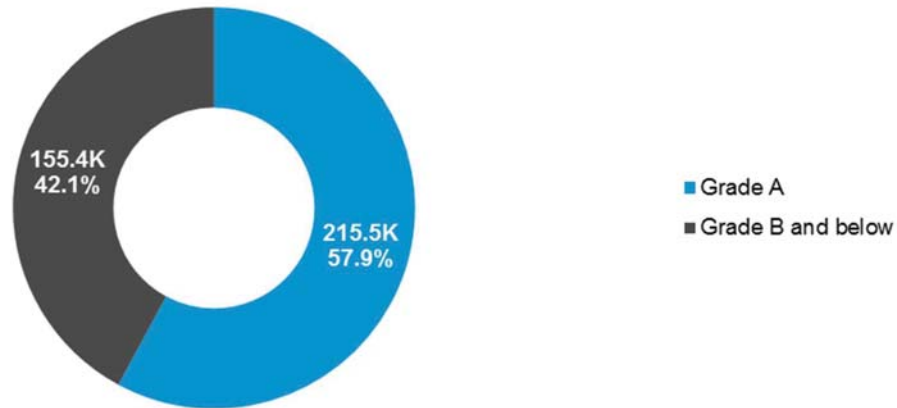
Figure 51: Manila Bay Area Total Office Stock



Source: Colliers International Research
* Based on Net Usable Area (NUA)

As the next emerging CBD in Metro Manila, the Manila Bay area noticeably has more Grade A office spaces (comprising around 57.9% of the stock) for the operation of BPOs in the area. Furthermore, the location of the Entertainment City has attracted large offshore gaming companies to set up shop in the area. The Manila Bay area has also been expanding to serve these offshore gaming companies and increase employment and income generating opportunities.

Figure 52: Manila Bay Area Total Office Stock per Grade



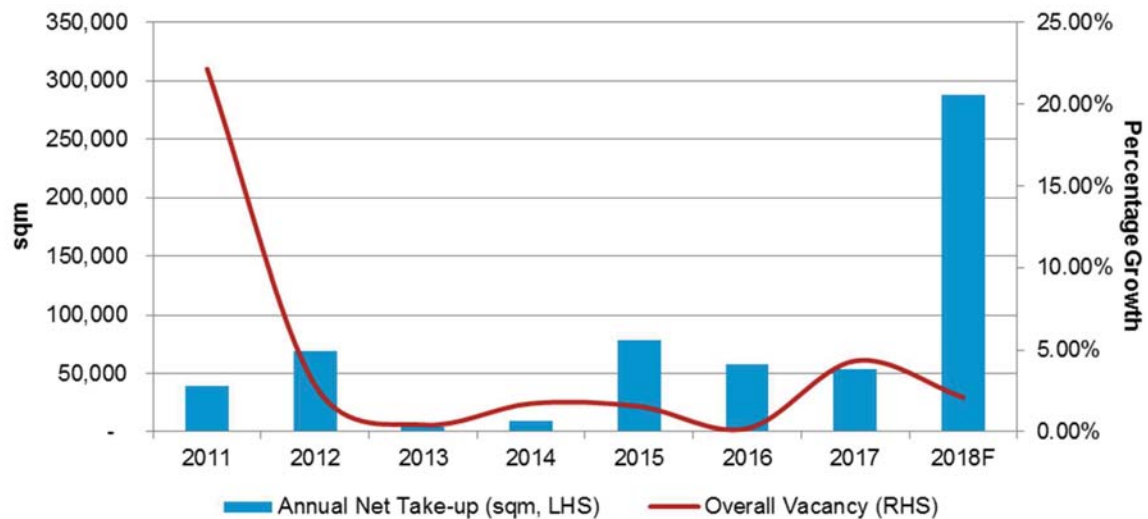
Source: Colliers International Research
* Based on Net Usable Area (NUA)

For 2017, DoubleDragon completed the largest new buildings in the Manila Bay area. The Meridian Park Tower I added 30,549 sq m in the total NUA. Among the developers, SM Prime Holdings had the highest share in stock with 195,343 sq m followed by Filinvest Land with 42,545 and DoubleDragon with 30,549 sq m. In 2018, nine new office buildings will be completed adding 201,002 sq m in the area.

Tenants that lease out in buildings of the mentioned developers are mostly BPO companies relocating from other CBDs in Metro Manila. As the next emerging CBD, companies capitalize on lower lease rates of Grade A buildings as well as its close proximity to the airports.

The completion of the Meridian Park Tower I and two other office buildings increased the vacancy rate in Manila Bay in 2017. The year ended with the vacancy of 4.3%, the highest since 2012. Noticeably, a drop in vacancy is forecasted in the Manila Bay area in 2018. As an emerging business district, companies have already invested in office spaces in existing and upcoming office buildings which has driven vacancy rates lower.

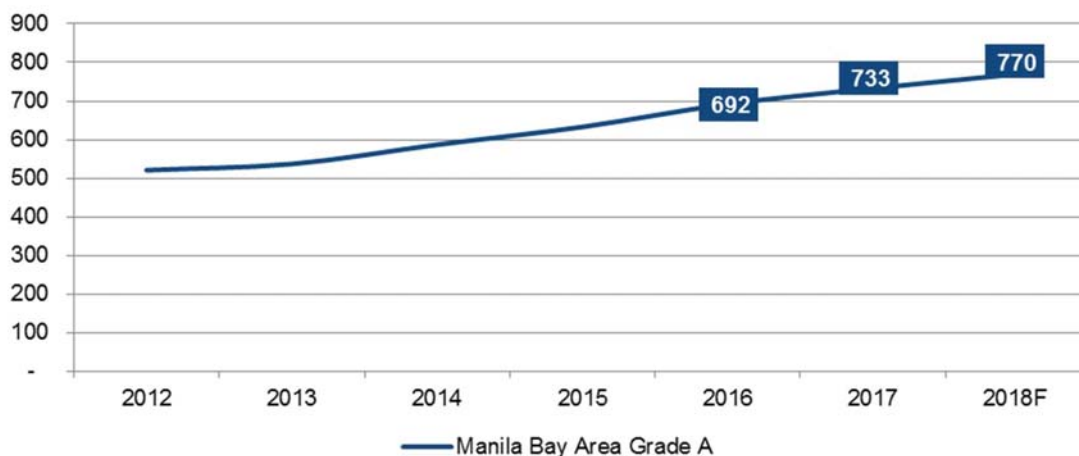
Figure 53: Manila Bay Area Office Net Take-up and Vacancy Rates



Source: Colliers International Research

Lease rates in Manila Bay have grown by 6% YoY from PHP692 per sq m per month to PHP733 per sq m per month. Lease rates are expected to reach PHP770 per sq m per month by 2018.

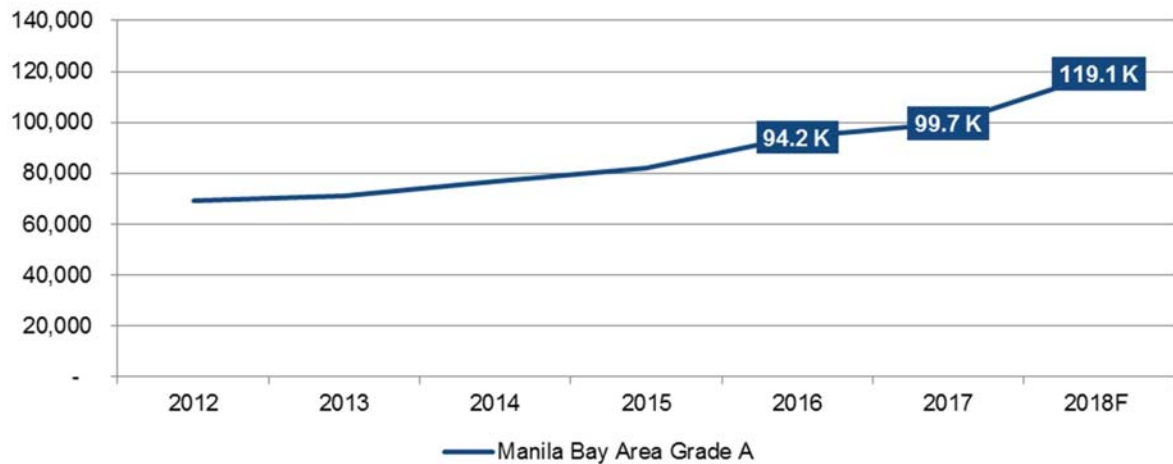
Figure 54: Manila Bay Area Lease Rates (PHP/sq m/month)



Source: Colliers International Research

Significant increase in capital value was seen in Manila Bay in 2017. With the development of the area as an emerging CBD as well as the neighboring development of Entertainment City, capital value increased by 6% in the area. Office capital values are at PHP99,736 per sq m. on average and is forecasted to grow by 19% in 2018.

Figure 55: Manila Bay Area Capital Values



Source: Colliers International Research

Among other areas, only the Manila Bay area experienced stable yields in 2017. Rental yields were sustained from 2016 at 8.8% as the area is still seeing a lot of developments being constructed. However, it is seen that estimated yields would compress as the area progresses its development.

Table 22 : Manila Bay Area Estimated Yields

Year	Grade A
2015	9.2%
2016	8.8%
2017	8.8%
2018F	7.8%

Source: Colliers International Research

5.2.9 FUTURE OFFICE SUPPLY

Bulk of the upcoming supply is estimated to come in by year 2020. The estimated total new supply based on announcements and launched office buildings would average 690,000 sq m each year, bringing the total office supply to 12.5 million sq m by 2020. Among the upcoming office developments, Ortigas Center is seen to have the most addition in office space at 421,586 sq m of GLA.

Table 23 : Metro Manila Future Office Supply*

Location	End-2017	2018F	2019F	2020F	2021F	2022F	Total
Makati CBD	28,405	37,216	79,467	54,118	209,136	-	408,342
Ortigas	66,903	97,959	23,735	421,586	41,355	-	651,538
Fort Bonifacio	382,991	137,142	292,146	38,871	32,927	-	884,077

Location	End-2017	2018F	2019F	2020F	2021F	2022F	Total
Eastwood	-	-	-	32,405	-	-	32,405
Alabang	89,493	60,673	60,579	-	77,798	-	288,544
Manila Bay Area	70,326	240,217	84,547	141,000	68,045	-	604,135
Mandaluyong	94,391	68,491	84,000	-	-	-	246,882
EDSA-North Triangle Area	70,487	96,182	41,126	36,594	43,364	-	287,753
Quezon City Fringe	5,313	4,760	26,195	31,749	-	11,010	79,027
Other Locations**	44,318	184,431	233,452	195,475	-	-	657,675
Total	852,627	927,072	925,247	951,798	472,625	11,010	4,140,378

Source: Colliers International Research

* Based on launches and announcements

**Gross Leasable Area

** Mainly includes: Makati Fringe; C-5 Pasig.

Large developers such as Robinsons Land, SM Prime Holdings and Filinvest Land are slated to launch new supply in the coming years, based on their plans for their mixed-use developments. These buildings, however, have not yet been launched as of end 2017. Bridgetowne Business Park by Robinsons Land will be the largest addition in the office stock of Quezon City with leasable space of 189,000 sq m. Another significant stock is SM Prime's Mall of Asia Complex with a GLA of 124,469 sq m.

Other significant upcoming supply will come from Ayala Land which will add 146,465 sq m GLA from Arca South and City Gate, Ortigas & Co. with 18,795 sq m in Frontera Verde and Filinvest Land with North Gate Cyberzone (117,328 sq m). SM Prime will also contribute additional 85,442 sq m of usable space with the completion of SM Mega Tower.

Table 24 : Selected Upcoming Metro Manila Office Developments

Location	Existing/Emerging CBD	Developer	Est. GLA (sq m)*
Taguig	Arca South Corporate Center	ALI	92,493
Makati CBD	City Gate/North Gateway	ALI	53,972
Pasig	Frontera Verde	Ortigas & Co.	18,795
Quezon City	Bridgetowne Business Park	Robinsons Land	189,000
Ortigas Center	SM Mega Tower	SM Prime	85,442
Alabang	Northgate Cyberzone	Filinvest Land	117,328
Manila Bay	Mall of Asia Complex	SM Development Corp.	124,469
Manila Bay	Aseana City	Aseana Development Corp.	116,259

Source: Colliers International Research

Note: Estimated Gross Leasable Area based on developer announcements

5.2.10 PROJECTED OFFICE DEMAND AND VACANCY RATES

New supply is seen to grow by 9% CAGR from 2017 to 2020 with the addition of 2.8 million sq m during the period. Take-up is also seen to grow by 6% CAGR, driven by the strength of the economy and growth in employment of finance, insurance, real estate, banking and other related sectors. However, vacancy is

expected to continue increasing until it reaches 10% in 2020 due to the increase in supply, with an average of 690,000 sq m of new stock being added in Metro Manila from 2017 to 2020. Despite a growing supply in office spaces and high demand in take-up, the shift in business environment in terms of industry has changed the scenario for the office market.

In the past years, demand for office spaces was mainly driven by the BPO industry with the influx of companies in the country given its deep labor pool and relatively lower cost of operations. As the sector has slowed down because of change in government and its policies, demand for office spaces followed trend. However, this was outweighed by the surge of Philippine Online Gaming Operators (POGO) as well as the growth of traditional companies which helped to keep the market stable.

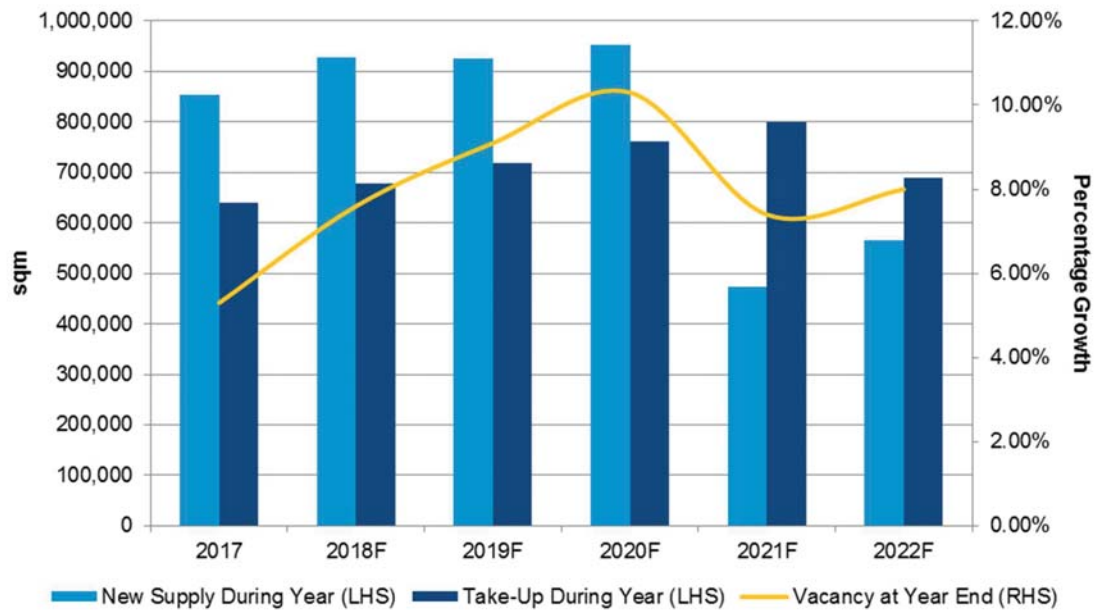
As of 2017, the Philippines is one of the few countries in Asia that legalized offshore online gambling. PAGCOR has issued 51 POGO licenses with the expectation of growth due to strong demand. With the rise in the number of POGO licenses, PAGCOR has set expectations in netting more than double of 2017's revenue from its issuing licenses in 2018.

Demand for office spaces for offshore gaming was prevalent in 2017. Net take-up for the year reached more than 300,000 sq m because of the restrictions of online gaming in neighboring countries such as China, Cambodia and Thailand. This opened the Philippines to attract and offer opportunities to expand growth in office spaces for offshore gaming. Typically, the office requirement for a POGO space is at 20,000 to 30,000 sq m and is expected to grow due to the stronger ties between the government with China. As a slowdown in leasing out of office spaces for BPOs was seen, the incumbent demand for offshore gaming spaces will keep the office market afloat. This will also increase its share compared to the BPO market in terms of office space demand.

Moreover, traditional companies such as logistics companies, construction and online shopping firms helped stabilize the market as the economy offered opportunity to expand operation and add services lines. This is supported by the government's policies to increase and develop infrastructure in the country which strengthens the real estate market.

For 2020, vacancy is seen to grow to 10% because of the surge in supply of new office spaces. This will recover in the following year (2021) with the continuous growth of the offshore gaming industry and expansion of traditional offices. To note, however, the supply from 2021 to 2022 is significantly lower since this is based on the announcements and plans of the developers, which may still be adjusted in the coming years. This, however, can change by 2022 because of the scheduled national elections. By the end of the Duterte administration, offshore gaming might taper off since a new administration will be ushered in and policies could possibly be adjusted. With this predicament, vacancy is expected to rise to 8% if the offshore gaming sector is affected by new policies.

Figure 56: Metro Manila Office Forecasts (2017 – 2022F)



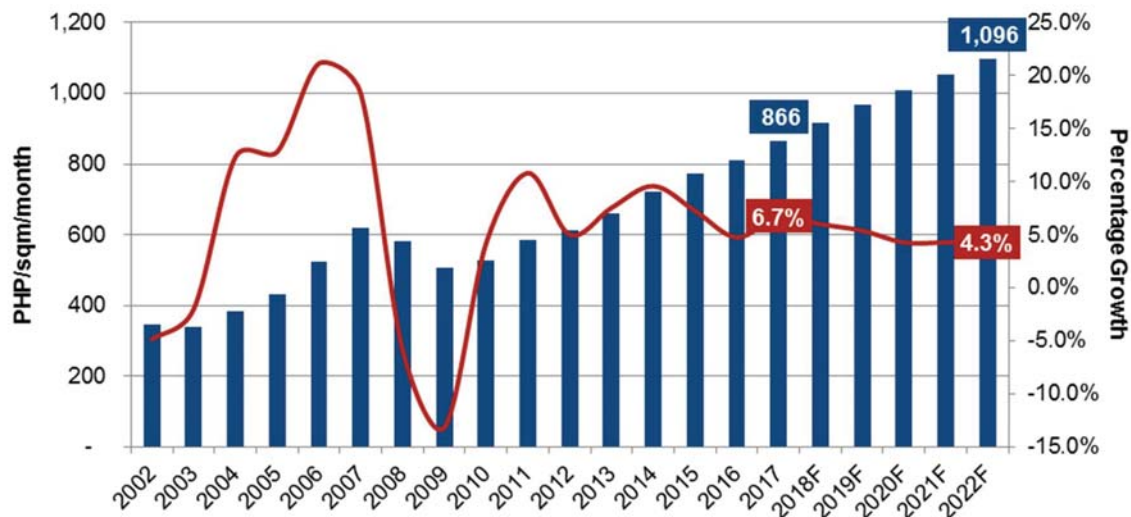
Source: Colliers International
Based on Gross Leasable Area (GLA)

5.2.11 PROJECTED OFFICE LEASE RATES

The growth of new supply from 2018 onwards signifies the continuous strength of the office market in Metro Manila. With supply reaching 11.6 million sq m in 2022, it is fitting that rental rates will grow alongside supply. However, the increasing demand of office spaces particularly from offshore gaming companies will hinder high growth in rental rates as demand will balance out the upcoming supply.

2017 ended with an overall average of PHP866 per sq m per month in Metro Manila. It grew to 6.7% from PHP811 per sq m per month in 2016. By 2022, rates are seen to slowly escalate by 5% CAGR to PHP1,096 per sq m per month. Through the estimated time frame, highest growth in rental rates is seen in 2018 to 2019 with expected 6% growth to PHP967 per sq m per month. The growth in prices was derived from expected high increases in supply and an upward growth of vacancy. These will eventually slow down to a YoY growth of 4.3% in 2022 with the decrease of new supply and vacancy in Metro Manila.

Figure 57: Metro Manila Average Office Rental Rates (2002 – 2022F)*



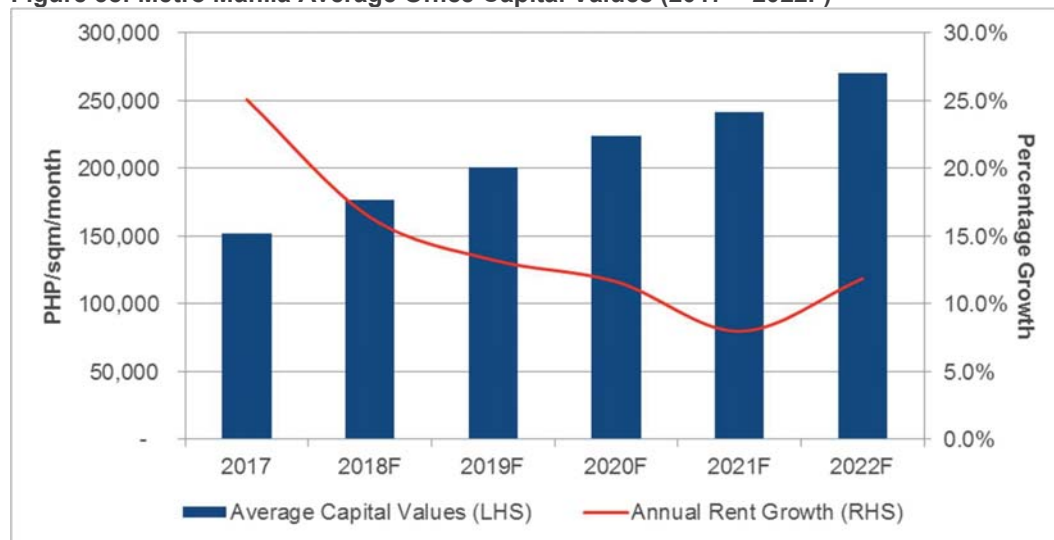
Source: Colliers International

Notes: Average Metro Manila Rental Rates based on the average rents in Makati CBD, Fort Bonifacio, Ortigas Center, Alabang, Eastwood City and the Manila Bay area.

5.2.12 PROJECTED OFFICE CAPITAL VALUES

Following the trend in rental growth, capital values are also expected to continuously grow, reaching an average of about PHP270,000 per sq. m. by 2022 in Metro Manila. This was a 12% annual growth from the PHP152,000 per sq. m. in 2017.

Figure 58: Metro Manila Average Office Capital Values (2017 – 2022F)*

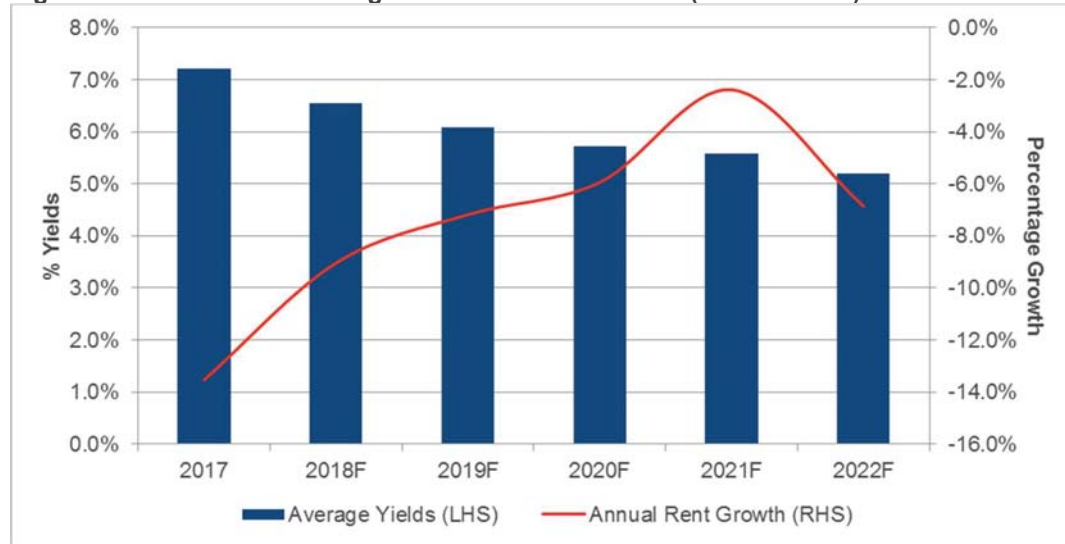


Source: Colliers International Research

5.2.13 PROJECTED OFFICE ESTIMATED YIELDS

Meanwhile, estimated yields for offices in Metro Manila are expected to slow down, given increasing land values and the increase in office stock in the coming years. From the 7.2% yield in 2017, it will decline by about 6% compounded annually to end at 5.2% by 2022.

Figure 59: Metro Manila Average Office Estimated Yields (2017 – 2022F)*



Source: Colliers International Research

6 RETAIL PROPERTY MARKET

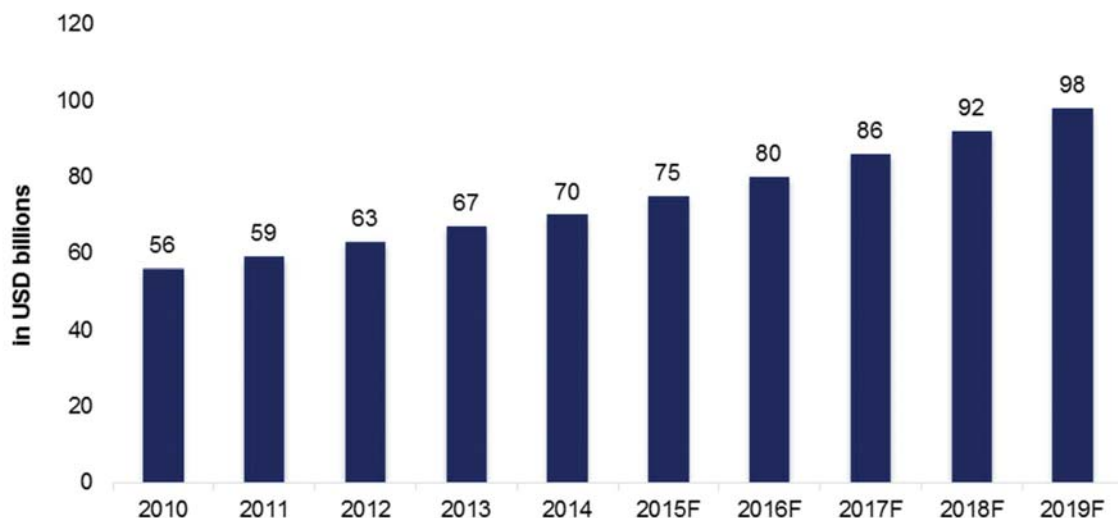
6.1 PHILIPPINE RETAIL MARKET OVERVIEW

Driven by a rapidly expanding population and growing consumer purchasing ability supported by better employment opportunities and overseas remittances, the Philippine retail market has strong fundamentals and is expected to continue its upward trend. While retailing is not immune to the various economic and political shocks that the Philippines has faced over the years, it has historically been resilient in the country.

The Philippine shopping center industry is dominated by three players – SM, Robinsons and Ayala Land. As of 3Q 2017, SM Prime operated 67 retail malls nationwide, with an additional seven malls in China. In total, SM Prime has a total of around 9.3 million square meters of retail floor area, with more than 16,500 tenants in the Philippines and approximately 1,800 tenants in China. Meanwhile, Robinsons Land Corp. had 47 malls nationwide as of end 2017 and three in China. In the Philippines, Robinsons has about 1.1 million sq m of gross floor area. For Ayala Land, it posted a cumulative 1.7 million sq m of gross leasable area around the country as of end-2017, with most of its newest developments opening around Metro Manila.

The Philippine retail industry has grown by 5.5% annually from \$56 billion in 2010 to a total of \$75 billion by the end of 2015. The growing BPO industry and OFW remittances have contributed largely to increasing disposable incomes and consumer spending. Retail industry growth has also been driven by increasing modern retail formats in emerging urban areas.

Figure 60: Philippine Retailing Industry Market Size



Source: Euromonitor

6.1.1 KEY REGULATIONS/POLICIES GOVERNING THE RETAIL MARKET

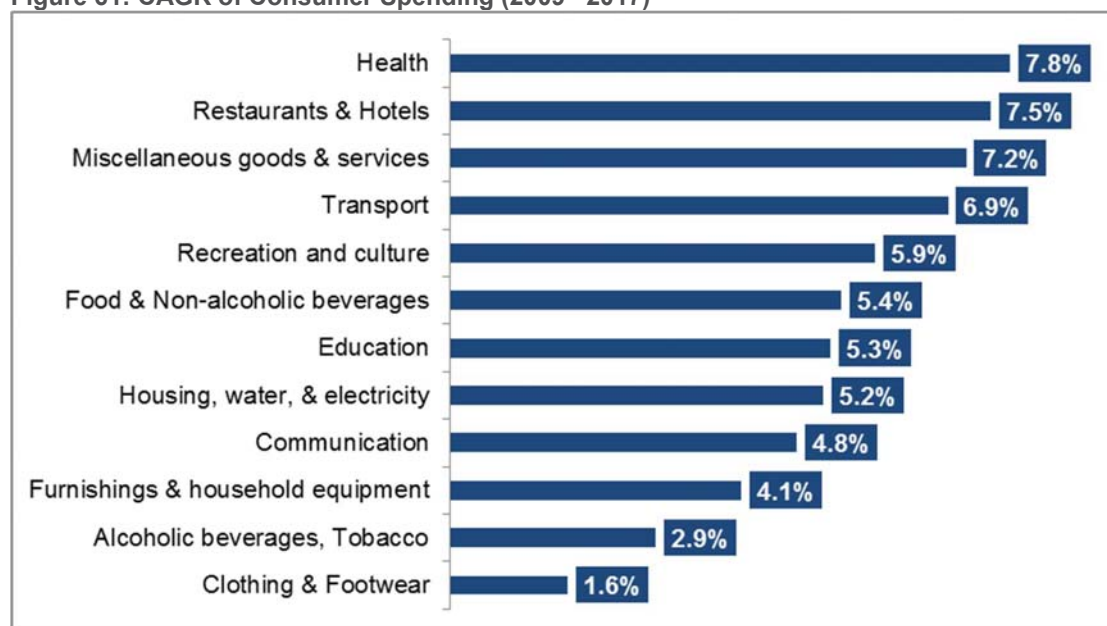
The Philippine retail sector underwent a period of change upon the enactment of the Retail Trade Liberalization Act (Republic Act 8762) in 2000 that allowed foreign players to enter the local retail industry. The law aims to:

- promote consumer welfare in attracting and promoting retail investments to both local and foreign investors that will bring down prices of goods for the Filipino consumer, as well as create jobs;
- promote tourism;
- assist small manufacturers;
- stimulate economic growth; and
- enable locally-produced goods and services to be globally competitive through liberalization of the sector.

The Act outlined regulations on how foreign companies could participate in the local retail industry, such as the required qualifications in order to participate, limitations on their ownership of local retailing companies, the promotion of locally manufactured goods and guidelines on which activities are prohibited to foreign companies.

With the implementation of the new tax reform program, which includes the reduction of income taxes, Filipinos' purchasing power is expected to grow, resulting in an opportunity for retailers to grow their businesses. According to the Finance Department of the Philippines, households with a monthly income of PHP13,000 to PHP40,000 (approximately USD255 to USD784) are expected to increase their disposable incomes by PHP1,100 to PHP3,500 (USD21.6 to USD68.6) per month with the new tax reform program coming into effect. In relation to this, consumer spending on health, restaurants & hotels, transportation, and other miscellaneous goods and services are also expected to increase. From 2009 to 2017, the highest growth in consumer spending in the Philippines was recorded in the Health subsector with a CAGR of 7.8%. On the other hand, Clothing and Footwear recorded the lowest increase of 1.6% in consumer spending.

Figure 61: CAGR of Consumer Spending (2009– 2017)



Source: Philippine Statistics Authority

6.2 METRO MANILA RETAIL MARKET

6.2.1 MAJOR DEVELOPERS

Among the major developers in Metro Manila, SM Prime Holdings has the largest share in retail stock with 2.1 million sq m of leasable space, or roughly 43% of the total. Out of the 33 malls being operated by SM Prime in Metro Manila, the biggest in terms of retail area is SM Mall of Asia with 536,000 sq m of retail space. SM Mall of Asia, which is located in the Manila Bay area, is also the largest mall in Metro Manila. It was also recognized as one of the largest in Asia. This is followed by SM Megamall in Mandaluyong and SM North EDSA in Quezon City.

Table 25 : Major Metro Manila Retail Developers (3Q 2017)*

Top Retail Developers	Est. Total Gross Leasable Area (sq m)	Market Share
SM Prime Holdings	2,401,204	43.03%
Ayala Land	1,232,537	22.09%
Robinsons Land	486,499	8.72%
Araneta Group	385,000	6.90%
Megaworld	254,689	4.56%
Vista Land	211,625	3.79%
Filinvest Land	192,000	3.44%
Sta. Lucia Realty	180,000	3.23%
Shang Properties	126,501	2.27%

Top Retail Developers	Est. Total Gross Leasable Area (sq m)	Market Share
Mallers Investment	110,000	1.97%
Metro Manila Total	5,580,054	

**Includes only establishments with total GLA of 10,000 and above.*

Source: Colliers International Research

Ayala Land is the second largest owner and operator with 1.2 million sq m of space, representing a 22% market share. Out of its 18 shopping centers, Ayala Center in Makati is the biggest with 310,209 sq m of leasable space. This is followed by Ayala Trinoma in northern Quezon City, and their Vertis North and Market! Market! developments.

With its 11 shopping malls, Robinsons Land accounts for 8.7% of the total stock in Metro Manila with an aggregate 486,499 sq m of leasable space. As of 3Q 2017, Robinsons Manila is the largest mall in its portfolio at 98,900 sq m of stock since Robinsons Galleria in Ortigas Center is currently under renovation

6.2.2 STOCK AND VACANCY RATES

At the end of 2016, there was 6.3 million sq m of leasable area (GLA) for retail. This translates to a growth rate of about 4.4% annually since 2001. By the end of 2017, an estimated 6.8 million sq m of leasable space will have been completed across the various retail malls in Metro Manila. This is expected to grow at least 3.7% by the end of 2018 as more supply coming from the District Centers and neighborhood malls are completed. Most of the retail malls up for completion are located outside CBDs, such as Cloverleaf in Quezon City, Feliz in Rizal, and Marikina Heights in Marikina, all of which are developed and operated by Ayala Malls. Malls inside CBDs are now limited to neighborhood types of retail formats – most of which are usually expansion of existing malls or ancillary facilities to existing buildings. Also, developers are looking at emerging CBDs or reclaimed areas for building large-scale retail establishments due to the lack of available land in Metro Manila for development. Upcoming establishments in Metro Manila are in smaller retail formats such as district and neighborhood malls given the decreasing land bank options in the metropolis.

Around 45.5% of the total retail stock comprised super-regional malls, while regional malls made up about 19.7% of the total. It is estimated that with a population of around 12 million, Metro Manila has approximately 0.5 sq m of retail space per capita, which is the second lowest when compared to other ASEAN countries, with Jakarta having the lowest at 0.44 sq m per capita and with Bangkok having a higher 0.7 sq m per capita. This is an indication that there may still be some potential for more retail space in Metro Manila, given its current population and rising income levels.

Figure 62: Metro Manila Cumulative Retail Stock and Annual Change



Source: Colliers International Research

Note: GLA – Gross Leasable Area. Based on developer announcements.

Vacancies across Metro Manila rose to 11% in 2016 in regional and super regional malls but it is expected to decline to 8% at the end of 2017. Despite an expected significant increase in supply of approximately 470,300 sq m, typically, major retail developers are their own anchor tenants as well and could easily fill up their spaces with their own brands. However, smaller neighborhood and district centers will encounter difficulty filling up vacant spaces. Notwithstanding, this may be an opportunity for developers to improve on their tenancy mix by introducing more variety in terms of product types and brands. There will be more demand for food and beverage (F&B) and fast fashion businesses as it currently occupies 50% and 60% of new retail spaces in Metro Manila.

Figure 63: Metro Manila Retail Supply & Demand



Source: Colliers International Research

6.2.3 CLASSIFICATION OF RETAIL FORMATS

A classification for retail developments is used based on size is shown in the table below:

Table 26 : Retail Classification in the Philippines

Classification	GLA (in sq m)
Super Regional	100,000 & up
Regional	50,000 – 99,000
District	25,000 – 49,999
Neighborhood	Less than 25,000

Source: Colliers International Research

6.2.4 MAKATI RETAIL MARKET

Three (3) major malls in the Makati area are located within the Makati Business District while three (Rockwell Power Plant, Century City Mall and Circuit Lane) are located in the fringes of the CBD. The total leasable space for shopping centers in Makati amounts to 428,012 sq m. The largest in terms of leasable space is Glorietta in Ayala Center with 238,612 sq m. Glorietta Mall first opened in 1991 and has five sections, which were expanded and completed between 1998 to 2012. Greenbelt Mall is next with 76,400 sq m. Century City Mall was completed in 1Q 2014 with 17,000 sq m of leasable space. The newest shopping center is Circuit Lane by Ayala Land, which opened in Q4 2015. In addition, Ayala Land will complete Phase 1 and 2 of the Circuit Mall by 4Q 2018 and will add 58,000 sq m in the total stock.

Table 27: Selected Major Mall Developments in Makati

	Specific Location	Developer	Completion Date	Classification	GLA (sq m)
Glorietta	Ayala Center, Makati	Ayala Land	Glorietta 1&2 – 3Q 2012* Glorietta 3&4 – 3Q 1998 Glorietta 5 – 4Q 2008	Super regional	238,612
Greenbelt	Ayala Center, Makati	Ayala Land	Greenbelt 2 – 2Q 2002 Greenbelt 3 – 3Q 2002 Greenbelt 4 – 4Q 2003 Greenbelt 5 Ph. 1 – 4Q 2007 Ph. 2 – 4Q 2008	Regional	76,400
SM Makati	EDSA, Makati	SM Prime Holdings	Q2 2004	District	40,000
Rockwell Power Plant	Rockwell Drive corner Estrella Street. Makati City	Rockwell Land	Q4 2000	District	45,000
Century City Mall	Century City, Kalayaan Ave. cor. Salamanca St.	Century Properties	1Q 2014	Neighborhood	17,000
Circuit Lane	Hippodromo, Circuit Makati	Ayala Land	Q4 2015	Neighborhood	69,000
Total					486,012

Source: Colliers International Research

In the 4th quarter of 2017, Rockwell's expansion of 5,000 sq m in the Power Plant Mall in Makati was expected to be completed. By the end of 2018, Circuit Mall in Circuit Makati will add 58,000 sq m of stock in the Makati retail market. This will bring the total retail stock in Makati to 491,012 sq m.

As of the 3rd quarter of 2017, vacancy is at 1.5% in Greenbelt while Glorietta has a higher vacancy of 6.2%. Meanwhile, vacancy rates for neighborhood centers in the Makati Fringe area are higher, with Circuit Lane at a 12.9% vacancy, and Century City Mall at 6%. On average, the retail rate in Ayala Center is at PHP1,652 per sq m.

6.2.5 FORT BONIFACIO RETAIL MARKET

A total of 14 notable shopping malls are located within the Fort Bonifacio area, with 436,631 sq m of aggregate retail stock. With 150,000 sq m of GLA, Market! Market! is the largest retail development in Fort Bonifacio. Five of the commercial establishments in the Fort Bonifacio area are developed by Ayala Land Inc. while Megaworld has four, two of which were the latest retail centers to be opened in the area in 4Q 2016. These are Uptown Parade Mall and Venice Piazza Mall (Phase 2).

Table 28: Selected Major Mall Developments in Fort Bonifacio

Development	Address	Developer	Completion Date	Classification	GLA (sq m)
The Fort Strip	Bonifacio Global City, Taguig City	Fort Bonifacio Development Corporation	3Q 1998	Neighborhood	3,500
Market! Market!	McKinley Pkwy, Taguig	Ayala Land	4Q 2004	Super regional	150,000
Shops at Serendra	McKinley Parkway, Bonifacio Global City, Taguig	Ayala Land	4Q 2006	Neighborhood	8,000
Bonifacio High Street	Bonifacio Global City, 5th Ave, Taguig, 1634	Ayala Land	4Q 2006	Neighborhood	14,000
Venetian Mall (Piazza) Phase 1	McKinley Hill, Taguig City	Megaworld	4Q 2009	District center	10,000
BHS Central East Block	Bonifacio Global City, Taguig City	Ayala Land	4Q 2011	Neighborhood	10,194
SM City Taguig (Aura)	26th Street corner Carlos P. Garcia Avenue, Taguig City	SM Prime Holdings	2Q 2013	Super regional	133,870
Bonifacio Central Square	Central Square, Bonifacio High Street Taguig	Stores Specialists	2Q 2014	District center	9,800
BGC Stopover Pavilion	Rizal Drive, 31st Street, Taguig	Fort Bonifacio Development Corporation	2Q 2015	Neighborhood	3,578
BHS Central Ear Lot	BHS Central Ear Lot	Ayala Land	1Q 2016	Neighborhood	3,000
Shangri-La at the Fort Retail	30th Street, corner 5th Avenue, Bonifacio Global City, Taguig	Shang Properties	1Q 2016	Neighborhood	9,000
Uptown Mall	Bonifacio Global City, Taguig City	Megaworld	1Q 2016	District center	36,689
Uptown Parade Mall	Bonifacio Global City, Taguig City	Megaworld	4Q 2016	District center	25,000
Venice Piazza Mall [Phase 2]	McKinley Hill, Taguig City	Megaworld	4Q 2016	Neighborhood	20,000
Total					436,631

Source: Colliers International Research

In 4Q 2017, Big Apple Mall by Federal Land added 15,000 sq m of space while One Bonifacio High Street by Ayala Land completed 21,000 sq m. Park Triangle will be the next retail development to be completed in Fort Bonifacio in 4Q 2020 and will have 24,000 sq m. For Market! Market!, overall vacancy is at 2.4% while SM City Taguig (Aura) has a lower vacancy of 1%. For Megaworld's Uptown Mall, vacancy is at double digits (11.9%) while Uptown Parade Mall is doing better at 6.1%. For Shangri-La at the Fort Retail, vacancy is also one of the highest in the area, at 10.2%.

6.2.6 ORTIGAS CENTER/MANDALUYONG RETAIL MARKET

In Ortigas Center, 13 retail developments with a total of 727,931 sq m of commercial space was covered in the study. The largest shopping mall is SM Megamall, with 307,760 sq m of GLA, including the expansion completed in 2014. The newest retail center to be completed is the expansion of The Podium, which added 22,000 sq m to the development, bringing its combined GLA to 39,316 sq m. To note, Robinsons Galleria by Robinsons Land is currently undergoing renovation, with only 78,000 sq m of its total space operational as of 2017. Kuok Properties' Shangri-La Plaza is also another notable mall development in the area, with a total of 117,501 sq m of retail stock. Ayala Land's The 30th Mall was also

recently completed during the 1st quarter of 2017, adding 28,000 sq m of GLA to the stock in Ortigas Center.

Table 29: Selected Major Mall Developments in Ortigas/Mandaluyong

Development	Specific Location	Developer	Completion Date	Classification	GLA (sq m)
Starmall EDSA (formerly Manuela)	EDSA corner Shaw Blvd.	Vista Land/Manuela	1987	Regional	65,000
SM Megamall	EDSA corner J. Vargas Avenue, Mandaluyong City	SM Prime Holdings	1991	Super regional	247,160
Shangri-la Plaza	EDSA corner Shaw Boulevard	Kuok Properties	1991	Regional	74,738
EDSA Central	EDSA corner Shaw Blvd.	Greenfield Devt.	1992	District	41,954
Shangri-La Plaza Expansion	EDSA corner Shaw Boulevard	Kuok Properties	2Q 2001	Super regional*	3,000
The Podium	ADB Ave, Ortigas Center	Keppel Land/SM Investments	4Q 2001	District	17,316
Shangri-la Plaza East Wing (Expansion)	EDSA corner Shaw Boulevard	Kuok Properties	3Q 2013	Super regional*	39,763
SM Megamall Phase 2 Expansion (Fashion Hall)	EDSA corner J. Vargas Avenue, Mandaluyong City	SM Prime Holdings	1Q 2014	Super regional*	60,600
Estancia	Meralco Ave, Pasig City	Ortigas & Company	4Q 2014	District	35,000
Robinson's Galleria	Ortigas Ave, Ortigas Center	Robinsons Land	1Q 2017	Regional	78,400
The 30th Mall	30 Meralco Ave, Pasig	Ayala Land	1Q 2017	District	28,000
The Podium [Expansion]	ADB Ave, Ortigas Center	Keppel Land/SM Investments	3Q 2017	District	22,000
Total					712,931

Source: Colliers International Research

*Classified as super regional since it is an expansion of the main mall

In 1Q 2018, the expected completion of Robinsons Galleria's renovation will add 33,600 sq m to the mall's stock, which will total 112,000 sq m post-renovation. Another upcoming retail building is Paragon Center in Capitol Commons, which is expected to add another 20,000 sq m by 1Q 2018. However, as of late February 2018, Paragon Center is still undergoing construction works and its completion may be delayed in the following months. By 2018, the retail stock in Ortigas Center will grow to an aggregate of 766,531 sq m if announced completions are followed.

For the vacancy in the area, SM Megamall has the lowest at 1.2%, followed by Robinsons Galleria at 4.5% of the leasable space that is still operational. Meanwhile, Shangri-La Plaza still has the highest vacancy at 7.0%. Meanwhile, the overall average rental rate in the area is PHP1,497 per sq m per month.

6.2.7 MANILA BAY AREA RETAIL MARKET

The Manila Bay area (which generally covers the developments in Bay City, including the Mall of Asia Complex, Aseana City, and Metropolitan Park) has a total retail area of 678,889 sq m. SM Mall of Asia has the largest retail space with 536,000 sq m, following the completion of its expansion in 3Q 2017.

Another notable shopping establishment is Blue Wave Mall by Federal Land, which added 19,895 sq m of retail stock in the Manila Bay area.

Table 30: Major Mall Developments in the Manila Bay Area

Development	Specific Location	Developer	Completion Date	Classification	GLA (sq m)
SM Mall of Asia	Mall of Asia Complex (CBP I-A)	SM Prime Holdings	2006	Super Regional	336,000
City of Dreams Retail Complex	Aseana City	Belle Corp	2015	Regional	80,000
Bluebay Walk	CBP I-A	Federal Land	2015	District Centre	15,000
S Maison	Pasay, Metro Manila	SM Prime Holdings	2Q 2016	District Centre	23,004
Solaire Retail Complex	1 Aseana Ave, Parañaque	Bloomerry Resorts	4Q 2016	Neighborhood	5,000
Blue Wave Mall [Phase 1]	Diosdado Macapagal Blvd, Pasay	Federal Land	2Q 2017	Neighborhood	19,895
SM Mall of Asia [Expansion]	Mall of Asia Complex (CBP I-A)	SM Prime Holdings	3Q 2017	Super Regional	200,000
Total					678,899

Source: Colliers International Research

At the end of 2018, Bay Area (Phase 1) by Ayala Land is set to open with 116,000 sq m of GLA, the first Ayala Land shopping mall in Aseana City. Within the same period, Blue Wave Mall (Phase 2) is set to add 10,417 sq m of retail stock within Federal Land's development. By the 4th quarter of 2019, Ayala Land's Bay Area (Phase 2) will complete another 116,000 sq m of additional GLA, bringing the total retail stock to 921,315 sq m in the Manila Bay area.

The Mall of Asia has a vacancy rate of 1.7% with 3,540 sq m unleased space out of the 212,004 sq m GLA. Rental rates in Federal Land's Bluebay Walk range from PHP800 to PHP1,200 per sq m.

6.2.8 KEY SUCCESS FACTORS AND TRENDS

- **Growing Incomes are Fueling Luxury/International Brands**

The continued strong influx of OFW remittances coupled with the expansion of the BPO industry has led to higher disposable incomes for Filipino families. This in turn has led to the growing demand for foreign and luxury brands. Sales of foreign apparel grew 12.5% from 2009 to 2013 with shopping malls being the top retailing medium. Currently the largest franchiser of foreign luxury brands is Store Specialists, Inc. with 565 outlets and 84 brands.

Filipinos are still regarded as brand conscious, strengthening demand for foreign brands but at the same time weakening demand for local products. The distribution of foreign brands' products in the country is mostly consolidated by large importers and retailers, specifically Store Specialists, Inc. and Primer International Holdings & Management.

Table 31: Top 3 International Brand Retailers in the Philippines by Number of Outlets

Top 3 International Brand Retailers	Number of International Brands Carried	Total Number of Outlets
Store Specialists, Inc.	84	565
Primer International Holdings & Management	78	175
Suyen Corporation	16	162

Source: Euromonitor 2013

- National Players to Lead Mall Expansions**

Mall operators remain optimistic with respect to the country's strong growth performance as seen in the number of new malls and expansions. Top developers Ayala, Robinsons and SM malls continue to drive growth with most of new mall projects under their brand. For Ayala Land, several of its upcoming retail stock will be completed within its townships around Metro Manila. Moreover, Federal Land has also started to expand its retail footprint, particularly in the Manila Bay area, with the completion of Blue Wave Mall (Phase 1) and two upcoming shopping centers. These are Big Apple Mall in Fort Bonifacio and the 2nd phase of Blue Wave Mall in Manila Bay.

Table 32: Key Trends in the Upcoming Retail Supply – Metro Manila

Year	Upcoming New Supply (in sq m)	Key Trend
Q4 2017F	187,000	Just in the 4 th quarter of 2017, a total of 187,000 sq m of retail space is expected to be completed, most of which will be located outside of the major CBDs, or 81% of the total stock.
2018F	248,017	In 2018, the Manila Bay area will see the largest completion during the year, which will be Ayala Land's Bay Area Phase 1. Aside from the renovation of Robinsons Galleria, the other new retail centers will be located within mixed use developments around Metro Manila.
2019F	189,000	From 2019 to 2020, only Ayala Land has announced its upcoming commercial developments, the biggest of which will be the Phase 2 of the Bay Area shopping mall with 116,00 sq m of GLA.
2020F	87,000	The new retail stock in 2020 will be located within the major CBDs of Makati and Fort Bonifacio and will be developed by Ayala Land. These are the retail components of the pocket developments within the CBDs.

Source: Colliers International Research

- Product Differentiation**

New expansions offer added themes and special functions to attract mall goers and tenants alike. SM Mall of Asia's 200,000 sq m expansion includes recreational facilities on its top floor. Meanwhile, small district malls are being built as components of township projects such as that of Big Apple Mall by Federal Land in Veritown Fort, Circuit Mall in Circuit Makati by Ayala Land, and Paragon Center by Ortigas and Co. in Capitol Commons in Ortigas Center.

6.2.9 RETAILING INDUSTRY OUTLOOK

The strong growth in Philippine retailing can also be attributed to the convenience store market. Driven by strong consumption, a growing population and largely untapped markets in the fringes of Metro Manila and second tier areas have led to a proliferation of convenience stores and neighborhood centers. In the

past two years, the country has witnessed the entry of convenience store giants Family Mart and Alfamart. Local developers such as Vista Land and Robinsons Land are entering the c-store fray with homegrown brands All Day and Robinsons Easymart. Lawson, a Japanese mini-grocery brand, partnered with the Puregold group is setting an ambitious goal of opening 500 stores by 2020.

Fashion and apparel retailing has always been a consistent growth segment in the country. Nine of the top ten global apparel retailers already have stores in the Philippines, further attesting to the strong affinity of Filipino consumers for foreign brands. NEXT, a UK fashion retailer, is the only one absent from the Philippine market, although the company's products can be purchased online thru NEXT Direct.

Table 33: Top Global Apparel Retailers, as of June 2017

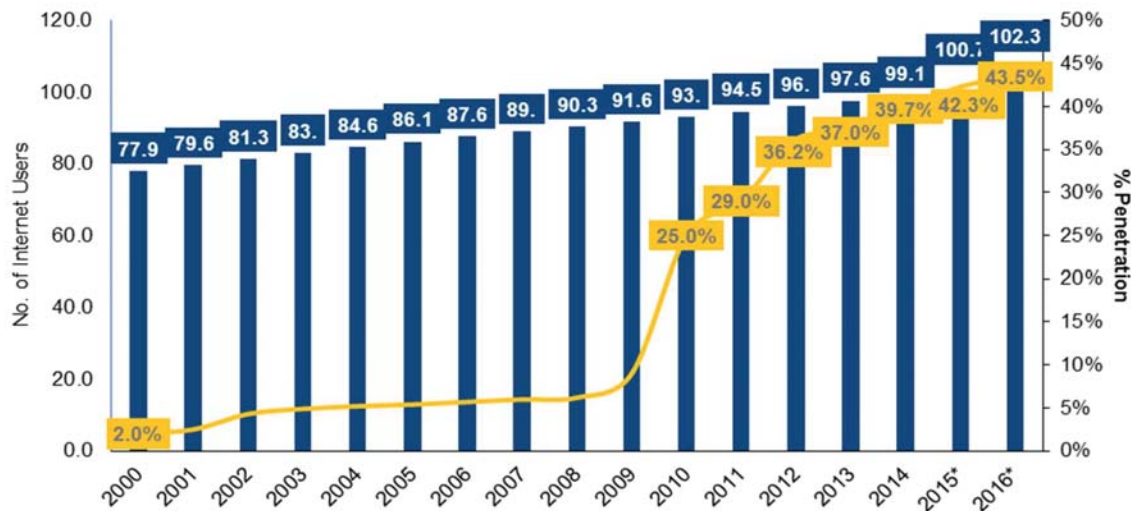
Company	Notable Brand	Country	Sales in USD Billions	PH Presence
Inditex	ZARA	Spain	26.28	Yes
Hennes & Mauritz	H&M	Sweden	16.17	Yes
Fast Retailing	Uniqlo	Japan	16.17	Yes
Gap	Gap	USA	15.51	Yes
Limited Brands	Victoria's Secret	USA	12.57	Yes
PVH	Calvin Klein, Tommy Hilfiger	USA	8.20	Yes
Polo Ralph Lauren	Polo Ralph Lauren	USA	7.40	Yes
NEXT	Next	UK	5.27	No
American Eagle Outfitters	American Eagle Outfitters	USA	3.60	Yes
Abercrombie & Fitch	Abercrombie & Fitch	USA	3.32	Yes

Source: Fast Retailing, Colliers International Research

Increasing internet penetration in the Philippines has also led to the growth of e-commerce. Almost 40% of Filipinos have access to the internet. Although this significantly lower than developed countries, such as South Korea which has an 84% penetration, the growth of e-commerce companies such as Lazada and Zalora in recent years have underscored the internet as an alternative retail channel. Online retailer Lazada grew its product offering range from 100,000 in 2012 to 1 million in 2015. Meanwhile, Zalora, which specializes in apparel, plans to double its annual sales annually for the next three years.

Based on a report by Internet Live Stats, there are at least 44.4 million internet users in the Philippines, which represents an internet penetration rate of about 43.5%. based on 2016 registered population. Internet penetration grew from a single digit of 9% (8.24 million users) in 2009 to 25% (27.4 million users) in 2010. The compounded annual growth rate from 2010 to 2016 for internet penetration was at 10%, or an additional 21 million internet users in the country.

Figure 64: Internet Penetration in the Philippines

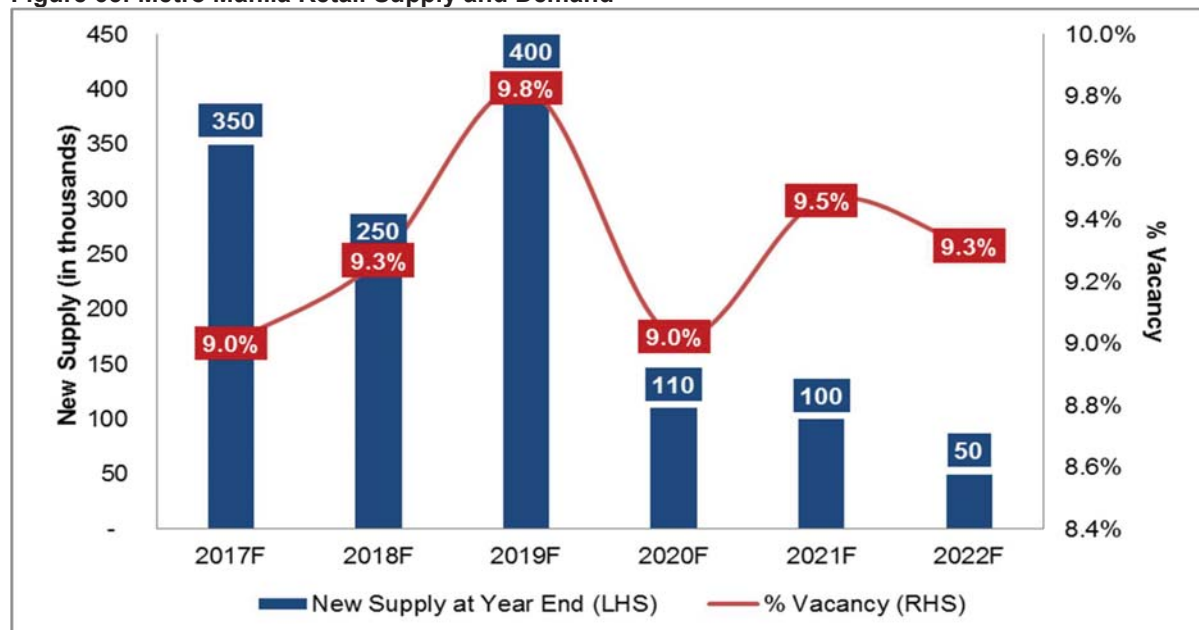


Source: Internet Live Stats (elaboration data by International Telecommunication Union (ITU), World Bank, and United Nations Population Division)

Note: Internet Users are individuals who can access the internet at home, via any device type and connection.

*Estimate for July 1, 2016

Figure 65: Metro Manila Retail Supply and Demand

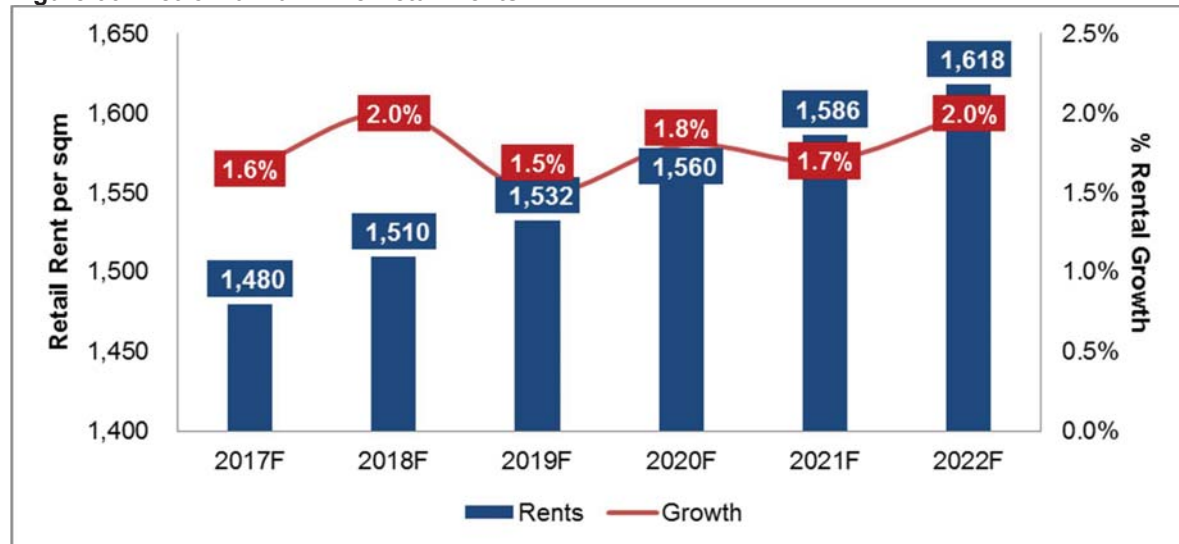


Source: Colliers International Research

By end of 2017, an estimated 350,000 sq m of GLA will be completed, pushing overall vacancy rate to 9% from 8% the previous year. In 2019, vacancies are expected to reach 9.8% due to the influx of retail supply with around 400,000 sq m of space to be completed throughout the year. Meanwhile, the projected supply will decline by 2020 onwards as developers have not yet fully disclosed their planned retail developments.

However, it is projected that vacancy rates will remain at around the 9% level since delays in completion of retail stock is also expected in the following years. It may also take some time for the high levels of new supply from 2017 to 2019 to be absorbed by the market. Moreover, the lack of large parcels of developable land in Metro Manila may constrain development of more malls from 2020 onwards.

Figure 66: Metro Manila Prime Retail Rents



Source: Colliers International Research

Rental rates have consistently increased annually in the past decade, except in 2010 when it dipped by 13% due to the global financial crisis. Rental growth is expected to slow down and range from 1% to 2% from 2017 onwards because new supply in the retail market has increased competition and an enlarged market size.

With the emergence of several mixed-use developments and townships around Metro Manila, developers have been introducing new and differentiated retail formats and configurations. Given the lack of developable land in Metro Manila, smaller retail formats, particularly within the emerging townships have sprouted, catering to the residents or the community within those new mixed-use developments. These neighborhood and district commercial establishments are usually smaller in size (typically no feature up to 50,000 sq m).

These neighborhood or district centers involve a retail experience that is more attuned to today's lifestyle, with an integration of technologies, features and attractions, as well as green space. These concepts attempt to create a differentiator so as to increase footfall. Some trends that have been observed in the market include developers experimenting with different configurations that veer away from the typical big box development and offer more green, open spaces to draw foot traffic into their developments.

7 RESIDENTIAL CONDOMINIUM PROPERTY MARKET

7.1 RESIDENTIAL MARKET OVERVIEW

7.1.1 KEY REGULATIONS/POLICIES GOVERNING THE RESIDENTIAL MARKET

In October 2014, the Bangko Sentral ng Pilipinas (BSP) Monetary Board approved several amendments to the regulations on banks' credit risk management (BSP Circular No. 855). The recent measures now involve capping the maximum loan value at 60% of the real estate mortgage collateral based on an accepted BSP appraisal. This regulation encourages banks to focus on the borrower cash flows and ability to pay, instead of relying heavily on collateral, particularly real estate, in lending decisions. This will also allow banks to access other types of collateral other than real estate.

Loan-to-value ratio limits, which are different from the cap on mortgage collateral, are generally an internal bank policy. The general industry requirement is currently at 80%, however, some banks have been observed to be offering as high as 90%, especially for loans for low cost housing. Due to the low interest environment, the current practice is likely to continue. In the Senior Bank Loan Officers' Survey (SLOS) conducted by the BSP in the 3rd quarter of 2014, respondent banks reported unchanged overall credit standards for loans to enterprises and households. However, a net tightening of housing loans was noted, a trend which was seen since the 2nd quarter of 2014. Despite the stricter lending standards by some banks, SLOS also indicated that majority of the respondent banks expect demand for loans from both enterprises and households to increase further in the next quarter. This was attributed to expectations of higher household consumption and lower interest rates. Inquiries with several banks by Colliers also indicated that despite the recent pronouncements of the BSP, no changes in lending costs or a limitation on the number of mortgage borrowers are seen.

Rather than pre-emptively implementing stricter lending measures to curb a potential real estate bubble, the BSP introduced a Real Estate Stress Test requiring higher levels of capital for banks with significant real estate exposure. Even if 25% of the real estate exposure has been written off, a bank must still be able to maintain a common equity tier 1 ratio, which mainly refers to common equity of shareholders, of at least 6%. The total capital adequacy ratio must also be above 10%. These new measures along with the quarterly reporting of real estate exposures are expected to encourage banks to be more disciplined in lending while at the same time encouraging growth in the housing and real estate industry.

However, the overall picture of real estate lending, particularly in housing, is not fully encapsulated by the banking industry. High demand for housing, increasing competition in the industry, and the relatively high lending standards of banks for residential mortgages have encouraged developers to introduce in-house

financing, where the developer becomes the lender and bears the credit risk. In-house financing rates range from 11% to 21% per annum, significantly higher than average interest rates charged by banks. However, the tradeoffs include fewer documentary requirements, less stringent credit checks and faster processes which in turn facilitates faster move-ins. These are some of the reasons buyers without the necessary credentials and paperwork (such as those working contractually abroad) prefer the in-house financing option rather than taking out a housing loan from a bank.

There is currently no regulation or oversight on in-house financing. This is a potential problem as it presents an overall gap in the prudential measures that the government is trying to implement. There is no industry data or reporting mechanism in in-house financing figures, although Colliers believes that the market appreciation for this financing solution is sizable. Anecdotal feedback from some developers indicated that in-house financing could make up as high as 30% to 60% of a developer's revenue mix. The lack of regulation could also harm the real estate industry. In a scenario where the BSP implements sweeping and drastic restrictions in lending such as lower loan-to-value limits in housing loans or higher interest rates, developers could simply continue to offer lower down payment requirements to attract buyers, shifting more lending to unregulated in-house financing. To compensate for increased credit risk, these developers could increase their in-house rates or increase selling prices altogether which may lead to an industry asset price bubble. Furthermore, once a market downturn occurs and buyers decide to discontinue their payments, the developers would be exposed to huge defaults and may not be able to complete their projects.

7.1.2 KEY ECONOMIC/DEMOGRAPHIC INFLUENCES AFFECTING THE RESIDENTIAL MARKET

7.1.2.1 PHILIPPINE HOUSING DEMAND OVERVIEW

The demand for housing is highly correlated with the growing population. With an annual average growth rate of about 1.7% from 2010 to 2015, the population grew to about 100.9 million as of the 2015 Census. While the growth rate slowed compared to the growth experienced between 2000 and 2010 (1.9%), it is still expected that the population of the Philippines will double in the next 30-plus years. Having a population of 12.87 million, the National Capital Region (NCR) follows CALABARZON (Region IV-A) as the most populous (14.4 million), followed by Central Luzon (Region III, 11.2 million).

Similar to other places in the world, the real estate industry in the Philippines is highly cyclical and is susceptible to periods of expansion, overbuilding and a subsequent crash and price correction. These cycles were prevalent in the 1980's during and after the Marcos era, and also during the Ramos administration in the 1990's which saw the Asian Miracle and the ensuing Asian Financial Crisis. More often than not, prices for real estate would become inflated because of speculative demand, and developers would typically overleverage themselves to fund their projects. Once a correction occurs, the real estate market would come to a halt, oftentimes leaving projects unfinished as seen after the 1997 Asian Financial Crisis.

Nevertheless, increasing household incomes and an unmet demand from housing have spurred a real estate boom in the country since the early 2000's. Mostly fueled by OFW remittances, the housing industry has been on an upswing, dipping only momentarily during the Global Financial Crisis of 2009. It has also been observed that unlike the previous real estate booms which were fueled by speculative buying, the current demand for housing comes from the end user, who now finally has the means to purchase housing. Developers have also recognized that the middle class' housing requirement is largely untapped, and has shifted condominium development towards more affordable options. Hence, average unit sizes have continuously declined through the years from an average of 83 sq m in 1997 to 45 sq m as of end 2017.

Lastly, developers have also been more reliant on pre-selling, where project construction does not commence until a certain percentage of units have been sold. To a certain extent, this insulates the developer from a sudden downturn since it does not spend on construction until sales are somewhat assured.

The number of licenses issued by the HLURB is a good indicator of the demand for real estate during the past few years:

Table 34: Historical Licenses to Sell - Philippines

Year	Socialized	Economic (Low Cost)	Mid Income Housing	High Rise Residential	Total Residential
1997	116,207	55,093	65,342	23,547	260,189
1998	63,115	20,506	52,092	11,915	147,628
1999	30,482	14,228	27,731	4,788	77,229
2000	23,502	13,926	26,695	2,631	66,754
2001	26,141	19,561	41,601	8,034	95,337
2002	29,919	26,747	44,404	12,382	113,452
2003	36,279	29,168	49,705	15,978	131,130
2004	40,479	74,357	45,960	12,087	172,883
2005	45,533	44,850	56,838	20,008	167,229
2006	61,699	35,320	67,203	22,779	187,001
2007	45,101	46,554	58,943	19,369	169,967
2008	46,985	77,797	53,513	49,459	227,754
2009	59,345	61,124	46,478	33,177	200,124
2010	52,602	64,537	32,541	38,936	188,616
2011	35,682	45,207	32,300	51,298	164,487
2012	45,285	65,390	29,152	118,349	258,176
2013	49,410	59,464	30,585	78,458	217,917
2014	41,663	63,398	35,029	76,413	216,503
2015	50,431	62,900	35,918	67,699	216,948
2016	32,005	58,969	35,473	99,524	225,971
2017	36,513	71,812	41,280	104,165	253,770

Source: Housing and Land Use Regulatory Board

After a high of 227,754 units in 2008, the number of licenses applied for declined steadily until 2012, where there was a large upsurge of 258,176 units applied for. High rise residential is the most significant growth area, growing by more than double in 2012. This was due to the transformation of condominium living into

a more affordable housing option. Meanwhile, in 2015, the number of licenses remained steady at around the 217,000 level while the High-End Condominium and Economic Housing licenses decreased on an annual basis. By 2016, licenses continued to increase, most significantly in the High Rise Residential licenses, which grew to around 47% to reach almost 100,000 licenses. By the end of 2017, total residential licenses increased by 12%, reaching 253,770 licenses. Among the licenses, the Economic experienced the highest growth at 22% from the previous year. However, the High Rise Residential licenses still accounted for the largest share at 41% of the total number.

7.1.2.2 HOUSING SEGMENTS

The Philippine's housing sector may be divided into six distinct market segments: Socialized, Economic A and B, Upper Low Income, Medium Cost and Open Market. These are mainly based on affordability and income levels and are based on HUDCC's, HDMF's and Colliers' definitions. These price bands for the residential segments have been revised over time by government housing agencies to reflect the increase in pricing and construction costs.

The ceiling prices on socialized (recently adjusted to be not more than PHP450,000) and low cost housing (not more than PHP1.7 million) are all mandated by the government. It was in July 14, 2015 that the HUDCC announced that the price ceiling for economic housing has been increased from PHP1,250,000 to PHP1,700,000, an increase of 36% due to growth in the consumer price index and construction costs. This will open up the market to more potential buyers who will be able to avail of special borrowing rates, which are targeted towards the socialized and economic housing segments.

The middle income, upscale and high-end segments fall under the open market category. Colliers' classification of the middle-income segment being above PHP3.2 million per unit is based on the usual categorization of major developers in the country. The same goes for the high-end segment.

Table 35: Philippine Residential Market Segmentation

Characteristics	Socialized	Economic A	Economic B	Affordable	Mid-Income	High End
Price per Unit	Not more than P450,000	P450,001 to P750,000	P750,001 to P1,700,000	P1,700,001 to P3,200,000	P3,200,001 to P6,000,000	Above P6,000,000
HUDCC Classification	Level 1-A	Level 1-B to 2	Level 2	Level 3	Medium Cost	Open Market
Source of Mortgage Financing	Funding agencies such as HDMF, SSS, GSIS	Funding agencies such as HDMF, SSS, GSIS; Government financial institutions like LBP, DBP, PNB; a	Funding agencies such as HDMF, SSS, GSIS; Government financial institutions like LBP, DBP, PNB; a	Funding agencies such as HDMF; Private financial institutions, particularly banks; in-house financing from developers	Funding agencies such as HDMF; Private financial institutions, particularly banks; in-house financing from developers	Funding agencies such as HDMF; Private financial institutions, particularly banks; in-house financing from developers

Characteristics	Socialized	Economic A	Economic B	Affordable	Mid-Income	High End
		few private banks	few private banks			
Mortgage Terms:						
Max Loan Amt.	P450,000	P750,000	P1,250,000	P3,000,000	P4,000,000	P6 million (HDMF); 70% of appraised value (bank)
Mortgage Rate	4.5% (HDMF)	6.5% (HDMF)	12.25% (HDMF, 30-year loan)	12.25% (HDMF, 30-year loan)	12.25% (HDMF, 30-year loan); Market rates (bank)	12.25% (HDMF, 30-year loan); Market rates (bank)
Max Loan Term	30 years (HDMF)	30 years (HDMF)	30 years (HDMF)	30 years (HDMF)	30 years (HDMF)	30 years (HDMF)
Loan to Appraisal Value Ratio	100%	Up to 90%	Up to 90%	Up to 80%	Up to 80%	Up to 80%*
Typical Size and Type of Housing	Row houses; min. lot area of 28 sq m., min floor area of 18 sq m.	Duplexes; single detached units; min. lot area of 48 sq m., min floor area of 22 sq m.	Duplexes; single detached units; min. lot area of 48 sq m., min floor area of 22 sq m.	Lots; single detached units; townhouses; condominiums	Lots; single detached units; townhouses; condominiums;	Subdivided lots usually 500 sq m. and above; luxury condominiums

Source: Colliers International Research; HUDCC; HDMF

*housing units with price of up to P6,000,000 for HDMF loans.

The High-End market is further segmented to High End Upscale (P6,000,001 to P8,000,000) and High End Luxury (P8,000,000 and above) to distinguish projects that are on the uppermost tier.

Table 36: Price Segments

SEGMENT	PRICE BAND
Economic	P450,000 to P1.70 million
Affordable	P1.70 million to P3.2 million
Mid-Income	P3.2 million to P6.0 million
Upscale	P6.0 million to P8.0 million
Luxury	P8.0 million & above

Source: Colliers International, Housing & Urban Development Coordinating Council (HUDCC)

7.1.2.3 HOUSING BACKLOG

The lack of housing is a perennial problem in the Philippines and is a complex issue. Mainly attributed to the high poverty levels in the country coupled with a high population growth rate, the backlog in housing is also largely due to the lack of financing options for lower income levels. In Metro Manila, the housing backlog for NCR is at 362,232 as of 2017, based on SHDA's estimates.

While previous estimates of the HUDCC for the entire country's housing backlog were pegged at 3.7 million homes as of 2010, the Philippine Development Plan for 2011 to 2016 released updated estimates which amounted to a total of 5.6 million homes by the end of 2016. The Subdivision and Housing Developers Association (SHDA) likewise released their own version, estimating the housing need from 2012 to 2030.

Table 37: Cumulative Backlog based on SHDA

	2012	2013	2014	2015	2016	2017	2018	2019
Philippines	4,243,268	4,571,469	4,901,770	5,232,871	5,564,171	5,896,471	6,229,171	6,562,671
NCR	260,673	280,835	301,126	321,466	341,819	362,232	382,671	403,158
CAR	91,037	98,078	105,165	112,268	119,376	126,505	133,643	140,798
I - Ilocos	334,203	360,052	386,067	412,145	438,238	464,411	490,614	516,881
II - Cagayan Valley	188,205	202,762	217,413	232,098	246,793	261,531	276,288	291,080
III - Central Luzon	281,943	303,751	325,697	347,697	369,711	391,790	413,896	436,056
IVA - CALABARZON	219,229	236,186	253,251	270,357	287,474	304,642	321,831	339,062
IVB - MIMAROPA	218,182	235,058	252,041	269,066	286,101	303,187	320,294	337,442
V - Bicol	354,824	382,269	409,888	437,575	465,279	493,066	520,886	548,774
VI - Western Visayas	402,088	433,188	464,487	495,862	527,255	558,744	590,270	621,872
VII - Central Visayas	359,506	387,313	415,297	443,349	471,419	499,572	527,760	556,015
VIII - Eastern Visayas	291,355	313,891	336,570	359,304	382,053	404,869	427,713	450,613
IX - Zamboanga Peninsula	190,273	204,990	219,801	234,648	249,504	264,405	279,324	294,278
X - Northern Mindanao	207,639	223,699	239,862	256,064	272,276	288,536	304,817	321,136
XI - Davao	214,877	231,497	248,223	264,990	281,767	298,595	315,442	332,331
XII - SOCCSKSARGEN	235,571	253,791	272,128	290,510	308,903	327,351	345,821	364,336
XIII - Caraga	134,308	144,696	155,151	165,631	176,117	186,635	197,166	207,722
ARMM	259,351	279,411	299,599	319,836	340,085	360,396	380,730	401,114

Source: SHDA Housing Industry Road Map of the Philippines: 2012-2030.

Colliers used the backlog estimate for the base year of 2011 and conducted its own projections for the housing backlog. An estimate of the total number of housing that was planned and/or constructed during the year is needed to determine the actual figure representing the backlog. Data from the HLURB for residential condominium licenses were used. Since the SHDA does not cover the number of single family homes constructed by individuals for their own use, or the construction of apartments serving the rental market, building permit data from the Philippine Statistics Authority (PSA) was included to represent this segment.

The growth in population and number of additional households per year are then estimated using the census data gathered in 2007 and 2010 by the PSA. These projections are then used to estimate the additional demand for housing per year in Metro Manila:

Table 38: Annual Additions to Populations and Households in Metro Manila

Year	Population			Households		
	Population	Annual Addition	% YoY Growth	Households	Annual Addition	% YoY Growth
2007	11,547,959			2,601,094		
2008	11,649,731	101,772	0.9%	2,712,073	110,979	4.3%
2009	11,752,401	102,669	0.9%	2,735,974	23,902	0.9%
2010	11,855,975	103,574	0.9%	2,759,829	23,855	0.9%
2011	11,960,462	104,487	0.9%	2,784,151	24,322	0.9%
2012	12,065,870	105,408	0.9%	2,808,688	24,537	0.9%
2013	12,172,207	106,337	0.9%	2,833,441	24,753	0.9%
2014	12,279,481	107,274	0.9%	2,858,412	24,971	0.9%
2015	12,387,700	108,219	0.9%	2,883,604	25,191	0.9%
2016	12,496,873	109,173	0.9%	2,909,017	25,413	0.9%
2017	12,607,008	110,135	0.9%	2,934,654	25,637	0.9%
2018	12,718,114	111,106	0.9%	2,960,517	25,863	0.9%
2019	12,830,199	112,085	0.9%	2,986,609	26,091	0.9%
Average (2011-2019)					25,198	
Average (2014-2019)					25,528	

Source: Colliers International Research

Based on these additional household projections, we are able to estimate the housing backlog for the next few years with 2011 as the base, assuming there will be no new developments in the coming years:

Table 39: Metro Manila Projected Backlog

Year	Projected Backlog
2011	11,189
2012	67,322
2013	124,575
2014	182,970
2015	242,529
2016	303,275
2017	365,233
2018	428,427
2019	492,881

Source: Colliers International Research

Further, Colliers broke down the backlog per housing segment based on the 2009 FIES. Results are shown below:

Table 40: Projected Backlog by Housing Segment in Metro Manila

Household Incomes / Segments	% to Total	Base - 2011	2012	2013	2014	2015	2016	2017	2018	2019
Can't Afford	1%	138	828	1,533	2,251	2,984	3,731	4,494	5,271	6,064
Socialized	6%	675	4,062	7,517	11,040	14,634	18,299	22,037	25,850	29,739
Economic	60%	6,764	40,698	75,309	110,610	146,615	183,338	220,793	258,995	297,959
Low Cost	28%	3,080	18,529	34,287	50,358	66,751	83,470	100,523	117,915	135,655
Mid Income	4%	461	2,774	5,134	7,541	9,995	12,499	15,052	17,656	20,313
High End	1%	72	430	796	1,170	1,550	1,939	2,335	2,739	3,151

Source: Colliers International Research

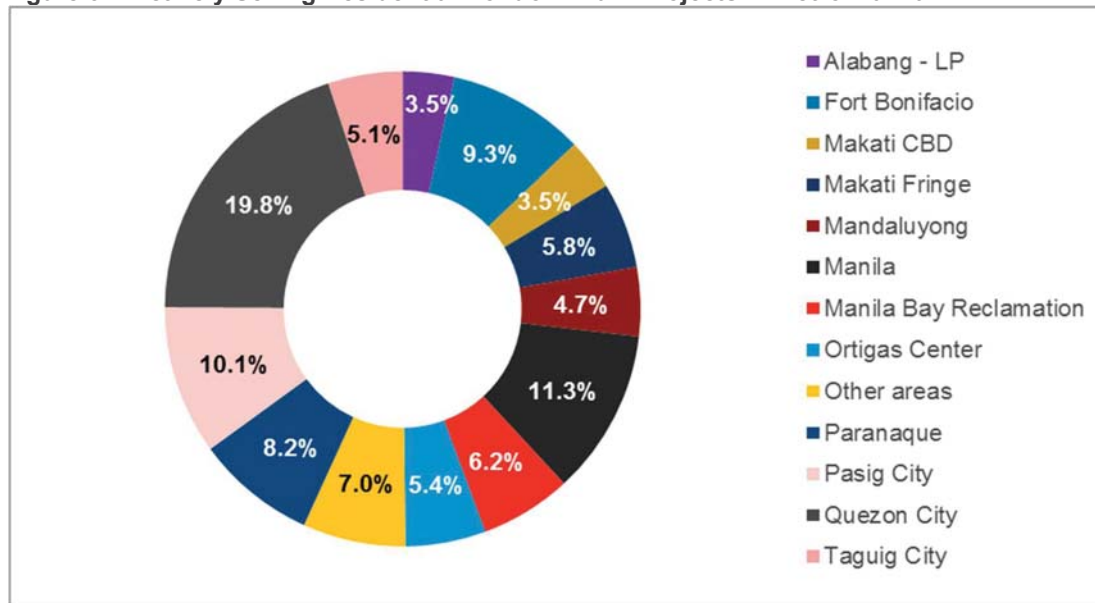
7.2 PRIMARY MID-INCOME TO LUXURY RESIDENTIAL CONDOMINIUM MARKET

Only projects classified under Mid-Income (PHP3.2 million – PHP6 million), Upscale (PHP6 million – PHP8 million) and Luxury (PHP8 million and above) price segments were covered in this study.

7.2.1 TOTAL NO. OF PROJECTS ACTIVELY BEING SOLD

A total of 257 projects were still actively selling within the Mid-Income, Upscale and Luxury segments in Metro Manila as of the end of 2017. Projects that are considered as actively selling are those projects that have not reached 100% sold. Quezon City still accounts for the largest share with a 19.8% share, followed by Manila with 11.3%, and Pasig City at 10.1% out of the total number of projects. Among the areas, Quezon City also has the largest land area.

Figure 67: Actively Selling Residential Condominium Projects in Metro Manila*



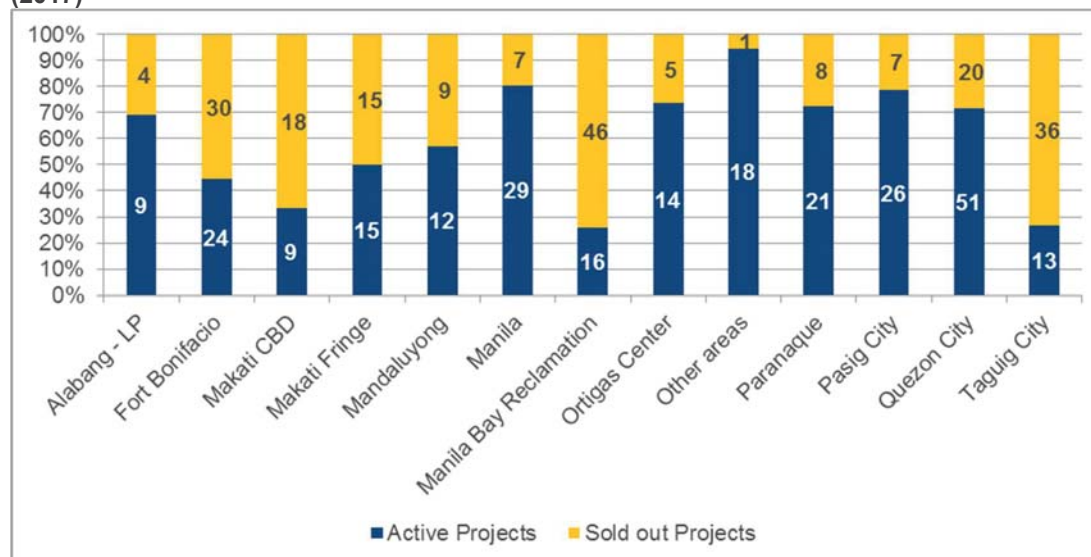
Source: Colliers International Research

Note: Other areas include Marikina City, San Juan City and CAMANAVA

*Active projects are projects that are not 100% sold out

Out of all the areas in Metro Manila, it is the Manila Bay area that has the largest percentage of sold out projects at 74%, with 46 out of 62 projects sold out. Taguig City follows at 73%, with 36 out of 49 projects sold out, and Makati CBD at 67%, with 18 sold out of 27 buildings. Meanwhile, the Other areas have the least number of sold projects with only one sold out, out of 19 total projects. The areas of Marikina, San Juan and the Caloocan-Malabon-Navotas-Valenzuela (CAMANAVA) area are included in the Other areas.

Figure 68: Percentage of Actively Selling Residential Condominium Projects in Metro Manila* (2017)



Source: Colliers International Research

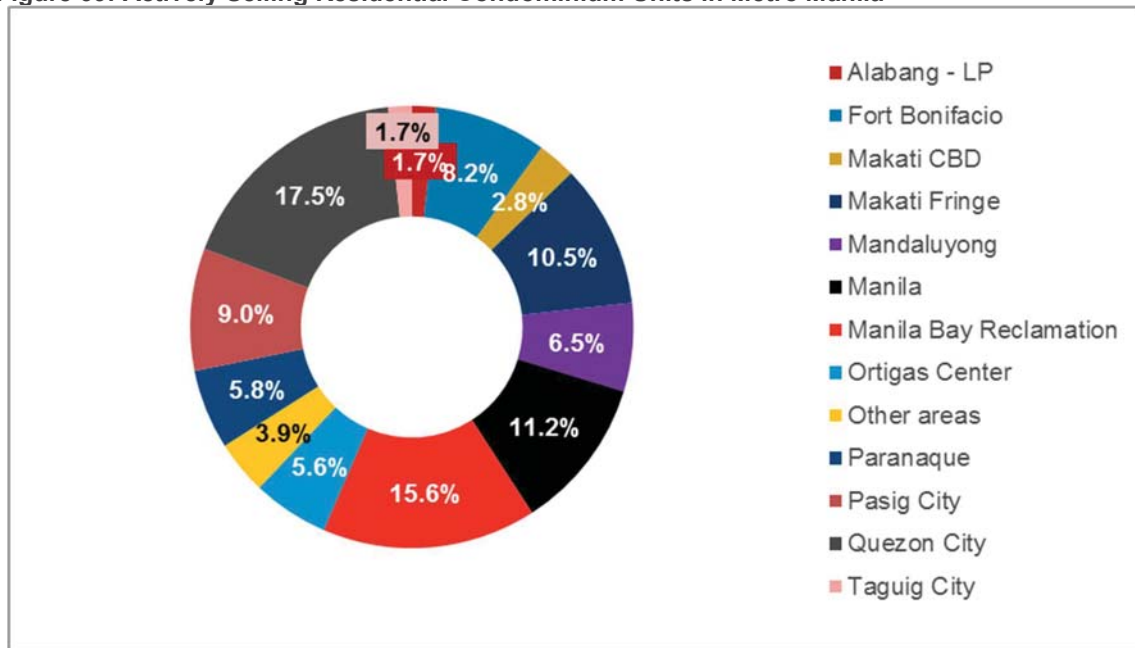
Note: Mid-income, Upscale and Luxury residential condominium units only

*Active projects are projects that are not 100% sold out

7.2.2 TOTAL NO. OF UNITS ACTIVELY BEING SOLD

In terms of unit number, Quezon City is still the top location with 17.5% of the 110,530 total active units in Metro Manila, since it also accounts for the largest share in number of projects. This is followed by the Manila Bay area with 15.6% share, Manila at 11.2% and the Makati Fringe area at 10.5% out of the total number of units.

Figure 69: Actively Selling Residential Condominium Units in Metro Manila



Source: Colliers International Research

While Quezon City has the most sold projects out of the total number, Taguig City has the largest percentage of sold units with 76% or 6,014 sold out over 7,892 total units. This is followed by Makati CBD at 71% with 7,760 units sold out of a total of 10,882. The rest of the areas have less than 50% sold. The Other areas also has the lowest percentage of sold units at only 7% out of its total units. However, Quezon City has the highest number of units still active in the market.

Figure 70: Percentage of Actively Selling Residential Condominium Units in Metro Manila* (2017)



Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

*Active units are from projects that are not 100% sold out

7.2.3 AVERAGE TOTAL CONTRACT PRICE AND PRICE PER SQUARE METER

By 4Q17, the overall average TCP of actively selling Mid-Income, Upscale and Luxury projects reached PHP8.62 million and PHP125,460 per sq m. The growth in TCP from 2015 prices was higher at 12% compared to the 10% in average price per sq m. Paranaque still has the lowest average TCP at PHP4.15 million but in terms of price per sq m, the lowest is being offered in Pasig City at PHP91,212 per sq m. The next lowest TCP is from Pasig City at PHP4.31 million while Paranaque also has one of the lowest prices per sq m at PHP94,887.

On the other hand, Makati CBD has the highest average TCP of PHP23.13 million as well as price per sq m of PHP199,519. This is followed by prices in Fort Bonifacio with an PHP18.31 million TCP and P178,033 price per sq m. The projects with the highest TCPs are located in the CBDs of Makati and Fort Bonifacio. The two projects that have the highest selling prices are still the same as in 2015, namely Discovery Primea and Shangri-La at the Fort. Meanwhile, a new project launched in 2016 in Makati CBD is at third place, this is Park Central Towers South Tower by Ayala Land Premier.

Meanwhile, the Manila Bay area is at PHP6.4 million with a price per sq m of PHP157,981 per sq m.

Table 41: Average Total Contract Price and Price per square meter

Area	Average TCP (4Q15)	Average TCP (4Q17)	Average P/sq m (4Q15)	Average P/sq m (4Q17)
Alabang - LP	7.61 M	8.37 M	100,383	115,406
Fort Bonifacio	14.81 M	18.31 M	151,719	178,033
Makati CBD	10.09 M	23.13 M	146,943	199,519
Makati Fringe	10.93 M	8.03 M	144,259	148,134
Mandaluyong	4.53 M	4.30 M	113,984	111,749
Manila	6.10 M	7.80 M	99,216	109,946
Ortigas Center	11.73 M	11.70 M	123,673	130,720
Paranaque	3.92 M	4.15 M	90,140	94,887
Pasig City	4.46 M	4.31 M	89,618	91,212
Quezon City	4.92 M	5.21 M	102,770	114,022
Taguig City	7.10 M	10.79 M	97,046	127,192
Manila Bay	6.01 M	6.40 M	120,671	157,981
Other areas	11.48 M	12.34 M	109,740	121,888
Overall Average	7.68 M	8.62 M	114,376	125,460

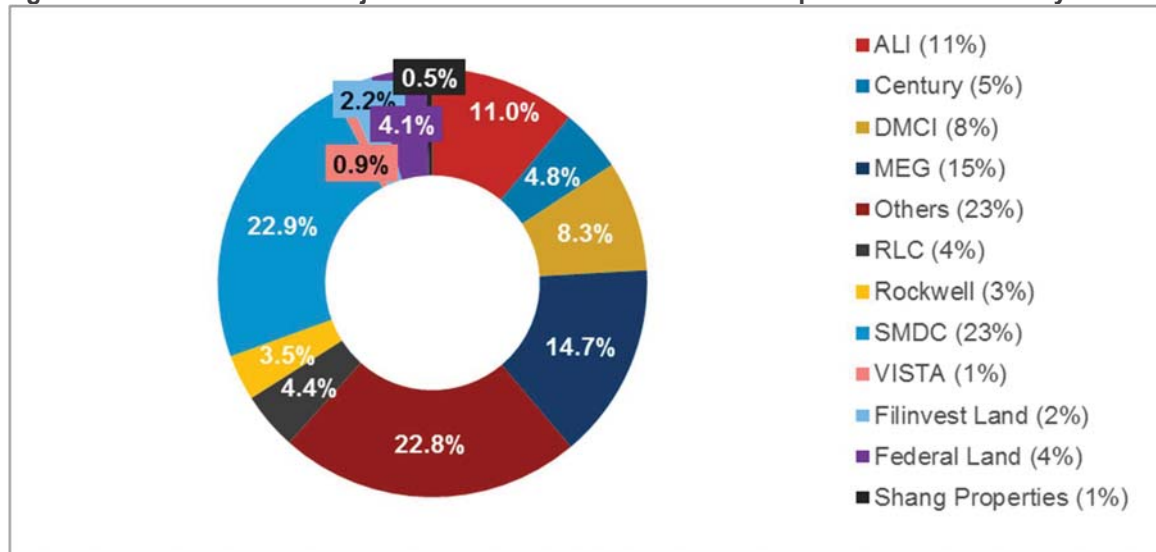
Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

7.2.4 TOP DEVELOPERS

Among the top developers, it is SMDC that commands the highest number of actively selling units within the Mid-Income, Upscale and Luxury residential condominium units in Metro Manila. They account for 22.9% of the total number, surpassing Megaworld, which was the top developer in 2015. Megaworld was relegated to second (14.7%), followed by ALI (11.0%), DMCI (8.3%) and Century Properties (4.8%).

Figure 71: Market Share of Major Residential Condominium Developers in Total Inventory

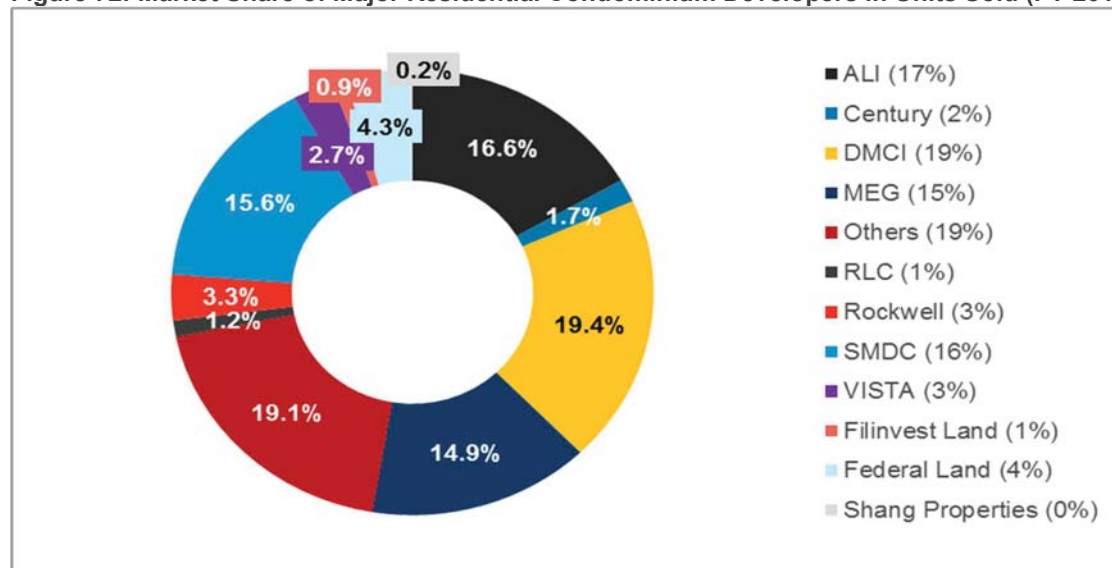


Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

Based on full year 2017 take-up, however, DMCI is the top developer at 19.4% of the total units sold throughout the year. This is followed by ALI with a 16.6% share of the total units sold. While SMDC is the top developer in unit inventory, it is only third in terms of units sold, accounting for 15.6%. This is followed by Megaworld with a 14.9% share. The top four developers combined make up more than half or 66.5% of the aggregate take-up in 2017.

Figure 72: Market Share of Major Residential Condominium Developers in Units Sold (FY 2017)



Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

7.2.5 SALES PERFORMANCE/TAKE-UP RATES

Among the actively selling projects in the covered areas, it is the Manila Bay area that has the highest percentage sold, with 93.7% of its 17,239 active units already sold out. But the area still has a little more than 1,000 units still left unsold. The graph below shows the number of sold and remaining units out of the active units in **Figure 70**.

Other areas that have sold more than 90% of its inventory include Makati Fringe (92.3%), Taguig City (91.7%), and Pasig City (90.6%). On the other hand, Paranaque is only at 58.1% sold, which is the lowest among the areas. However, Quezon City has the largest unsold stock at 5,371 units.

Figure 73: Percentage of Sold Units out of the Active Units in Metro Manila

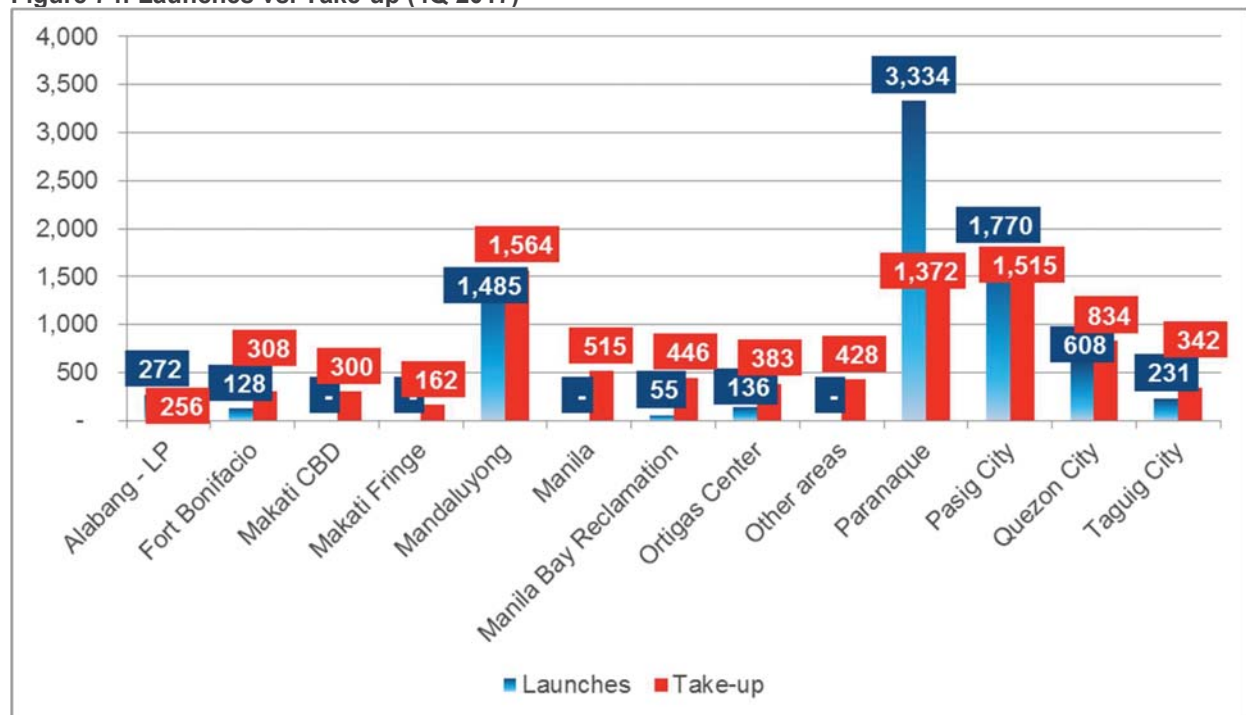


Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

Looking at the fourth quarter of 2017 sales per area, it is Mandaluyong that has the highest sales with 1,564 units sold. This coincides with the high number of new launches in the area at 1,485 new units during the 4th quarter. The launches came from two new projects, namely Kai Garden Residences Icho by DMCI with 858 new units and The Paddington Place with 627 new units. Mandaluyong is followed closely by Pasig City with 1,515 units sold and Paranaque with 1,372 sold. In terms of launches, it was Paranaque that added the highest number of new units at 3,334, mostly coming from SMDC's Bloom Residences, which launched five buildings.

Figure 74: Launches vs. Take-up (4Q 2017)



Source: Colliers International Research

Note: Mid-income, Upscale and Luxury residential condominium units only

7.2.6 TYPICAL BUYER PROFILES

Residential condominium buyers vary across locations and segments. Within CBDs in Metro Manila, such as Makati and Fort Bonifacio, a majority of the buyers are investors, both local and foreign, who are looking for investments to rent out or resell the residential units. Other typical buyers within business districts are young professionals or employees who live outside the CBDs or far from their place of work. On the other hand, for residential projects at the fringes of the CBDs, buyers are usually the end-users or families who look for housing that is fit for growing families and are outside of the busy, hectic environment of the CBDs. For areas located near educational institutions such as the Taft area, most of the buyers are the students of the schools and universities or investors who buy units or even whole floors to rent out to the student population.

A large chunk of the buyers come from the OFW market which invests in a mix of condominiums and house and lot projects. When visiting the country, OFWs typically buy condominium units to live in while the house and lot units are bought for their families or as retirement homes. These OFW buyers usually opt for upscale and luxury products in the market since they can afford to buy larger and more expensive units.

Given the prevalence of BPO companies in the Manila Bay area, typical residential buyers are the office employees working within the vicinity. Also, due to the recent growth in the online gaming industry, there has been an effect on the residential market, particularly in the Manila Bay area. Some of these gaming companies require not only office space but also housing for their employees. This has led to increased demand in the area since these buyers and investors can get multiple units or floors for their residential requirements.

7.2.7 PROFILES OF UPCOMING/NEWLY CONSTRUCTED PROJECTS

7.2.7.1 OAK HARBOR RESIDENCES LAUDERDALE, WESTPORT, ASTON TOWERS

Table 42: Oak Harbor Residences Westport Project Profile

Project Profile Details	
Project Name	Oak Harbor Residences Westport
Developer	DMCI Homes
Location	Jackson Ave. Asiadworld City, Brgy. Galo, Paranaque City
Launch Date	Oct-16
Completion Date	Jun-20
Total Units	141
Ave. Unit Size	93
Ave. TCP	12.8 M
Ave. Price/sq m	137,964
Price Segment	Luxury

Source: Colliers International Research

Table 43: Oak Harbor Residences Lauderdale Project Profile

Project Profile Details	
Project Name	Oak Harbor Residences Lauderdale
Developer	DMCI Homes
Location	Jackson Ave. Asiadworld City, Brgy. Galo, Paranaque City
Launch Date	Oct-16
Completion Date	Jun-20
Total Units	132
Ave. Unit Size	92
Ave. TCP	12.9 M
Ave. Price/sq m	136,652
Price Segment	Luxury

Source: Colliers International Research

Table 44: Oak Harbor Residences Westport Project Profile

Project Profile Details	
Project Name	Oak Harbor Residences Lauderdale
Developer	DMCI Homes
Location	Jackson Ave. Asiaworld City, Brgy. Galo, Paranaque City
Launch Date	Feb-17
Completion Date	Feb -21
Total Units	145
Ave. Unit Size	95
Ave. TCP	14.8 M
Ave. Price/sq m	161,312
Price Segment	Luxury

Source: Colliers International Research

Figure 75: Oak Harbor Residences



Source: Google images

7.2.7.2 SHORE 3 RESIDENCES TOWERS 1 AND 2

Table 45: Shore 3 Residences Tower 1 Project Profile

Project Profile Details	
Project Name	Shore 3 Residences Tower 1
Developer	SMDC
Location	Seaside Blvd. cor. Sunrise Dr., MOA Complex, Pasay City
Launch Date	Oct-16
Completion Date	Dec-20
Total Units	1,321

Project Profile Details	
Ave. Unit Size	27
Ave. TCP	4.01 M
Ave. Price/sq m	147,592
Price Segment	Mid-Income

Source: Colliers International Research

Table 46: Shore 3 Residences Tower 2 Project Profile

Project Profile Details	
Project Name	Shore 3 Residences Tower 1
Developer	SMDC
Location	Seaside Blvd. cor. Sunrise Dr., MOA Complex, Pasay City
Launch Date	Oct-16
Completion Date	Dec-20
Total Units	1,237
Ave. Unit Size	27
Ave. TCP	3.98 M
Ave. Price/sq m	147,506
Price Segment	Mid-Income

Source: Colliers International Research

Figure 76: Shore 3 Residences



Source: Google Images

7.2.7.3 THE RADIANCE MANILA BAY NORTH TOWER

Table 47: The Radiance Manila Bay North Tower Project Profile

Project Profile Details	
Project Name	The Radiance Manila Bay North Tower
Developer	Robinsons Land
Location	Roxas Blvd., Manila

Project Profile Details	
Launch Date	Feb-13
Completion Date	Jul-18
Total Units	535
Ave. Unit Size	51
Ave. TCP	6.57 M
Ave. Price/sq m	125,180
Price Segment	Upscale

Source: Colliers International Research

Figure 77: The Radiance Manila Bay North Tower



Source: Google Images

7.2.7.4 THE PROSCENIUM AT ROCKWELL KIROV AND SAKURA TOWERS

Table 48: The Proscenium at Rockwell Kirov Tower Project Profile

Project Profile Details	
Project Name	The Proscenium at Rockwell Kirov Tower
Developer	Rockwell Land
Location	Rockwell Center, J.P. Rizal Avenue, Makati City
Launch Date	Nov-12
Completion Date	2018
Total Units	187
Ave. Unit Size	236
Ave. TCP	58.53 M
Ave. Price/sq m	233,539

Project Profile Details	
Price Segment	Luxury

Source: Colliers International Research

Table 49: The Proscenium at Rockwell Sakura Tower Project Profile

Project Profile Details	
Project Name	The Proscenium at Rockwell Sakura Tower
Developer	Rockwell Land
Location	Rockwell Center, J.P. Rizal Avenue, Makati City
Launch Date	Nov-12
Completion Date	2018
Total Units	207
Ave. Unit Size	173
Ave. TCP	38.27 M
Ave. Price/sq m	205,841
Price Segment	Luxury

Source: Colliers International Research

Figure 78: The Proscenium Development



Source: Google images

7.2.7.5 MANHATTAN PLAZA TOWER 1

Table 50: Manhattan Plaza Tower 1 Project Profile

Project Profile Details	
Project Name	Manhattan Plaza Tower 1
Developer	Megaworld

Project Profile Details	
Location	Araneta Center, Cubao, Quezon City
Launch Date	Apr-13
Completion Date	2018
Total Units	633
Ave. Unit Size	43
Ave. TCP	4.68 M
Ave. Price/sq m	109,211
Price Segment	Mid-Income

Source: Colliers International Research

Figure 79: Manhattan Plaza Towers



Source: Google images

7.2.7.6 PALM BEACH VILLAS BORACAY TOWER

Table 51: Palm Beach Villas Boracay Tower Project Profile

Project Profile Details	
Project Name	Palm Beach Villas Boracay Tower
Developer	Federal Land
Location	The Metropolitan Park, Pasay City
Launch Date	Aug-13
Completion Date	2018
Total Units	266
Ave. Unit Size	38

Project Profile Details	
Ave. TCP	4.42 M
Ave. Price/sq m	116,918
Price Segment	Mid-Income

Source: Colliers International Research

Figure 80: Palm Beach Villas Boracay Tower



Source: Google Images

7.2.7.7 PIXEL RESIDENCES

Table 52: Pixel Residences Tower Project Profile

Project Profile Details	
Project Name	Pixel Residences
Developer	Aseana Residential Holdings Corporation
Location	Aseana City, 1720 Parañaque City
Launch Date	September-16
Completion Date	2019
Total Units	170
Ave. Unit Size	62
Ave. TCP	8.45 M
Ave. Price/sq m	137,191
Price Segment	Luxury

Source: Colliers International Research

Figure 81: Pixel Residences Tower



Source: Google images

7.3 SECONDARY RESIDENTIAL CONDOMINIUM FOR LEASE MARKET

For the secondary residential market, Colliers tracks five submarkets, namely, Makati CBD, Fort Bonifacio, Rockwell Center, Ortigas Center and Eastwood.

7.3.1 TOTAL STOCK

As of 2017, 96,750 residential units were completed in the five major CBDs of Makati, Fort Bonifacio, Ortigas Center, Eastwood and Rockwell. Most of the residential units or 28% of the total stock came from Fort Bonifacio, followed by Makati CBD at 26%, Ortigas Center at 18%, Manila Bay at 15% and Eastwood at 9%. Rockwell still has the lowest residential supply at 4% of the total.

By 2018, an additional 13,730 units will be added to the total stock, pushing the overall figure to 118,535 units. Residential stock in Fort Bonifacio will see the highest increase, with an estimated 9,252 units to be completed by end 2018. This will increase its share of the residential stock to 31%. Manila Bay's 8,717 units is also a significant number of new units in the area. On the other hand, no new supply is seen in Rockwell and Eastwood in 2018.

Table 53: Total Residential Stock – Major CBDs

	Makati CBD	Rockwell	Fort Bonifacio	Ortigas Center	Eastwood	Manila Bay	Total
2016	22,071	4,159	24,275	16,250	7,548	8,717	83,020
2017	24,926	4,159	27,447	17,458	8,536	14,224	96,750

	Makati CBD	Rockwell	Fort Bonifacio	Ortigas Center	Eastwood	Manila Bay	Total
2018F	27,519	4,505	36,699	18,521	8,536	22,755	118,535

Source: Colliers International Research

Note: Revised figures

7.3.2 AVERAGE RENTAL RATES

Among the five CBDs, Rockwell still commands the highest overall average rental rate for a prime three-bedroom unit, priced at PHP873 per sq. m per month. Makati CBD's rental range is significant, with the minimum at PHP532 up to PHP1,074 per sq. m per month. Ortigas Center still has the lowest rental rates with the average at PHP477 per sq. m per month. Meanwhile, average rental rates in the Manila Bay area have the highest range, going from PHP582 up to PHP1,212 per sq. m per month, with the average at PHP842 per sq m per month. This average is only lower than Rockwell's average rate. To note, most of the buildings offering units for rent are SMDC projects, which typically has smaller unit sizes compared to the other units being offered in the other CBDs.

Table 54: Average Rental Rates (4Q17)

	Average Rental Rates (PHP / sq m / mo)		
	Low	High	Average
Makati CBD	532	1,074	803
Rockwell	727	1,019	873
Fort Bonifacio	617	1,003	810
Ortigas Center	317	637	477
Eastwood	438	710	574
Manila Bay	582	1,212	842

Source: Colliers International Research

*Eastwood's rental rates are based on Grade A one-bedroom unit samples

**No rental rates for Manila Bay

7.3.3 AVERAGE CAPITAL VALUES

Similar to the rental rates, Rockwell Center still has the highest average secondary capital value among the different CBDs with a PHP221,143 per square meter average. This is followed by Makati CBD at PHP199,022 per square meter and Fort Bonifacio at PHP175,701 per square meter. Since Ortigas Center has the lowest average rental rates, it also has the lowest capital value of PHP112,189 per sq m. For capital values in the Manila Bay area, the overall average is at PHP149,318 per sq. m, which is higher than Ortigas Center and Eastwood.

Table 55: Average Capital Values

	Capital Values (PHP / sq m)		
	Low	High	Average
Makati CBD	111,680	286,364	199,022

	Capital Values (PHP / sq m)		
	Low	High	Average
Rockwell	198,000	244,286	221,143
Fort Bonifacio	111,988	239,414	175,701
Ortigas Center	68,294	156,084	112,189
Eastwood	86,754	141,502	114,128
Manila Bay	86,087	241,071	149,318

Source: Colliers International Research

7.3.4 AVERAGE OCCUPANCY RATES

Highest occupancy rates are found in Eastwood and Ortigas Center, given the limited supply in those markets. With new stock of 3,172 units being completed, Fort Bonifacio had the lowest occupancy of 84.3% among the five CBDs. Meanwhile, Rockwell recorded negative take-up despite the high occupancy of 89.3%. Since there has been no new supply since 2014 and rental rates continue to be the highest among the submarkets as well as worsening traffic, demand has shifted to the other business districts such as Makati CBD and Fort Bonifacio. For Manila Bay, occupancy is at 81.9%, the lowest among the CBDs, mainly due to the influx of new supply during the year.

Table 56: Average Occupancy Rates (FY 2017)

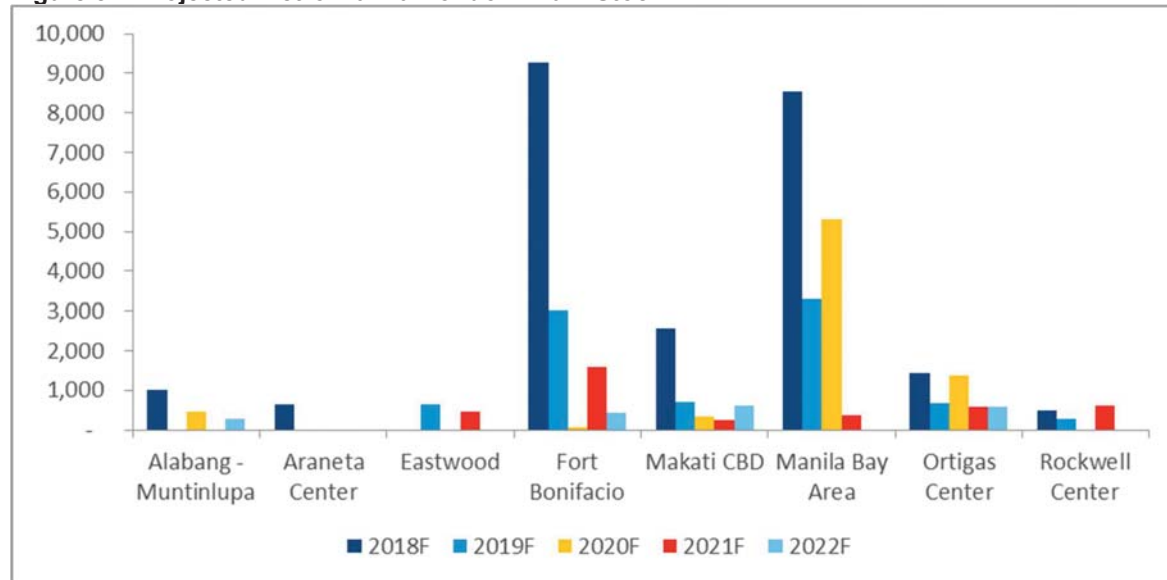
	New Supply During Year	Occupancy at Year End (2017)	Take-Up During Year
Makati CBD	2,855	86.4%	1,813
Rockwell	-	89.3%	(112)
Fort Bonifacio	3,172	84.3%	2,536
Ortigas Center	1,208	93.6%	1,423
Eastwood	988	93.3%	812
Manila Bay	5,507	81.9%	4,181

Source: Colliers International Research

7.4 PROJECTED CONDOMINIUM STOCK

Among the established and emerging CBDs in Metro Manila in 2018, most of the completed residential condominium stock will be coming from Fort Bonifacio with more than 9,000 residential units. However, from 2018 to 2022, most of the upcoming residential stock will be completed in the Manila Bay Area. The bulk of the more than 17,000 units to be built during the period will be in 2018, with an estimated 8,531 units. This will increase future condominium supply in the Manila Bay area by 123% from 2017 to 2022. Since this is only based on developer's launches and announcements, the actual supply figures from 2021 onwards may still be adjusted upwards given the strong demand for residential property in Metro Manila.

Figure 82: Projected Metro Manila Condominium Stock



Source: Colliers International Research

8 OVERVIEW OF ASEANA CITY

8.1 PROFILE OF ASEANA CITY

Aseana City is a 107.5-hectare master planned reclamation development along Manila Bay. Aseana City is situated in Paranaque City and is less than 7 kilometers away from the Makati CBD, the country's premier business and finance district. Complementary transport linkages such as the NAIA Expressway, the Southwest Integrated Terminal Exchange ("SWITex") station and the LRT 1 extension will improve urban connectivity and access to Aseana City from major transport hubs and rapidly growing population centers outside of Metro Manila, which will facilitate the development of Aseana City

Table 57: Relative Distances to Aseana City

Area	Distance to Aseana City	Est. Travel Time by Car
Makati CBD	6.9 Km	30 minutes
Bonifacio Global City/Fort Bonifacio	8.5 Km	35 minutes
Ninoy Aquino International Airport (NAIA) Terminal 1	4.1 Km	15 minutes
Ortigas Center	12.4 Km	60 minutes

Source: Colliers International Philippines Research

Figure 83: Location Map of Metro Manila CBDs



Source: Google Maps, Colliers International Philippines Research

In 1973, the government decided to undertake the Manila Cavite Coastal Road project along Manila Bay. A private proponent would be tasked to carry out the project, and was to be compensated for the effort by being given the right to reclaim land along the bay. This project was referred to as the Manila Cavite Coastal Road and Reclamation Project (MCCRRP).

D.M. Wenceslao & Associates, Inc. (DMWAI or the Company) was one of several proponents involved in the reclamation project of the Philippine Reclamation Authority (PRA). In the early 1990s, DMWAI started reclaiming the area which is referred to as Central Business Park (CBP) I-B & C. This is bounded on the north by the Redemptorist Channel and Mall of Asia Arena in CBP I-A, and in the south by the Seaside Channel CBP-II, the location of the Uniwide Coastal Mall and Metro Manila Development Authority's Southwest Integrated Provincial Transport Terminal. The Company reclaimed approximately 204 hectares of land, 107.5 hectares of which would later become Aseana City.

Figure 84: Aseana City and PAGCOR Entertainment City



Source: D.M. Wenceslao & Associates

Aseana City is envisioned as a waterfront central business district master-planned for the 21st century. As a CBD, it will feature PEZA-accredited offices that cater to BPO, POGO, IT-oriented tenants and traditional office occupiers. Around 32% of the estate has also been allocated for residential uses such as

condominiums, serving a growing middle-income population that desires to live close to city centers. Shopping centers and neighborhood retail will also be built in Aseana City to address the needs of those living and working in the district. In 2016, Ayala Land started its construction of a new super regional mall which is slated to open a portion in 2018. It will be the largest mall by the developer. Furthermore, hotels, entertainment, educational, institutional and cultural facilities will form an integral part of this CBD.

Aseana City has also been conceptualized to conform to current urban planning and design practices such as ample green and open spaces, sustainability and walkability. It employs innovative estate management systems such as CBD-wide closed-circuit television (CCTV) surveillance and emergency notification alarm systems in order to heighten safety and security in the area. Environmentally friendly public transportation services are offered in Aseana City to provide access between the CBD and nearby transit stops and points of interest.

Aseana City is overseen by the Aseana Business Park Estate Association (ABPEA), which is comprised of lot owners and tenants of Aseana City. ABPEA ensures that the estate restrictions and master development standards are complied with by all lot owners and tenants, and that the estate is being used and developed according to its covenants. The master development standards include restrictions on land use, development density, gross floor area, building heights, materials used in the construction, landscaping, easements and other design and usage parameters. Apart from securing permits from the Paranaque City planning office and other government agencies, lot developers in Aseana City must also get the approval of ABPEA, which checks if the estate restrictions have been complied with. ABPEA has contracted with Aseana Real Estate Services and Management Corporation to operate, administer and maintain ABPEA operations and the estate properties in Aseana City, and with U-City Technologies Philippines, Inc. to construct and operate a public safety infrastructure., both of whom are subsidiaries of Aseana Holdings, Inc.

The key defining feature of Aseana City is the strategic presence of PAGCOR Entertainment City, which is now known as the country's gaming and entertainment district. Out of the aggregate area comprising the CBP-I B&C reclamation, PRA acquired title to a property with more than 80 hectares, which it then sold to PAGCOR. On this land, PAGCOR established the PAGCOR Entertainment City (also referred to as the Bagong Nayong Pilipino Entertainment City Manila), with the vision to establish a casino district similar to Las Vegas. PAGCOR issued four licenses to various groups to build, own and operate integrated resort casinos in PAGCOR City. These were awarded to Bloomberry Resorts Corp. (Solaire Resort & Casino), Belle Corp. (City of Dreams Manila), Travellers International Hotel Group, Inc. (Resorts World Bayshore) and Tiger Resorts Leisure and Entertainment Inc.

Solaire Resort and Casino, owned by Enrique Razon's Bloomberry Resorts Corp., was the first casino development to be completed in Entertainment City in 2013. Solaire occupies around 8.3 hectares within Entertainment City. With an investment of over USD1.2 billion, the initial phase of the casino has an estimated gaming area of 18,500 sq m, with 1,200 slot machines and 300 gaming tables, 500 hotel rooms, retail as well as live entertainment and various restaurants.

City of Dreams Manila was the second casino to open in Aseana City, occupying 6.2 hectares. It was developed in partnership by Belle Corporation, a partnership between Henry Sy and Willie Ocier, and Melco Crown Entertainment, the casino operating outfit of Macau's Stanley Ho. City of Dreams had its grand opening on Chinese New Year's Day in February 2015. The casino is licensed to have 365 gaming tables, 1,680 slot machines and 1,680 electronic games. The casino recently opened a 365-room Hyatt Hotel, the boutique Nobu Hotel of chef Nobu Matsuhisa, and the luxurious Crown Towers Hotel. When fully completed, City of Dreams Manila will have six hotel towers with around 950 hotel rooms. City of Dreams also features 60,000 sq m of retail space, including the Dreamworks cartoon-themed activity center called Dreamplay.

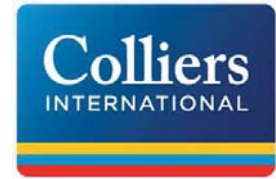
Alliance Global Group, Inc., the holding company which owns real estate developer Megaworld, will develop the Westside City Resorts World in partnership with Travellers International Hotel Group, Inc. in an area covering 100 hectares overall. Initially targeted to be completed in the 4th quarter of 2016, Westside Resorts World's completion date was pushed back to 2020. High-end condominium projects by Megaworld in the planned development are already being marketed.

Tiger Resorts Leisure & Entertainment Inc., owned by Japanese gaming mogul Kazuo Okada, built the Universal Manila Bay Resorts, which was rebranded as Okada Manila in 2016. After experiencing several delays, the casino complex officially opened in March 2017. With a projected investment cost of USD 2.4 billion, the resort casino covers 26,000 sq m of gaming area, 1,000 rooms, and 8,400 sq m of shopping space within the complex. The centerpiece of the complex is multi-colored dancing fountain occupying 37,400 sq m of space and is worth USD 30 million. Furthermore, an events venue called Cove Manila, covers 9,000 sq m and features an indoor beach club.

In June 2017, Mr. Okada of Okada Manila was ousted as director, Chairman and CEO of Tiger Resorts Leisure and Entertainment Inc. by its parent company, Universal Entertainment in June 2017. More recently, two lawsuits against Kazuo Okada were filed by Tiger Resort Asia Ltd, for allegedly committing fraudulent acts. However, despite the incidents, the casino resort continues to be operational.

Apart from the presence of PAGCOR Entertainment City, the following types of locators are currently found in Aseana City:

- Offices – DMWAI has completed two PEZA-accredited buildings in Aseana City, called Aseana One (30,000 sq m GLA) and Aseana Two (12,285 sq m GLA). Among its prominent tenants are Teletech, ACS Xerox, One Trilogy, Philippine EDS Techno-Service Inc., and V. Ships Manila. Aseana Power Station is a mixed use commercial building with an office component, and holds Aseana Holdings' headquarters.
- Retail – one of the first locators in Aseana City is S&R Membership Shopping, a warehouse shopping club and wholesale & retail supermarket chain that focuses on imported goods. S&R is



a unit of Puregold Price Club, Inc., one of the leading retail companies in the Philippines. The integrated resort casinos also have their own retail components, focusing on high end goods.

Several specialty retail and neighborhood retail outlets are also found in Aseana. Ford and Subaru currently have car dealerships within the district. Aseana Powerstation also has a retail component with restaurants and cafes. Gasoline stations are also found in Aseana City to provide ancillary retail. Furthermore, Aseana Square and Aseana Town Center primarily house retailers offering various products and services.

- Education – Several international schools now call Aseana City home. The Singapore School moved from its old location in Magallanes Village, Makati to Aseana City in 2014. The King's School Manila also located in this CBD to address the growing demand for quality education in the area.
- Residential – Several residential condominiums are being built in the area by Anchor Land Holdings Inc., a well-known developer. This includes Solemare and Monarch Parksuites. DMWAI
- Hotels – As mentioned earlier, the Solaire casino has a luxury hotel, and the City of Dreams has three hotels positioned towards different segments of the market. Okada Manila also recently opened 300 rooms, with 730 rooms still slated to be opened. Apart from these, Red Planet Hotels (formerly Tune Hotels) have also established a branch in Aseana City.
- Institutional – Aseana is the site of the Department of Foreign Affairs (DFA) Consular Office, where passports to Philippine nationals are issued.
- Specialty Uses – Blue Leaf Events Pavilion is one of the locators in Aseana City, providing an event venue for weddings, parties and all types of gatherings.

Figure 85: Aseana City Locators Map



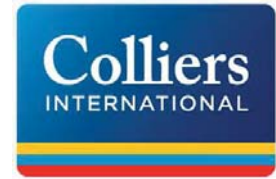
Source: D.M. Wenceslao & Associates

8.2 OVERVIEW OF UPCOMING DEVELOPMENTS IN THE VICINITY

8.2.1 ASEANA CITY

DMWAI continues to expand through several development projects in Aseana City:

- Residential - In September 2016, DMWAI launched the 170-unit Pixel Residences comprising a mixture of studios, 1-bedroom and 2-bedroom units. With an average total contract price (TCP) of PHP 8.4 million and price per sq m of around PHP 137,000, the project was sold out by June 2017. It is expected to be completed by 4Q 2019. Furthermore, DMWAI targets to launch Parkside Place 1 & 2, which are expected to be completed by 2021 and 2022, respectively.



- Office - With two PEZA-accredited office buildings already completed in Aseana City, DMWAI is currently constructing Aseana Three and Four. Aseana Three is expected to complete in 1Q 2018 and to date it has been fully leased out. Aseana Three and Aseana Four will be built by 1Q 2020. In addition, three more office buildings, Aseana Five, Aseana Six and Aseana Seven are currently under planning.
- Retail - In April 2015, Ayala Land announced that they have entered into a 45-year lease agreement with DMWAI for a 9.2-hectare property in Aseana City. Ayala Land announced that a PHP12 billion mixed use development will be built, with a 232,000 sq m shopping center, BPO offices and a 325-room hotel. The first phase of the Ayala Land shopping mall component is anticipated to be completed by the end of 2018 while the second phase will follow by the 4th quarter of 2019. The development of a mixed-use commercial and office development in Aseana City will further boost the growth of the area as it offers different segments suited for the needs of those working and living in the area. It will complete the retail offering for the CBD by adding more non-food retail options in the area.

8.2.2 BAY CITY

Apart from Aseana City, the Bay City has several other developments that are being master-planned as mixed use commercial and residential.

8.2.2.1 SM MALL OF ASIA COMPLEX

Developed by the SM Group, the largest retailer in the Philippines, the 60-hectare SM Mall of Asia (MOA) Complex is located in what is known as Central Business Park (CBP) I-A of the Bay City Reclamation Project. The Mall of Asia is now one of the largest malls in the world with a gross leasable area of 536,000 sq m.

Figure 86: E-Com Center Perspective



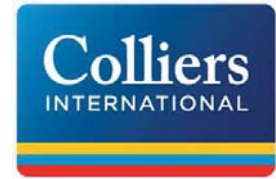
Source: SM Prime Holdings, Inc.

The area has turned into a mix-used property featuring the residential, office and entertainment components. There are still around 23 hectares of remaining land bank for future development in the MOA complex. In April 2015, SM Prime Holdings opened Five E-com Center, the third of the envisioned six-building complex. Three more are expected to add to the total office stock: Three E-Com Center in 2Q 2018, Four E-Com Center in 1Q 2020 and Six-Ecom Center, adding a total of 210,000 sq m of sellable area.

8.2.2.2 DOUBLEDragon MERIDIAN PARK

DoubleDragon Properties partnered with Carto Meridien to develop 4.7-hectares in CBP-IA. The joint venture awarded their construction contract to Megawide Corporation in 1Q15 to commence development of the first phase of the mixed-use complex. The property will comprise office, commercial and serviced apartments which are targeted to be completed by 2020. The first phase is the construction of the DoubleDragon Plaza at the DD Meridian Park. This development will consist of four office towers that are seen to primarily cater to the BPO industry. It intends to obtain a LEED certification for the development of the property. The first tower in the development, Meridian Park Tower 1 was completed in 4Q 2017, with around 33,900 sq m of leasable space. As of 1Q 2018, Meridien Tower 1 has a 91% occupancy rate with one whole floor still available for lease.

Meanwhile, Meridian Park Towers 2, 3 and 4 are slated for completion in the first half of 2018 while Tower 5 will be completed in 2Q 2019 and Tower 6 in 4Q 2019. When finished, the six buildings will add a total of 161,000 sq m of office stock in DoubleDragon Meridian Park.



8.2.2.3 METROBANK/FEDERAL LAND METROPOLITAN PARK

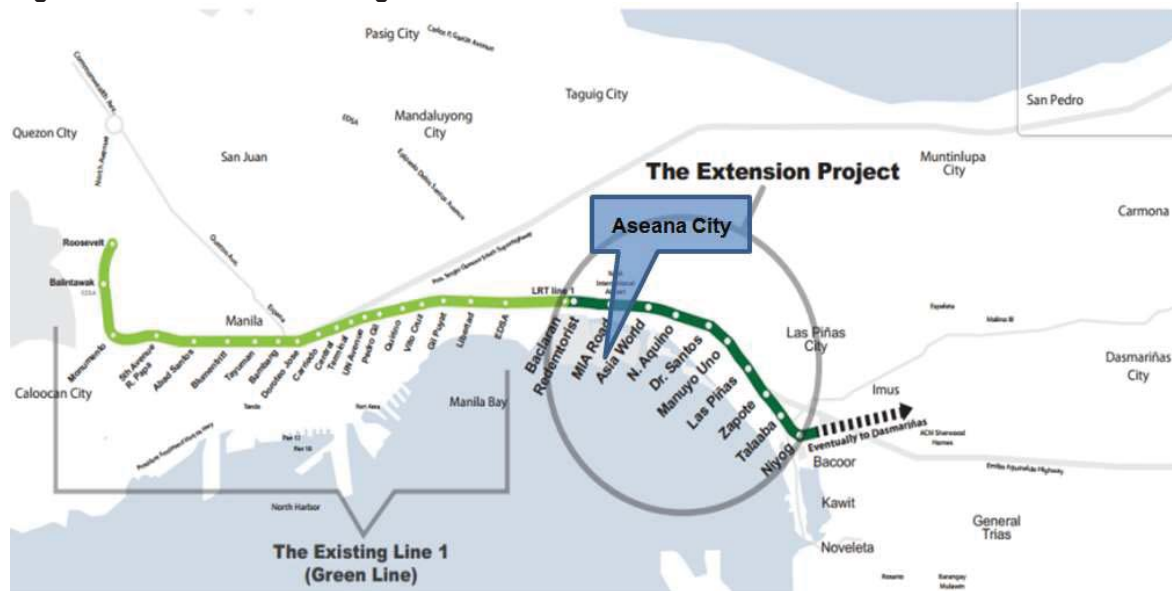
Developed by Metrobank and its real estate arm Federal Land, the 38-hectare Metropolitan Park is seen to be the first of its kind with a specialized flood control system. The development is a mixed-use property and self-contained residential, commercial, office and institution complex. It features resort-themed residential communities such as the Bay Garden Club and Residences, SixSenses Resort and Palm Beach Villas.

The development also has a commercial and retail space which features dining and leisure destination in the Mega Bay City area. One of its recent projects is the iMet BPO, which is a 12-storey building with a typical floor plate of around 2,000 sq m. The building is designed to cater to the growing BPO industry and was completed in the third quarter of 2016. Aside from its office component, Federal Land is expanding its retail footprint with Blue Wave Mall Phases 1 and 2. While Phase 1 was completed in 3Q 2017, Phase 2 will complete by 4Q 2018.

8.3 UPCOMING INFRASTRUCTURE AND THE EFFECT ON ASEANA CITY

Several major infrastructure projects are in the pipeline that will have a significant impact on Aseana City. The LRT-1 extension will extend the existing LRT line and improve the access from Cavite into Metro Manila, and shall benefit the Bay Area directly. The 11.7 km. extension to LRT Line 1 will start at Baclaran Station and will terminate at the Niyog Station in Bacoor, Cavite. This will add ten new stations to Line 1 by 2021. As of September 2017, LRT-1 extension is currently undergoing construction activities, Right-of-Way (ROW) acquisition, and finalization of alignment.

Figure 87: LRT-1 Extension Alignment and Stations



Source: PPP Center

As part of the government's plan to alleviate traffic by restricting provincial buses from the metropolis, the Southwest Integrated Transport System (ITS) is being built in Central Business Park II, which is located in between Aseana City and Asia World. Southwest ITS will be the ending terminal of provincial buses coming from the south. It will connect passengers coming from Cavite to other transport systems such as the future LRT Line 1 South Extension, city bus, taxi, and other public utility vehicles that are serving inner Metro Manila. The P3 billion project is expected to be completed by the 2nd quarter of 2018. As of December 2017, construction was 51% complete.

The Cavite-Laguna Expressway (CALAX) will be a new toll road connecting the Manila-Cavite Expressway (Cavite) to South Luzon Expressway (SLEX) by passing through areas of Cavite and Laguna, allowing easier passage by residents in the area to Metro Manila. Connecting two major toll roads, the CALAX Expressway will start from the CAVITEX in Kawit, Cavite and will end at the SLEX-Mamplasan Interchange in Biñan, Laguna running a total of 47 kilometers. The CALAX will positively impact Aseana City by facilitating faster travel to a large portion of the nearby population. The first phase, which runs from the Mamplasan Interchange in Binan Laguna to Laguna Boulevard, is slated to open to motorists by December 2018.

Figure 88: Cavite Laguna Expressway (CALAX) Alignment



Source: PPP Center

Lastly, the Mass Transit System Loop subway project is ambitiously being pushed by the Department of Transportation and Communications (DOTC) and has been given initial approval by the National Economic Development Authority (NEDA). The 12-kilometer underground rail line shall connect the business districts of Makati, Fort Bonifacio and Bay City. If this pushes through, it may be the most expensive infrastructure project in the history of the Philippines, with an estimated cost of PHP374 billion. It is currently undergoing a detailed feasibility study to determine the viability of the project.

Figure 89: Mass Transit System Loop (MTSL) Possible Alignments



Source: PPP Center

8.4 COMPARISON OF ASEANA CITY WITH OTHER MAJOR CBDs AND EMERGING DISTRICTS

Aseana City, located within the Bay City Area has its own comparative advantage versus other established, CBDs such as Makati, Ortigas and Fort Bonifacio. In terms of size, the Aseana City standalone is slightly larger than Makati CBD, Ortigas Center or even the combined districts in Fort Bonifacio. Furthermore, the established CBDs of Makati, Ortigas Center and Fort Bonifacio are significantly built up. There are little or no vacant plots. Most new developments are redevelopment of existing land and building except for redevelopment.

While there is significant completed stock of office buildings and residential condominiums in the established CBDs, Bay City's key competitive advantage is the ability and flexibility to adopt the latest trend and best practices in development given it is relatively undeveloped and possess vast untapped land. Furthermore, Bay City area epitomizes the "live-work-play trend with SM Mall of Asia, Mall of Asia Arena, integrated resort such as City of Dreams, Solaire, Okada, Federal Land's Blue Wave Mall and Blue Bay Walk, and the upcoming Ayala shopping center. Homebuyers and renters also could find a wide array of residential condominium options ranging from affordable to luxury units, and the number of units are increasing as more developers come in.

Table 58: Comparison of Major CBDs

	Makati CBD	Ortigas Center	Fort Bonifacio	Eastwood City	Alabang	Bay City/ Manila Bay Reclamation	North EDSA Quezon City Triangle
Total Land Area (approx., in hectares)	92	100	172	17	271	700	250
Total Office Space (sq m NUA)	2,890,318	1,455,478	1,708,801	300,264	509,080	368,932	340,533
Total Retail (sq m GLA)	555,141	580,977	493,256	25,000	499,969	618,899	568,304
Total Residential Condominiums (Units)	24,992	21,320	31,588	11,364	8,549	21,138	33,252
No. of Hotel Rooms within CBD	3,168	2,615	998	273	1,656	4,244	1,703
Public Transportation	Bus, Jeepney, UV Express Van, Light Rail	Bus, Jeepney, UV Express Van, Light Rail	Estate-operated Bus; Jeepney, UV Express Van (limited access); Subway (planned)	Jeepney, UV Express Van (outside of CBD only)	Jeepney, Bus, UV Express (limited access)	Jeepney, Bus, UV Express Van, Light rail (planned)	Bus, Jeepney, UV Express Van, Light Rail
Proximity to NAIA Terminal 1 (km)	8.8	14.3	10.5	17.9	16.3	4.1	21.3
Population within 5km radius (est. 2014)	1,986,506	1,862,241	1,826,569	1,210,361	746,932	1,014,300	1,792,330

Source: Various developers; Colliers International Philippines Research

Notes: Makati CBD land area represents MACEA administered area. Fort Bonifacio includes Bonifacio Global City, Federal Land Veritown, Megaworld Uptown Bonifacio and McKinley Hill. Alabang includes Filinvest City and Madrigal Business Park. Manila Bay Reclamation includes Bay City developments such as CCP, PNB, Aseana City, Uniwide, and Asiaworld. North EDSA-Quezon City Triangle is based on the Quezon City Central Business District plans, which includes Ayala Land Vertis North & Trinoma, and Eton Centris. As of end-2017.

Fort Bonifacio is slowly eclipsing Makati CBD because of the availability of land in the area, better urban planning and design, and newer buildings with more modern architecture. However, it is significantly restricted by lack of public transportation and access roads. While there is an estate-operated bus system, the number of buses and frequency of trips are limited. This is aggravated by the fact that since Fort Bonifacio was a former military base, it was designed to have limited access roads, which constricts the connectivity into and out of the CBD. Aseana City has the advantage of multiple entry points and the construction of new public transportation and road infrastructure such as the LRT-1 light rail extension and the Airport Expressway Link.

Aseana City is also differentiated by the presence of PAGCOR Entertainment City which features integrated resorts comprising expansive gaming component, quality hotel accommodations and food & beverage offerings. It is envisaged that a further 3,000 rooms will be added by 2020, which represents almost 70% of the new room supply in Metro Manila. Most importantly, these integrated resorts also host small and large scale Meeting, Incentive, Convention and Exhibition (MICE) events. Taking an example from Las Vegas, it is noted that MICE activities actually feeds the gaming industry by bringing in the clients

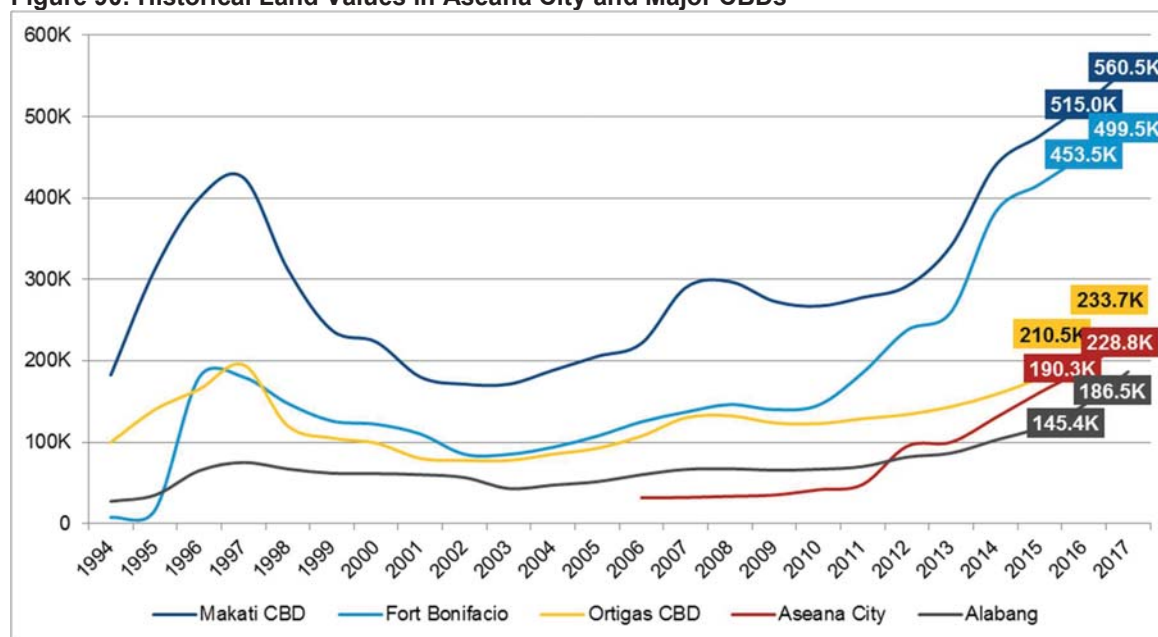
through business- and convention-related events. In that regard, it is conceivable that Aseana City and the rest of Bay City may eventually become the MICE capital of the Philippines, and these events will define the “live-work-play” landscape in Aseana City.

Some master-planned developments are developed entirely by one developer, leading to a controlled yet antiseptic or contrived environment. With DMWAI selectively selling land lots individually while retaining the majority of its land holdings, Aseana City can grow organically and become more diverse, as the individual lot owners could pursue their own development programming as long as they are in line with the building design guidelines of Aseana City. This makes it a more exciting urban environment for its dwellers and visitors. Furthermore, competing developers would not be constrained from coming into the CBD, as they are free to buy or lease lots from DMWAI, unlike in some township developments wherein all lots are controlled by one developer. This would provide a more interesting development mix that would be more akin to the likes of true CBDs such as the Makati CBD and Fort Bonifacio.

Due to the depletion of land in Metro Manila and the rising demand to live and work near the city centers, land values in the major CBDs have rapidly increased. Makati CBD registered the lowest growth at 8.8% from PHP514,997 to PHP560,487 per sq m in 2017. Ortigas Center and Fort Bonifacio’s growth were at almost the similar rate at 10.1% and 11%. Meanwhile, Aseana City recorded the highest increase at 20.2%, ending at PHP228,814. In 2018, it is forecasted that Aseana City will surpass land values of Ortigas Center as the area is already being recognized as an emerging CBD in Metro Manila.

Gross floor area limitations have a tangible effect on land values. Master-planned commercial estates such as Makati CBD, Bonifacio Global City and Aseana City typically impose a standard floor area ratio (FAR) to control building density and overbuilding, and to indirectly effect height limitations that are enforced on the immediate vicinity. For example, due to its proximity to the airport, Aseana City has an average FAR of 7, while in Bonifacio Global City, which is further from the airport but may still be on the flight path, an FAR of 15 is the highest. Comparatively, Makati has a typical maximum FAR of 16 because it is much further away from the airport. On the other end of the spectrum, some Ortigas Center lots generally have an FAR of 10 and must adhere to the National Building Code, which imposes a maximum height limit. The Civil Aviation Authority of the Philippines (CAAP) imposes the building height limitations on certain areas that are near airports.

Figure 90: Historical Land Values in Aseana City and Major CBDs



Source: Colliers International Philippines Research; Aseana City

Note: Aseana City land values based on developer's transacted land sales

Since these restrictions put a limit on what the maximum gross floor areas could be and how much usable space there will be depending on the lot's location and maximum allowable FAR, values of the land can vary widely to take account of the space that could ultimately be built. In order to compare the inherent land values of lots with different allowable FARs, accommodation values are calculated. This is the value of the land divided by the maximum allowable FAR for the particular lot.

Table 59: Estimated Accommodation Values Based on Allowable FAR per CBD (2017)

Submarket	Ave. Land Value (PHP / sq m)	Allowable FAR	Accom. Value (PHP / sq m)
Makati CBD	560,487	16	35,030
Fort Bonifacio	499,491	12	41,624
Ortigas Center	233,678	10	24,883
Alabang	186,488	12	15,541
Aseana City	228,814	7	32,688

Source: Colliers International Research

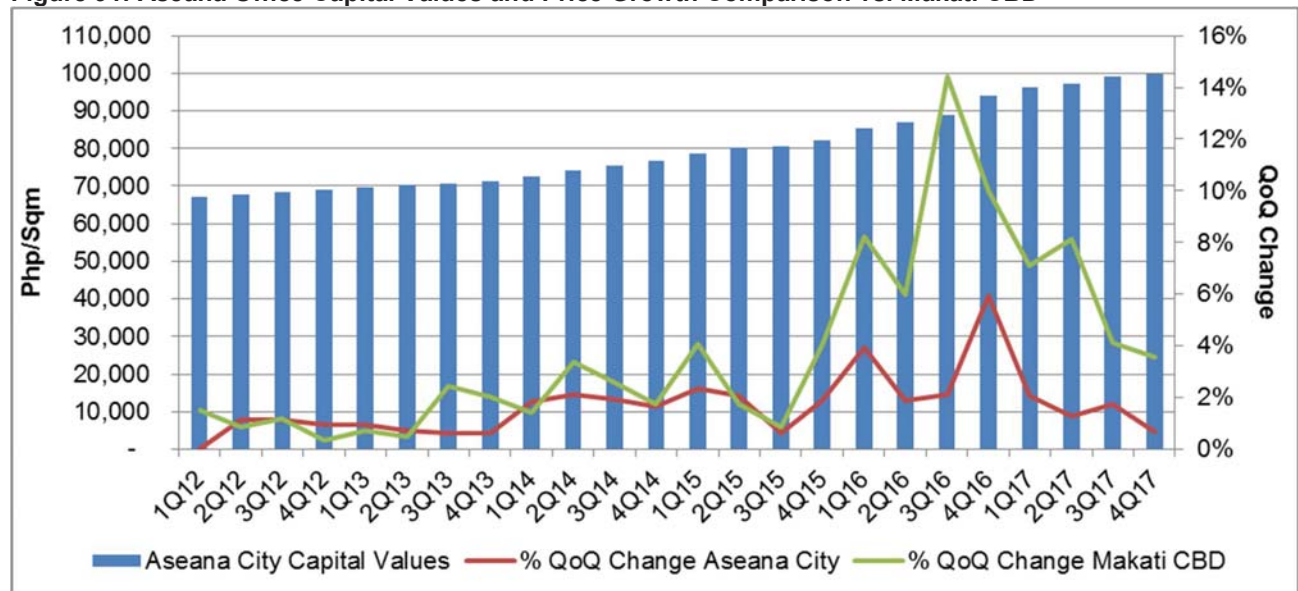
Note: Based on typical FARs found in the respective CBDs, assuming no additional FAR is bought by the developer. Ortigas Center FAR is assumed since some lots adhere to the maximum building height imposed by the National Building Code instead of an FAR restriction.

From the table above, we find that Aseana City has been appreciating quite well especially in light of Makati and Fort Bonifacio, and has a higher value on a per sq m basis compared to Ortigas Center and Alabang. This is most likely due to its proximity to Makati CBD, the presence of the integrated resort

casinos, the recent office, residential and retail projects that are being pursued, and the infrastructure being put in place. Colliers foresees that as developable land in established CBDs become scarcer, Aseana City accommodation values will continue to rise and approach values in Makati and Fort Bonifacio.

Office capital values have also been rising steadily in Aseana City, supported by low vacancy rates due to the lack of office supply in the area. Even if new supply within the Manila Bay Reclamation area is expected to increase with the addition of around 200,000 sq m of stock by 2018, overall vacancy is forecasted to remain below 5%. The continuing demand particularly from the offshore gambling industry is anticipated to take-up the new space to be completed in the coming months. Office capital value growth is still slower compared to Makati CBD, but the growth is expected to increase to around 4% to 5% in the following months, higher than Makati's 2% to 4%.

Figure 91: Aseana Office Capital Values and Price Growth Comparison vs. Makati CBD



Source: Colliers International Philippines Research

Demand for housing in the Bay City area has been growing since residential developments have started appearing in the area. Roxas Boulevard has always been popular as a condominium investment location, most especially with foreign property investors, due to the charm of the Manila Bay sunset and the proximity to old Manila. With the development of the Mall of Asia Complex, SM Investments Corp. through its residential development arm SMDC, also introduced affordable residential condominiums such as Shell Residences and Shore Residences. Most of the buyers of these projects are end users and OFWs. On the other hand, Metrobank's Federal Land decided to pursue high end condominium developments in its Met Park project. In Aseana City, Anchor Land pursues mid- to high-end developments in its Solemare Park Suites and Monarch Park Suites projects. These higher end projects attract both local and foreign

investors. There has been an upswing in investment from investors within Asia, particularly Hong Kong and Singapore, because of the increasing economic prospects in the Philippines.

The emergence of office developments in and around Aseana City has caused demand for residential developments to increase. It is foreseen that office developments would continue, especially considering the relatively lower price of land in Aseana compared to other established CBDs, as well as the proximity to large labor pools in the vicinity. Naturally, these offices will create a demand for conveniently located housing. The nearby retail offerings would also entice end users to move in due to its proximity to a good array of shopping choices, from SM Mall of Asia to S&R Membership Shopping, to the luxury retail outlets in the various casinos. The presence of topnotch schools would also attract families to locate to the area. And if any of the family members work in the other established CBDs such as Makati, they could use any of the numerous infrastructure projects that are being put in place to provide better accessibility to Aseana City.

The presence of the integrated resort casinos also makes a compelling argument for high end residential condominium development and investment in the area. Apart from the gaming component, these integrated resorts offer an enticing array of F&B, shopping and entertainment options, making it desirable for a luxury home buyer to move close by. The success of Megaworld's Newport City condominiums, which are a stone's throw away from Resorts World Manila, shows that these developments complement each other and can be viable.

Condominium units in the Bay City area are competitively priced compared to the major CBDs. While condominiums had an average price of PHP12.3 million in the major CBDs listed below, those in the Manila Bay Area had an average price of PHP5.9 million. The lower price is due to the presence of affordable segment condominiums developed by SMDC in the Mall of Asia Complex.

Table 60: Average Total Contract Prices per Condominium Unit by CBD (in PHP)

Area	2011	2012	2013	2014	2015	2016	2017
Alabang - LP	2.6 M	2.7 M	4.7 M	5.0 M	4.0 M	4.4 M	4.4 M
BGC	6.7 M	8.2 M	9.5 M	14.9 M	15.2 M	16.2 M	14.0 M
Makati CBD	11.3 M	11.0 M	13.6 M	16.5 M	16.2 M	21.2 M	43.7 M
Ortigas Center	4.4 M	6.7 M	6.8 M	8.0 M	8.3 M	9.3 M	10.2 M
Manila Bay Area	4.1 M	4.9 M	4.8 M	5.7 M	5.5 M	5.9 M	5.9 M
Overall Average	6.5 M	7.2 M	8.0 M	9.9 M	8.8 M	10.0 M	12.3 M
% Price Change							
Area		2012	2013	2014	2015	2016	2017
Alabang - LP		4.5%	72.1%	5.0%	-19.2%	8.6%	2.2%
BGC		21.5%	16.2%	56.0%	2.3%	6.7%	-13.7%
Makati CBD		-2.5%	24.3%	20.7%	-1.8%	30.9%	106.6%
Ortigas Center		54.8%	0.7%	18.1%	3.2%	12.6%	9.5%

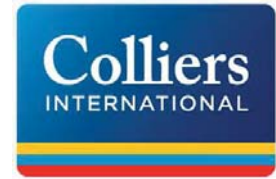
Area	2011	2012	2013	2014	2015	2016	2017
Manila Bay Area		17.7%	-1.9%	19.7%	-3.9%	6.7%	0.5%
Overall Average		10.8%	11.1%	23.9%	-11.5%	13.7%	22.4%

Source: Colliers International Research

Note: Based on actively selling projects for the period. Availability of projects in various pricing segments can affect the overall averages.

8.5 SUMMARY OF FACTORS FAVOURING ASEANA CITY'S DEVELOPMENT AS A CBD

- Aseana City is the only CBD in Metro Manila with a casino and entertainment district** – While Newport City in Pasay is considered as an integrated resort casino with retail, residential and office components, it cannot be considered as a central business district because of its limited size. Only Aseana City has the flexibility of offering both gaming and resort hotel components as well as office, retail and residential developments. The three completed casino resorts, Solaire, City of Dreams, and Okada Manila, as well as the Ayala Mall development, are expected to bring substantial new traffic to Aseana City, introducing further vibrancy to the CBD, and draw tenants and residents into Aseana City.
- Accessibility** – As mentioned above, the numerous existing and planned infrastructure benefits those living, working, studying and playing in Aseana City. A major infrastructure project that will benefit Aseana City is the airport connector road, which would put Aseana City at par with Makati City in terms of accessibility for international business. The LRT Line 1 extension and planned southwest integrated terminal station would also improve access from Aseana City to multiple business nodes in Metro Manila.
- Growing Population Base** – Cavite is the province directly south of Paranaque City, and is known as Metro Manila's suburban community where a large portion of the workforce lives due to cheaper property values. While the national population growth rate between the years 2010 and 2015 in the Philippines and Metro Manila were 1.7% and 1.6%, respectively, Cavite's grew to 3.4% annually in the same period. This is double the national average. This indicates that there is a huge population base for both workers supplying manpower, and possible consumers and users of the retail, educational and entertainment components of the CBD. Due to its proximity to Cavite, Aseana City can take advantage of this population base.
- Central and progressive planning** – Established CBDs such as Makati and Ortigas have already matured and have limited flexibility in terms of implementing urban design measures that are appropriate for the 21st century. Aseana City is implementing innovative estate management systems such as surveillance CCTVs and emergency notification alarms dispersed all over the business district that allow a higher level of safety and security. Also, ABPEA, which requires compliance of developers with Aseana City's master plan and construction guidelines, ensures that Aseana City develops in a coherent manner and that the vision of the master plan is achieved.



- **Aseana City is part of an emerging commercial district which includes the other developments in Bay City**, namely the Mall of Asia Complex, Met Park, PAGCOR City and Asia World. While office developments are already being pursued in the area, none are emerging as a true center or downtown for the district. Given that Aseana City is still not fully built up, it has a clean slate to establish itself as the downtown and central business area for the Manila Bay Area.
- **Potential to become operating base of companies in the Entertainment City.** Besides catering to the BPO sector, Aseana City is poised to attract companies in the gaming, media, leisure and entertainment sectors providing services in the Entertainment City
- **Further room to grow** - Aseana City still has future developable sites for expansion, whether in the office, retail, residential or entertainment space. This could attract end users who do not want to be constrained by restricted available land area or who do not wish to redevelop in an area with a planned positioning of a property that is not in line with the surrounding environment in established CBDs such as Makati, Ortigas and even Fort Bonifacio. Furthermore, land and property prices remain low compared to the more established CBDs.

9 ANNEX

9.1 PEZA REGISTRATION OF I.T. PARKS AND BUILDINGS

IT Parks and Buildings Located in Metro Manila ~ the area that covers the 16 cities of Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Paranaque, Pasay, Malabon, Navotas, Taguig, Pasig, Quezon, San Juan and Valenzuela and the municipality of Pateros.

PEZA shall register IT Parks and Buildings located in Metro Manila, to serve as locations for PEZA-registered IT Enterprises, subject to the following conditions:

- An IT Park or Building in Metro Manila may be existing, new or proposed complex or building with a minimum available business floor area of 5,000 sq m (including common areas such lobbies, elevator / stairways, corridors, wash rooms / rest rooms / toilets and utility areas, but excluding parking areas and roof gardens);
- IT Parks and Buildings in Metro Manila shall provide the following minimum facilities required by tenant IT Enterprise:
 - High-speed fiber-optic telecommunication backbone and high-speed international gateway facility or wide-area network (WAN); or any high speed data telecommunication system that may become available in the future;
 - Clean, uninterruptible power supply; and
 - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc.) Optionally, IT Parks and Buildings in Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities.
- Owners and /or developers of PEZA-registered IT Parks and Buildings in Metro Manila shall not be entitled to enjoy PEZA incentives; provided that owners and /or developers of IT Parks in Metro Manila already covered by Presidential Proclamations and / or approved by the PEZA Board prior to the PEZA Board approval of this Guidelines, including facilities-providers in such IT Parks, shall be entitled to PEZA incentives.
- IT Parks and Buildings located in Metro Manila shall become operational (i.e., authorized to serve as location for PEZA-registered IT Enterprise) only upon the issuance of the required Presidential Proclamation.

IT Parks To Be Located Outside Metro Manila

PEZA shall register IT Parks outside Metro Manila, subject to the following conditions:

- IT Parks outside Metro Manila shall have a minimum land area of five (5) hectares;
- IT Parks outside Metro Manila shall provide the following minimum facilities required by locator IT Enterprises:
 - High-speed fiber optic telecommunication backbone and high-speed international gateway facility or wide-area network (wan); or any high speed data telecommunication system that may become available in the future;
 - Clean, uninterruptible power supply; and
 - Computer security and building monitoring and maintenance systems (e.g. computer firewalls, encryption technology, fluctuation controls, etc). Optionally, IT Parks outside Metro Manila may also provide IT business and technology incubation centers and facilitate access of locator IT Enterprises to IT research and development centers and training and educational institutions / facilities.
- IT Parks located outside of Metro Manila shall become operational (i.e., authorized to serve as location for PEZA-registered IT Enterprises) only upon the issuance of the required Presidential Proclamation.
 - Owners and / or developers of PEZA-registered IT Parks outside Metro Manila, including facilities providers in the IT Parks, shall be entitled to avail of the following incentives:
 - Income Tax Holiday for four (4) years, or six (6) years for IT Zones located in less developed areas listed in the investment Priorities Plan, on income earned from locator IT Enterprises and related operations.
 - After the ITH period, the option to pay a special 5% tax on gross income earned from locator IT Enterprises and related operations, in lieu of all national and local taxes, except real property taxes on land owned by developers;
 - Permanent resident status for foreign investors with initial investments of USD 150,000.00 or more; and
 - Employment of non-resident aliens required in the operation of IT Enterprises.

Requirements for PEZA Board Consideration, President Proclamation and Registration of IT Parks and Buildings

Owners /developers of IT Parks and/or Buildings may apply for PEZA registration by submitting the following requirements:

- PEZA Board Consideration of a Proposed IT Park or Building
 - Application Form (notarized)
 - Anti-Graft Certificate (notarized)
 - SEC Registration Certificate and updated Articles of Incorporation;
 - Board Resolution authorizing the filling of application with PEZA and designating the representative(s) authorized to transact registration with PEZA;
 - Audited Financial Statements (for the last three (3) years of operation, for existing companies)
 - IT Park / Building Projects Description and / or Feasibility Study, which should provide, among other, information on the financial capability of the proponent, present and proposed land use of the area for the IT Park / Building, and development plan and schedule for the proposed IT Park / Building;
 - Vicinity map reflecting the various land uses and important verifiable landmarks within one (1) kilometer radius of the project site
 - Proof of land ownership or any perfected contract / document confirming the applicant's authority / clearance to use the land for the establishment of the proposed IT Park / Building
 - Endorsement by the Sangguniang Bayan / Panlungsod of all local government units (i.e. municipalities and / or cities) of all areas included in the proposed IT Park / Building is not or has ceased to be economically feasible and sound for agricultural purposes (i.e. the area is marginal for agriculture use)
 - DAR Conversion Clearance or Exemption Certificate (or HLURB Zoning Certification, if applicable)
 - Other requirements as may be prescribed by the PEZA Board

PEZA Endorsement of a Proposed IT Park or Building to the Office of the President for the issuance of a Presidential Proclamation

- Proof of land ownership and / or Long-Term Lease Agreement on the area of the proposed IT Park / Building

- Verified survey returns and technical description of the land area
- Certification from the National Water Resources Board that the identified source(s) of water for the IT Park / Building shall not cause water supply and related problems in adjacent communities
- Environmental Compliance Certificate issued by the Department of Environment and Natural Resources
- Other requirements as may be prescribed by the PEZA Board
- Signing of the PEZA Registration Agreement for an IT Park or Building Covered by Presidential Proclamations
 - Detailed engineering and development plan and timetable
 - Other requirements as may be prescribed by the PEZA Board.

9.2 RESIDENTIAL HOUSING SEGMENTATION BY MEANS OF HAND-OVER CONDITIONS

	Socialized	Economic A	Economic B	Affordable	Mid-Income	High End
Structure	Concrete hollow block structure	Concrete pre-cast panel or concrete hollow block structure	Concrete pre-cast panel or concrete hollow block structure	Concrete pre-cast panels or purposely built, all-steel frame structure	Purposely built, concrete on an all-steel frame structure	Purposely built, concrete on an all-steel frame structure
Flooring	Plain cement floor	Would vary from plain cement floor finish to vinyl flooring	Would vary from plain cement floor finish to vinyl flooring	Would vary from vinyl, vitrified floor tiles and wood parquet	Would vary from vinyl, vitrified floor tiles, wood parquet and laminated floor tiles	Ceramic or granite tiles for living and kitchen area, narra wood parquet or laminated flooring for bedroom
Roofing	Galvanized metal roofing	Pre-painted galvanized roofing	Pre-painted galvanized or metal roofing	Concrete roof tiles or metal roofing	Concrete roof tiles or metal roofing	Concrete roof tiles or metal roofing
Windows	Aluminum frame jalousies	Steel casement window	Steel casement with clear glass and built-in grill	Steel casement with clear glass and built-in grill	Fixed or sliding steel casement with clear glass	Fixed or sliding steel or aluminum casement with clear glass
Interior Partitions/ Walls	None	Concrete hollow block walls, unpainted prefabricated concrete panel	Concrete hollow block walls, unpainted prefabricated concrete panel	Gypsum board, painted	Cement plaster walls, painted	Cement plaster walls, painted
Ceiling	None	Plywood	Plywood	Gypsum board on metal runners, painted	Gypsum board on metal runners, painted	Gypsum board on metal runners, painted

	Socialized	Economic A	Economic B	Affordable	Mid-Income	High End
Kitchen	Sink with basic fittings	Kitchen counter and sink, basic fittings	Kitchen counter and sink, basic fittings	Pre-fabricated cabinets, laminated countertop, splashboards, average quality fittings and fixtures	Pre-fabricated cabinets, laminated countertop, splashboards, average to high quality fittings and fixtures	Granite countertop, modular kitchen cabinets, splashboards, high-quality fittings and fixtures
Toilet and Bath	Plain cement floor, toilet and water closet with basic fittings	Vitrified floor tiles, toilet and water closet with basic fittings	Vitrified floor tiles, toilet and water closet with basic fittings	Vitrified floor tiles, glazed wall tiles with borders	Vitrified floor tiles, glazed wall tiles with borders	Vitrified floor tiles, ceramic wall tiles and marbles counter top for master's T&B
Stairs	None, usually single storey	None, usually single storey	None, usually single storey	Wooden construction with steel balustrade and wooden handrail	Wooden or steel construction with balustrade and handrail	Wooden or steel construction with balustrade and handrail
Garage	None	None	None	Concrete slab, roofing optional	Concrete slab, roofing optional	Concrete slab with roofing
Painting	None	Painted exterior walls only	Painted exterior walls only	Painted finish for interior walls and ceilings	Painted finish for interior walls and ceilings	Painted finish for interior walls and ceilings
Others				Utility Area, provision for telephone	Utility Area, provision for telephone and cable TV, built in closets	Utility area, pocket garden, provision for telephone and cable TV, built in closets
Developer Examples	Vista Land (Camella Homes), ALI (Bella Vita)	ALI (Amaia & Bella Vita), Megaworld (Suntrust Homes), Vista Land (Camella Homes), Pro-Friends	Vista (Camella), PA Alvarez Prop., CHMI Land, ALI (Amaia)	ALI (Avida & Amaia), Vista (Camella & Lessandra), Megaworld (Empire East), SM (SMDC & M Place), Eton (First Homes), Phinma, Cityland, Profriends, Century Prop. (Century Limitless)	ALI (Avida), Vista (Crown Asia), SM (SMDC), Megaworld (Suntrust), DMCI, Eton, RLC (Communities & Residences), Federal Land, New San Jose Builders	FLI (Premier), ALI (Premier & Alveo), Century Properties, Vista (Brittany), Rockwell Land, RLC (Luxuria), Megaworld, Kuok, SM (SM Land & HPI), Federal Land

Source: Colliers International Research

10 CIVAS ASIA ADVISORY CAVEATS AND ASSUMPTIONS

MARKET RESEARCH AND/OR ADVICE

1. DEFINITIONS

In these Caveats and Assumptions, the following words or phrases shall have the meaning or meanings set out below:

'Confidential Information' means information that:

- (a) Is by its nature confidential,
- (b) You or Your affiliates provide to Us for the purposes of the Services
- (c) You know or ought to know is confidential.
- (d) Includes, without limitation: information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services.
- (e) Is designated by Us as confidential.

'Currency Date' means, in relation to any consultancy or advisory report, the date as at which our professional advice is stated to be current.

'Fee' means the amount agreed to be paid for the Services as set out in the terms of agreement between the parties.

'Parties' means You or Us as the context dictates.

'Agreement' means the written agreement between Us in relation to the Services.

'Services' means the services provided pursuant to these caveats and assumptions, and the terms and conditions of the Agreement, and includes any documents, reports or certificates provided by Us in connection with the Services. The service does not include the provision of valuation or related advice unless specifically provided for, and agreed in writing.

'Property' means the assets, types or groups of assets, or market or market sector for assets, which are the subject of our appointment. Assets may include land, buildings, plant & equipment and any other assets as described in the agreement.

'We', 'Us', 'Our', 'Colliers' means Colliers International.

'You', 'Your', 'Client' means the person, company, firm or other legal entity by or on whose behalf instructions are given, and any person, firm, company or legal entity who actually gave the instructions to us even though such instructions were given as agent for another.

2. PERFORMANCE OF SERVICES

- 2.1 We have provided the Services in accordance with:
 - (a) The terms and conditions contained herein; and
 - (b) As mutually agreed in writing for the purpose of the Services;

3. PROPERTY

- 3.1 We have assumed the assets, the subject of this service, are in a legal, physical, or other state as to be suitable for use in or consideration of, as part of the service, unless found to be, or advised otherwise.

4. INFORMATION AND OTHER ASSUMPTIONS

- 4.1 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with Services (including but not limited to market studies, surveys, quantity surveyor's reports, architectural designs, master plans, financial data, environmental audits, structural / dilapidation reports), we will rely upon the apparent expertise of such experts / specialists. We will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.
- 4.2 Our Services are provided on the basis that the Client has provided us, to the best of its knowledge, with a full and frank disclosure of all information and other facts which may affect the service, We

accept no responsibility or liability whatsoever unless such a full disclosure has been made. We assume for the purposes of providing this service that the information and facts provided by the client are correct and true.

- 4.3 Any plans, sketches or maps included and provided as part of the services are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
- 4.4 We assume that the assets the subject of this service have no environmental or similar problem, unless advised otherwise
- 4.5 We will obtain or have obtained appropriate town planning information, for the purposes of this service unless advised otherwise.
- 4.6 We have assumed that areas shown on any papers, documents and/or official site plans provided to us for the purpose of the service are correct. All papers, documents and contracts have been used as reference only and all dimensions, measurements and areas are approximation.
- 4.7 If you do not provide Us with a survey or plan, We will estimate building areas based only upon available secondary information (including but not limited to building plans, deposited plans, and our own measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey or plan prepared by an appropriately qualified professional in accordance with the prevailing Professional Property Practice Standards.
- 4.8 Where such a survey or plan is subsequently produced which differs from the areas estimated then You will refer the service report back to Us for comment or, where appropriate, amendment.

5. CURRENCY OF ADVICE

- 5.1 Due to possible changes in market forces, situations, and circumstances in relation to the property (ies), the Services can only be regarded as relevant as at the Currency Date.
- 5.2 Where You rely upon Our report after the Currency Date, you accept the risks associated with market movements, and all other changes, such as changes in legislation, and interest rates, that may affect the conclusions and advice given in the service between the Currency Date and the date of such reliance.
- 5.3 Without limiting the generality of 5.2, You should not rely upon Our service or advice:
 - (a) After the expiry of 3 months from the Currency Date. After this period, Our professional opinion cannot be relied upon or referred to.
 - (b) Where circumstances have occurred during any validity period which may have a material effect on the market, the value of the property (ies). or the assumptions or methodology used in the provision of service.

6. MARKET PROJECTIONS AND HIGHEST AND BEST USE.

- 6.1 Any market projections incorporated within our Services including, but not limited to, income, expenditure, associated growth rates, interest rates, price increase, incentives, yields and costs are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.
- 6.2 Where Our Services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.
- 6.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.
- 6.4 All statements of fact in the report which are used as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to us by you, your affiliates, or any third party.
- 6.5 Our assessment of the highest and best use of any property or part thereof is based on the application of all relevant laws and ordinances, subject to what is legally possible in each case, and reflects market demand, at the date of service. It may or may not include advice or recommendation to apply for different planning uses, as appropriate.
- 6.6 All information, analysis and recommendations provided as part of the service by Colliers International are made in good faith and represent Colliers International's professional judgement on the basis of information obtained from the client and elsewhere during the course of the assignment. However, since the achievement of recommendations, forecasts and valuations

depends on factors outside Colliers International's control, no statement made by Colliers International may be deemed in any circumstances to be a representation, undertaking or warranty, and Colliers International cannot accept any liability should such statements prove to be inaccurate or based on incorrect premises. In particular, and without limiting the generality of the foregoing, any projections, financial and otherwise, in this report are intended only to illustrate particular points of argument and do not constitute forecasts of actual performance.

7. YOUR OBLIGATIONS

- 7.1 You warrant that the instructions and subsequent information supplied by You, to the best of your knowledge, contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
- 7.2 You warrant that all third-party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
- 7.3 You authorise and license Us to incorporate Your intellectual property within Our report(s) and Deliverables pursuant to this Agreement.
- 7.4 You will not release any part of Our report or its substance to any third party other than Your affiliates and project related service vendors, as expressly agreed between Us, without Our specific written consent. When we consent for You to release Our report or any part of Our report to Your affiliates and project related service vendors, as expressly agreed between Us, and any third party, we do so on the basis that these terms and conditions will apply to the new addressee(s) as if it / they had been a party to the original letter of instruction between us. Where we consent to such reliance, You agree to furnish the addressee (s) with a copy of any reliance letter issued by Us and/or a copy of these caveats and assumptions.
- 7.5 We reserve the right to reconsider or amend the service, advice, or the Fee set out in Our Quotation to You, if;
 - (a) Certificates, surveys, leases, permits or related documentation that were not provided to Us prior to the provision of the Services are subsequently provided, and contain matters that may affect the service or advice given, or
 - (b) The information provided to Us by You prior to the provision of the Services is in any way incomplete, misleading or wrong.
- 7.6 If You release any part of the advice or its substance without written consent, You agree to defend and indemnify Us against claims by a third party who has reviewed the report if We have not, at or subsequent to the time of engagement, provided our specific written consent to such party reviewing and relying on the report. We have no responsibility to any other person even if that person suffers damage as a result of You providing our report or advice without Our prior consent.
- 7.7 You agree that the only remedy for losses or damages relating to the breach of this Agreement shall be limited to three times Our contracted fee for the assignment and no claim shall be made for any consequential or punitive damages.
- 7.8 You agree not to bring any claim for any losses against any director, consultant or any employee of Ours. You hereby agree that Our directors, consultant or any employee does not have a personal duty of care to You and any claim for losses must be brought against Colliers International.
- 7.9 Where any loss is suffered by You for which We and any other person are jointly and severally liable to You the loss recoverable by You from Us shall be limited so as to be in proportion to our relative contribution to the overall fault.
- 7.10 You agree that You will fully indemnify Us for and in respect of all loss, liability, costs and expenses of whatsoever kind which We may suffer or incur arising from or in any way connected with any breach by You of Clause 7 or Clause 8. This indemnity shall include but not be limited to loss, liability, costs and expenses which we may suffer or incur in respect of any claims, actions, proceedings, disputes or allegations made against Us or to which we are a party.

8. CONFIDENTIALITY

- 8.1 This report and each part of it is prepared and intended for the exclusive use of the Client for the sole purpose outlined in Our agreement, for the provision of service and/or the purposes as specified in the agreement, and in accepting this report, the Client expressly agrees not to use or rely upon this report or any part of it for any other purpose. No person other than the Client shall use or rely upon this report or any part of it for any purpose unless we have given Our express written consent. Similarly, neither the whole nor any part of this report nor any reference thereto may be included in

any document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

- 8.2 If consent to disclose the Confidential Information is provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure. All Confidential information collected, given, or kept during this appointment by Us will be kept confidential all times. There will be no disclosure to others parties, without your permission, and guidance.
- 8.3 You agree that You will indemnify, hold harmless and defend Us from and against any and all loss, liability, costs or expenses (including but not limited to professional or executive time) We may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.
- 8.4 Unless otherwise directed in writing by Client, Colliers International retains the right to include references to the Services in its promotional material. Such references shall not contain confidential material.

9. PRIVACY

- 9.1 We may obtain personal information about You in the course of performing Our Services. We respect your privacy and advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

10. SUBCONTRACTING

- 10.1 We may sub-contract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these terms and conditions, with Your consent.

11. LIMITATION OF COLLIERS LIABILITY

- 11.1 To the extent permissible under applicable laws, in no event shall Colliers International be liable to Client or anyone claiming by, through or under Client, including insurers, for any lost, delayed, or diminished profits, revenues, production, business, use or opportunities, or any incidental, special, indirect, or economic losses, wasted costs, diminution of value or consequential damages, of any kind or nature whatsoever, however caused.
- 11.2 We shall be released from Our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond Our reasonable control (examples being a strike, act of God or act of terrorism). All the costs and benefits forecasted will, ultimately, be determined by future market conditions. Forecasts of these elements are based on assumptions of certain variable factors, which, in turn, are extremely sensitive to changes in the market and economic contexts. For this reason, the figures mentioned in this report were not computed under any known or guaranteed conditions. Rather, these are forecasts drawn from reliable sources of data and information and made in the best judgment and professional integrity of Colliers International. Notwithstanding this, Colliers International reiterates that it will not accept any responsibilities in the face of damage claims that might result from any error, omission or recommendations, viewpoints, judgments and information provided in this report.
- 11.3 Neither Colliers nor any employee of Ours shall be required to give testimony or to appear in court or any other tribunal or at any government agency by reason of this report or with reference to the property in question, except by court summons / judicial notification, and unless prior arrangements have been made and we are properly reimbursed for reasonable time and expenses incurred. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (and all meetings related to court testimony).
- 11.5 All statements of fact in the service or advice given which are used, as the basis of our analyses, opinions, and conclusions will be true and correct to the best of our knowledge and belief. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Us by You.
- 11.6 Our liability for loss and damage attributable to Our negligence, breach of contract, misrepresentation or otherwise (but not in respect of fraud, fraudulent misrepresentation, death or personal injury) shall be limited to a maximum of three times Our contracted fee for the service for any single case. A single case of damages is defined as the total sum of all damage claims of all persons entitled to claim, which arise from one and the same professional error / offence. In the case of damages suffered from several offences brought about by the same technical error within

the scope of several coherent services of a similar nature, we are only to be held liable for an amount of three times Our contracted fee for the service rendered.

- 11.7 Where the agreement is addressed to more than one Client, the above limit of liability applies to the aggregate of all claims by all such Clients and not separately to each Client.
- 11.8 No third party other than the client and its other advisors will be entitled to rely on any part of Our service report or its substance or advice except with our written consent. Should any third party rely on Our report without obtaining Our written consent, We are not bound by any liability which arises from the use of or reliance upon Our report by such unauthorised party.
- 11.9 We will not be liable for any services outside the scope of the services agreed to be performed by Us, and in respect of any consequential losses or loss of profits.
- 11.10 Responsibility for Our service extends only to the party (ies) to whom it is addressed. However, in the event of Us being asked by You to re-address Our report to another party or other parties or permit reliance upon it by another party or other parties, We will give consideration to doing so, to named parties, and We reserve the right to charge additional fee for doing so although We will agree such fee with You beforehand. Any additional reliance will be subject to terms and conditions.

12. ENTIRE AGREEMENT

- 12.1 No further agreement, amendment or modification of these terms and conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.
- 12.2 If there is inconsistency between these terms and conditions and the agreement, any letter of instruction from You, or other specific request or information shall prevail to the extent of the inconsistency.
- 12.3 Copyright in any reports, documents or other material provided to You by Us shall remain Our property at all times unless otherwise stated.
- 12.4 Should valuation or related advice be required as part of the terms of service, then such advice will additionally be subject to our caveats and assumptions related to such advice.

13. ANTI BRIBERY AND CORRUPTION MEASURES

- 13.1 We represent, in connection with any services to be provided to You, that neither We nor Our contractors, employees or agents (collectively, "Consultant") has made or will make, either directly or indirectly, any payments (i) to or for the use or benefit of any Government Official (ii) to any other person either for an advance or reimbursement, if Consultant knows or has reason to know that any part of such payment has been or will be given to any Government official or (iii) to any person or entity, the payment of which would violate laws and regulations in Australia, the United States, the United Kingdom or any other government entity having jurisdiction over the activities carried out by Consultant. The term "Government Official" in this paragraph means any officer or employee of a government or any governmental department or agency, or any person acting in an official capacity for or on behalf of any such government or governmental department or agency, including employees of state-owned or controlled entities and candidates for political office.
- 13.2 We represent that, in connection with any services to be provided to You, we will conduct operations at all times in compliance with applicable financial recordkeeping and reporting requirements, including all applicable money laundering-related laws of any jurisdictions where We conduct business or own assets.

- END -

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-003 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines
Brief Description	:	Various commercial lots, partly leased and with improvements which are registered in the name of the DM Wenceslao & Associates Group
Registered Owners	:	DM Wenceslao & Associates (DMWAI), Delfin J. Wenceslao, Jr.(DJW), Sylvia C. Wenceslao (SCW), Bay Area Holdings, Inc. (BAHI), Portal Holdings Inc. (PHI) and Aseana Holdings Inc.(AHI).
Land Title Particulars	:	As broken in Appendix A of this Certificate
Interest Valued	:	Freehold interest with vacant possession
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Market Approach/Income approach – Land Residual Analysis ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	477,552.06 square meters, excluding ROW, with breakdown as follows:

¹ The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

The income approach provides an indication of value by converting future cash flow to a single current value.

Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Description	DM Wenceslao & Associates	Bay Area Holdings, Inc.	Portal Holdings Inc.	Aseana Holdings Inc.	DMWAI Group Sub-total
ROW	7,165.00		6,851.00		14,016.00
Leased Land (as per Contract)	140,623.67	4,897.00		5,000.00	150,520.67
Land Reserves	209,059.48	83,715.91	4,716.00	29,540.00	327,031.39
Total	356,848.15	88,612.91	11,567.00	34,540.00	491,568.06

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Valuation and : **PHP 101,605,881,000.00**
Other information : **PHILIPPINE PESOS**
ONE HUNDRED ONE BILLION
SIX HUNDRED FIVE MILLION
EIGHT HUNDRED EIGHTY ONE THOUSAND

Special Assumption "That the property is vacant, clear and ripe for development, notwithstanding that there are buildings on parts."

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-003 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines


Marissa Benitez BS Stat MRICS
Consultant, Valuation & Advisory Services
REA License No. 0000337
PTR No. 6646716
05 March 2018

TCT Number	Lot Number	Area (in sqm)	Registered Name	Remarks	ROW	Development Projects	Pipeline Projects	Area Leased (sqm)	Lot Balance (sqm)
180890	3-B	6,809.50	DMWAI	Portion occupied by Aseana Powerstation				3,000.00	0.00
172487	5-B	6,281.00	DMWAI					752.40	
158038	3-C	9,059.70	DMWAI			9,338.10			
166069	3-D/3-E	12,211.90	DMWAI	Aseana Town Center		16,021.30			5,250.30
010-2013001646	13-A	2,777.00	DMWAI	Aseana One		2,777.00			0.00
010-2013000614	17-C	1,970.00	DMWAI	Aseana Two		1,970.00			0.00
010-2013001645	13-E	947.00	DMWAI	Pixel Residences			947		0.00
010-2014003053	1	11,292.00	DMWAI	Leased land				1,871.23	-636.82
								960.00	
								905.00	
								881.04	
								759.00	
				Aseana Square		6,552.55			
155570	4-A	3,544.76	DMWAI	Leased land				2,300.00	124.76
								1,120.00	
156203	1	5,000.00	DMWAI	Leased land				5,000.00	0.00
155572	4-C	2,680.05	DMWAI	Vacant lot					2,680.05
156204	2	4,845.36	DMWAI	Vacant lot					4,845.36
155574	4-E	5,395.83	DMWAI	Vacant lot					5,395.83
010-2013001647	13-B	2,287.00	DMWAI	Leased land				2,284.48	2.52
010-2013000612	17-A	2,608.00	DMWAI	Leased land				2,599.04	8.96
010-2013000613	17-B	1,965.00	DMWAI	Leased land				1,965.00	0.00
010-2013000615	17-D	1,061.00	DMWAI	Leased land				1,061.00	0.00
010-2014001926	18-A	1,299.00	DMWAI	Leased land				1,299.00	0.00
010-2014001930	18-E	358.00	DMWAI	Aseana Main Street 2		358.00			0.00
134311	4	25,671.00	DMWAI	Vacant lot					25,671.00
146915	1	48,291.00	DMWAI	Vacant lot					48,291.00
146916	2	48,460.00	DMWAI	Vacant lot					48,460.00
010-2014003052	2-A-8	6,868.00	DMWAI	Leased land				2,685.00	3,583.00
								600.00	
010-2014003050	2-A-9	5,857.00	DMWAI	Leased land				5,857.00	0.00

010-2016000169	7-C-1	1,700.00	DMWAI	Vacant lot					1,700.00
010-2016000170	7-C-2	1,778.00	DMWAI	Vacant lot					1,778.00
010-2014002595	4-D	3,580.00	DMWAI	Vacant lot					3,580.00
100815	7-A	10,000.00	DMWAI	Leased land				10,000.00	0.00
100816	7-B	10,000.00	DMWAI	Leased land				10,000.00	0.00
100817	7-C	10,000.00	DMWAI	Leased land				10,000.00	0.00
100818	7-D	7,720.00	DMWAI	Leased land				7,720.00	0.00
010-2013003319	2-C	21,567.00	DMWAI	Leased land				21,567.00	0.00
010-2018000057	2	2,423.00	DMWAI	Leased land				2,427.00	-4.00
		293,472.10			7,165.00	37,016.95	947.00	97,613.19	150,729.96
010-2015003180	2	10,800.00	DMWAI (DJW)	Vacant lot					10,800.00
010-2015003177	3	10,749.00	DMWAI (DJW)	Vacant lot					10,749.00
010-2015003209	4	10,800.00	DMWAI (DJW)	Vacant lot					10,800.00
010-2015003212	8	33,030.00	DMWAI (DJW)	Leased land				33,030.00	0.00
010-2014003153	7-B	1,340.00	DMWAI (DJW)	Vacant lot					1,340.00
		66,719.00						33,030.00	33,689.00
010-2015003219	5	12,310.00	DMWAI (SCW)	Vacant lot					12,310.00
010-2015003182	6	12,311.00	DMWAI (SCW)	Vacant lot					12,311.00
010-2015003215	7	10,000.00	DMWAI (SCW)	Vacant lot				9,980.48	19.52
		34,621.00						9,980.48	24,640.52
010-2015001697	2-A	9,826.00	Bay Area Holdings, Inc.	Leased Land				4,897.00	4,929.00
010-2015001698	2-B	6,862.00	Bay Area Holdings, Inc.	Vacant Lot					6,862.00
010-2015001700	2-D	14,582.00	Bay Area Holdings, Inc.	Vacant Lot					14,582.00
010-2015001699	2-C	16,138.00	Bay Area Holdings, Inc.	Aseana Main Street 1			14,586.00		1,552.00
010-2015001701	2-E	14,145.00	Bay Area Holdings, Inc.	Vacant Lot					14,145.00
010-2015001703	2-G	16,067.00	Bay Area Holdings, Inc.	Aseana 7			0.00		12,077.00
		6,284.00	Bay Area Holdings, Inc.	Parkside Place 2			3,990.00		
			Bay Area Holdings, Inc.	Vacant Lot					6,284.00
010-2015001702	2-F	16,556.00	Bay Area Holdings, Inc.	Aseana 5			6,552.30		2,235.91
				Aseana 6			7,767.79		

010-2015001705	2-I	4,928.00	Bay Area Holdings, Inc.	Vacant Lot					4,928.00
010-2015001704	2-H	16,121.00	Bay Area Holdings, Inc.	Road Lot	0.00				16,121.00
		121,509.00			0.00		32,896.09	4,897.00	83,715.91
010-2013004242	15-E	982.00	Portal Holdings, Inc.	Aseana Main Street 2			982		0.00
010-2013004243	15-H	702.00	Portal Holdings, Inc.	Aseana Main Street 2			702		0.00
010-2013004251	19-A	2,300.00	Portal Holdings, Inc.	Vacant lot					2,300.00
010-2013004248	19-B	2,416.00	Portal Holdings, Inc.	Vacant lot					2,416.00
010-2013004247	19-E	339.00	Portal Holdings, Inc.	Aseana Main Street 2			339		0.00
010-2013004244	15-F	2,098.00	Portal Holdings, Inc.	Aseana Main Street 2			2098		0.00
010-2013004245	15-G	1,759.00	Portal Holdings, Inc.	Aseana Main Street 2			1759		0.00
178135	16-E	2,838.00	Portal Holdings, Inc.	Road Lot	2,838.00				0.00
010-2013004246	15-I	2,337.00	Portal Holdings, Inc.	Road Lot	2,337.00				0.00
010-2013004252	19-F	1,600.00	Portal Holdings, Inc.	Road Lot	1,600.00				0.00
010-2015002517	5	38.00	Portal Holdings, Inc.	Sidewalk	38				0.00
010-2014002318	3	38.00	Portal Holdings, Inc.	Sidewalk	38				0.00
		17,447.00			6,851.00	0.00	5,880.00	0.00	4,716.00
154210	25	34,540.00	Aseana Holdings, Inc.	Leased land				5,000.00	29,540.00
		34,540.00						5,000.00	29,540.00

Appendix A – Summary of Land Data

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-001 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Bradco Avenue, Aseana Business Park, Barangay Tambo, Paranaque City, Metro Manila, Philippines
Brief Description	:	Single parcel of commercial land with improvements, identified as Aseana One Office Building
Registered Owners	:	DMWAI
Land Title Particulars	:	TCT Number 010-2013001646 Lot Number Lot 13-A Plan Number Psd-00-082334
Interest Valued	:	Freehold Interest
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Cost Approach ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	2,777 square meters
Construction Floor Area		29,282.93 square meters

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Gross Floor Area 27,577 square meters
Leasable Area 20,189.06 square meters
Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value : PHP 1,632,471,000
PHILIPPINE PESOS
ONE BILLION SIX HUNDRED THIRTY TWO MILLION
FOUR HUNDRED SEVENTY ONE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-001 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines



Marissa Benitez BS Stat MRICS
Consultant, Valuation & Advisory Services
Valuation and Advisory Services
REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-002 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Bradco Avenue, Aseana Business Park, Barangay Tambo, Paranaque City, Metro Manila, Philippines
Brief Description	:	Single parcel of commercial land with improvements, identified as Aseana Two Office Building
Registered Owners	:	DMWAI
Land Title Particulars	:	TCT Number 010-2013000614 Lot Number Lot 17-C Plan Number Psd-00-082331
Interest Valued	:	Freehold Interest
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Cost Approach ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	1,970 square meters
Construction Floor Area	:	22,005.10 square meters

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Gross Floor Area 18,735.24 square meters
Leasable Area 14,288.85 square meters
Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value : PHP 1,170,705,000
PHILIPPINE PESOS
ONE BILLION ONE HUNDRED SEVENTY MILLION
SEVEN HUNDRED FIVE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-002 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines


Marissa Benitez BS Stet MRICS
Consultant, Valuation & Advisory Services
Valuation and Advisory Services
REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-006 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")									
Purpose	:	For financial reporting purposes									
Property Address	:	Site of Aseana Powerstation, Bradco Avenue corner D. Macapagal Boulevard, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines									
Brief Description	:	Portion of Lot 3-B, Psd-0076276 and Lot 5-B, Psd-00056322, improved with a 3-storey commercial building, identified as Aseana Powerstation Building									
Registered Owners	:	D.M. Wenceslao, Inc.									
Land Title Particulars	:	<table border="1"> <thead> <tr> <th>TCT Number</th><th>Lot Number</th><th>Plan Number</th></tr> </thead> <tbody> <tr> <td>180890</td><td>3-B</td><td>Psd-00-076276</td></tr> <tr> <td>172487</td><td>5-B</td><td>Psd-00056322</td></tr> </tbody> </table>	TCT Number	Lot Number	Plan Number	180890	3-B	Psd-00-076276	172487	5-B	Psd-00056322
TCT Number	Lot Number	Plan Number									
180890	3-B	Psd-00-076276									
172487	5-B	Psd-00056322									
Interest Valued	:	Freehold Interest									
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".									
Valuation Approach	:	Cost Approach ¹									
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque									
Land Area	:	9,338.10 square meters									

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Construction Floor Area 9,402.28 square meters
Gross Floor Area 9,198.53 square meters
Leasable Area 4,710.01 square meters
Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value : PHP 2,307,002,000
PHILIPPINE PESOS
TWO BILLION THREE HUNDRED SEVEN MILLION
TWO THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-006 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines



Marissa Benitez BS Stat MRICS
Consultant, Valuation & Advisory Services
Valuation and Advisory Services
REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-005 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")									
Purpose	:	For financial reporting purposes									
Property Address	:	Site of Aseana Town Center, Bradco Avenue, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippine									
Brief Description	:	Portion of Lot 3-C, Psd-00-051407 and Pcs-00-01281, improved with six (6) buildings, identified as Aseana Town Center									
Registered Owners	:	D.M. Wenceslao, Inc.									
Land Title Particulars	:	<table><tr><th>TCT Number</th><th>Lot Number</th><th>Plan Number</th></tr><tr><td>158038</td><td>3-C</td><td>Psd-00-051407</td></tr><tr><td>166069</td><td></td><td>Pcs-00-001281</td></tr></table>	TCT Number	Lot Number	Plan Number	158038	3-C	Psd-00-051407	166069		Pcs-00-001281
TCT Number	Lot Number	Plan Number									
158038	3-C	Psd-00-051407									
166069		Pcs-00-001281									
Interest Valued	:	Freehold Interest									
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".									
Valuation Approach	:	Cost Approach ¹									
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque									
Land Area	:	16,021.30 square meters									
Construction Floor Area		22,445.60 square meters									
Leasable Area		12,848.60 square meters									

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value : PHP 3,415,925,000.00

PHILIPPINE PESOS

THREE BILLION FOUR HUNDRED FIFTEEN MILLION

NINE HUNDRED TWENTY FIVE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-005 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS Stat MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-004 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)											
Purpose	:	For financial reporting purposes											
Property Address	:	No. 306 E. Rodriguez Sr. Avenue, Quezon City, Metro Manila, Philippines											
Brief Description	:	The Property consists of commercial land improved with a four (4)–storey building with open parking spaces.											
Registered Owners	:	DM Wenceslao & Associates, Inc.											
Land Title Particulars	:	<table><tr><td>TCT Number</td><td>Lot Number</td><td>Plan Number</td><td>Area (in sqm)</td></tr><tr><td>RT-37706</td><td>19</td><td>16444</td><td>806</td></tr></table>				TCT Number	Lot Number	Plan Number	Area (in sqm)	RT-37706	19	16444	806
TCT Number	Lot Number	Plan Number	Area (in sqm)										
RT-37706	19	16444	806										
		Abovementioned TCT registered on 06 December 1997 under the Registry of Deeds for Quezon City											
Interest Valued	:	Freehold Interest											
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.											
Valuation Approach	:	Cost Approach ¹											
Zoning	:	“Commercial” under the Zoning Guidelines of the City Government of Quezon City											
Land Area	:	806 square meters											
Gross Floor Area		1,600 square meters											
Leasable Area		1,041.80 square meters											
Date of Inspection	:	16 April 2015											

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Date of Valuation : 31 December 2017

Market Value : PHP 76,353,000.00
PHILIPPINE PESOS
SEVENTY-SIX MILLION

THREE HUNDRED FIFTY-THREE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-004 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS Stat MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-004 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Site of Aseana Square, D.M. Macapagal Boulevard, Aseana Business Park, Barangay Tambo, Parañaque City, Metro Manila, Philippines
Brief Description	:	Commercial land improved with a 2-storey commercial structure, identified as Aseana Square
Registered Owners	:	D.M. Wenceslao, Inc.
Land Title Particulars	:	TCT Number 010-2014003053 Lot Number Lot 1 Plan Number Psd-00-069936
Interest Valued	:	Freehold Interest
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Cost Approach ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	6,552.55 square meters
Construction Floor Area		3,506.96 square meters
Leasable Area		2,136.70 square meters

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value : PHP 1,661,550,000
PHILIPPINE PESOS
ONE BILLION SIX HUNDRED SIXTY ONE MILLION
FIVE HUNDRED FIFTY THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-004 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



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REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-001-003 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Block 5 Lot 5, Pres. D. Macapagal Boulevard corner Aseana Avenue, Aseana Business Park, Barangay Tambo, Parañaque City, Metro Manila, Philippines
Brief Description	:	Single parcel of commercial land with improvements, identified as Aseana 3 Office Building
Registered Owners	:	Wendell Holdings Co. Inc.
Land Title Particulars	:	TCT Number 106043 Lot Number Lot 5, Block 5 Plan Number Pcs-00-006507
Interest Valued	:	Freehold Interest
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Cost Approach ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	3,134.00 square meters
Construction Floor Area		48,088.51.00 square meters
Leasable Area		30,913.60 square meters

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Market Value (as is, where is basis) : PHP 2,844,030,000
PHILIPPINE PESOS
TWO BILLION EIGHT HUNDRED FORTY FOUR MILLION
THIRTY THOUSAND

Market Value (as if completed) : PHP 2,957,072,000
PHILIPPINE PESOS
TWO BILLION NINE HUNDRED FIFTY SEVEN MILLION
SEVENTY TWO THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-001-003 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



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Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-001 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)															
Purpose	:	For financial reporting purposes															
Property Address	:	Block 2, Lot 6, Aseana Business Park, Barangay Tambo, Paranaque City, Metro Manila, Philippines															
Brief Description	:	Single parcel of land with improvements, identified as Pixel Residences															
Registered Owners	:	DM Wenceslao & Associates Inc. & Wendell Holdings Co. Inc.															
Land Title Particulars	:	<table><tr><th>TCT Number</th><th>Lot Number</th><th>Plan Number</th><th>Area (in sqm)</th></tr><tr><td>010-2013001645</td><td>13-E</td><td>Psd-00-082334</td><td>947.00</td></tr><tr><td>010-20144002284</td><td>14-C</td><td>Psd-00-082333</td><td>814.00</td></tr></table>				TCT Number	Lot Number	Plan Number	Area (in sqm)	010-2013001645	13-E	Psd-00-082334	947.00	010-20144002284	14-C	Psd-00-082333	814.00
TCT Number	Lot Number	Plan Number	Area (in sqm)														
010-2013001645	13-E	Psd-00-082334	947.00														
010-20144002284	14-C	Psd-00-082333	814.00														
Interest Valued	:	Freehold Interest															
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.															
Valuation Approach	:	Cost Approach ¹															
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque															
Land Area	:	1,761 square meters															
Construction Floor Area	:	20,162.72 square meters															
Saleable Area	:	13,105.77 square meters															
Leasable Area (Ground Floor Retail)	:	624 square meters															
Date of Inspection	:	09 February 2018															

¹ In the Cost Approach, the value of land and improvements are estimated separately. Firstly, the land value, derived using Market Approach is computed then the value of the improvements is arrived at by computing the estimated reproduction or replacement cost of the improvement new, less estimated accrued depreciation. The market value of land and the depreciated replacement cost of improvements are then added to come up with the Property Value.

Date of Valuation : 31 December 2017

Market Value (as is, where is : PHP 589,693,000
basis) PHILIPPINE PESOS
FIVE HUNDRED EIGHTY NINE MILLION
SIX HUNDRED NINETY THREE THOUSAND

Market Value (as if completed) PHP 1,302,437,000
PHILIPPINE PESOS
ONE BILLION THREE HUNDRED TWO MILLION
FOUR HUNDRED THIRTY SEVEN THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-001 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS Stat MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-002 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)	
Purpose	:	For financial reporting purposes	
Property Address	:	Block 5, Lot 2, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines	
Brief Description	:	Proposed Aseana 4 Office Building	
Registered Owners	:	Wendell Holdings Inc.	
Land Title Particulars	:	This area shall be carved out of the “mother lot” identified as Transfer Certificate of Title No. 106043, described as Lot 11, Plan Number Pcs-00-006507, containing an area of 53,630 square meters registered in the name of Wendell Holdings, Inc. under the Registry of Deeds for Paranaque City on 21 February 1996.	
Interest Valued	:	Freehold interest with vacant possession	
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.	
Valuation Approach	:	Income approach – Land Residual Analysis ¹	
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque	
Land Area	:	6,064 square meters	
Floor Areas		Total building construction area (BCA)	81,864
		Total Leasable GFA	54,576
		Parking area	8,868
		Total Non GFA (excl. Parking)	16,367

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Gross Development Value : PHP 9,204,960,000.00
PHILIPPINE PESOS
NINE BILLION TWO HUNDRED FOUR MILLION
NINE HUNDRED SIXTY THOUSAND

Valuation and : PHP 1,627,065,000
Other information PHILIPPINE PESOS
ONE BILLION SIX HUNDRED TWENTY SEVEN MILLION
SIXTY FIVE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-002 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS ScM MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-007 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)	
Purpose	:	For financial reporting purposes	
Property Address	:	Block 5, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines	
Brief Description	:	Proposed Aseana Main Street 1	
Registered Owners	:	Bay Area Holdings and Wendell Holdings Inc.	
Land Title Particulars	:	The total area is 34,987 square meters; of which 14,582 square meters is titled in the name of Bay Area Holdings, Inc. while 20,405 square meters is titled in the name of Wendell Holdings Co.	
Interest Valued	:	Freehold interest with vacant possession	
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.	
Valuation Approach	:	Income approach – Land Residual Analysis ¹	
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque	
Land Area	:	34,987 square meters	
Floor Areas		Construction floor area (CFA)	71,532.00
		Leasable Area	45,378.00
		Land Development Area	19,649.41
		Building Footprint	15,341.59
Date of Inspection	:	09 February 2018	

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Date of Valuation : 31 December 2017

Gross Development Value : **PHP 9,075,600,000.00**
PHILIPPINE PESOS
NINE BILLION SEVENTY FIVE MILLION
SIX HUNDRED THOUSAND

Valuation and : **PHP 6,882,896,000**
Other information **PHILIPPINE PESOS**
SIX BILLION EIGHT HUNDRED EIGHTY TWO MILLION
EIGHT HUNDRED NINETY SIX THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-007 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines


Marissa Benitez BS Stat MRICS
Consultant, Valuation & Advisory Services
Valuation and Advisory Services
REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-005 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)	
Purpose	:	For financial reporting purposes	
Property Address	:	Block 5, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines	
Brief Description	:	Proposed Parkside Place 1	
Registered Owners	:	Wendell Holdings Inc.	
Land Title Particulars	:	It contains land area of 7,157.38 owned by Wendell Holdings, Inc.	
Interest Valued	:	Freehold interest with vacant possession	
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.	
Valuation Approach	:	Income approach – Land Residual Analysis ¹	
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque	
Land Area	:	7,157.38 square meters	
Floor Areas	:	Construction floor area (CFA)	72,124.37
		Saleable area	46,880.84
		Total Leasable Area (Ground Floor Retail)	1,990
		Parking area	3,785
		Total Non GFA	19,669
Date of Inspection	:	09 February 2018	
Date of Valuation	:	31 December 2017	

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Gross Development Value : PHP 8,495,279,000.00
PHILIPPINE PESOS
EIGHT BILLION FOUR HUNDRED NINETY FIVE MILLION
TWO HUNDRED SEVENTY NINE THOUSAND

Valuation and : PHP 1,863,961,000
Other information PHILIPPINE PESOS
ONE BILLION EIGHT HUNDRED SIXTY THREE MILLION
NINE HUNDRED SIXTY ONE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-005 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines



Marissa Benitez BS Stat MRICS
Consultant, Valuation & Advisory Services
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REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-003 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Block 5, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines
Brief Description	:	Proposed Aseana 5 Office Building
Registered Owners	:	Bay Area Holdings Inc.
Land Title Particulars	:	This area shall be carved out of the "mother lot" identified as Transfer Certificate of Title No. 146458, described as Lot 2, Plan Number Pcs-00-0072776, containing an area of 121,509 square meters registered in the name of Bay Area Holdings, Inc. under the Registry of Deeds for Paranaque City on October 2, 2000.
Interest Valued	:	Freehold interest with vacant possession
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Income approach – Land Residual Analysis ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	6,552.30 square meters
Floor Areas		
		<i>Total building construction area (BCA)</i> 88,456.00
		<i>Total Leasable GFA</i> 58,970.70
		<i>Parking area</i> 11,942.00
		<i>Total Non GFA (excl. Parking)</i> 19,904.00

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Date of Inspection : 09 February 2018

Date of Valuation : 31 December 2017

Gross Development Value : **PHP 10,072,000,000.00**
PHILIPPINE PESOS
TEN BILLION SEVENTY TWO MILLION

Valuation and : **PHP 1,689,626,000**
Other information **PHILIPPINE PESOS**
ONE BILLION SIX HUNDRED EIGHTY NINE MILLION
SIX HUNDRED TWENTY SIX THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-003 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS Stat MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-008 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. ("DMWAI")
Purpose	:	For financial reporting purposes
Property Address	:	Block 2, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines
Brief Description	:	Proposed Aseana Main Street 2
Registered Owners	:	DM Wenceslao and Associates, Portal Holdings, Inc. and Wendell Holdings Inc.
Land Title Particulars	:	The Property technically forms part of Block 2. The total area is 11,910 square meters; of which 358 square meters is titled in the name of DM Wenceslao and Associates; 5,880 square meters in the name of Portal Holdings, while 5,672 square meters is titled in the name of Wendell Holdings Co.
Interest Valued	:	Freehold interest with vacant possession
Basis of Valuation	:	Market Value which we would define as intended to mean as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Valuation Approach	:	Income approach – Land Residual Analysis ¹
Zoning	:	"Mixed-use" under the Zoning Guidelines of the City Government of Paranaque
Land Area	:	11,910 square meters
Floor Areas		Construction floor area (CFA) 20,205.00 Leasable area 12,594.00
Date of Inspection	:	09 February 2018

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Date of Valuation : 31 December 2017

Gross Development Value : *PHP 3,022,560,000.00*
PHILIPPINE PESOS
THREE BILLION TWENTY TWO MILLION
FIVE HUNDRED SIXTY THOUSAND

Valuation and : *PHP 2,410,343,000*
Other information : *PHILIPPINE PESOS*
TWO BILLION FOUR HUNDRED TEN MILLION
THREE HUNDRED FORTY THREE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-008 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines


Marissa Benitez BS Stat MRICS
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REA License No. 0000337
PTR No. 6646716
05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-006 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)	
Purpose	:	For financial reporting purposes	
Property Address	:	Block 5, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines	
Brief Description	:	Proposed Parkside Place 2	
Registered Owners	:	Bay Area Holdings Inc.	
Land Title Particulars	:	This area shall be carved out of the “mother lot” identified as Transfer Certificate of Title No. 146458, described as Lot 2, Plan Number Pcs-00-0072776, containing an area of 121,509 square meters registered in the name of Bay Area Holdings, Inc. under the Registry of Deeds for Paranaque City on October 2, 2000.	
Interest Valued	:	Freehold interest with vacant possession	
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.	
Valuation Approach	:	Income approach – Land Residual Analysis ¹	
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque	
Land Area	:	3,990 square meters	
Floor Areas		Construction floor area (CFA)	43,583.08
		Saleable area	28,329.00
		Total Leasable Area (Ground Floor Retail)	1,596
		Parking area	3,785
Date of Inspection	:	09 February 2018	

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach. This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Date of Valuation : 31 December 2017

Gross Development Value : PHP 5,072,760,000.00
PHILIPPINE PESOS
FIVE BILLION SEVENTY TWO MILLION
SEVEN HUNDRED SIXTY THOUSAND

Valuation and : PHP 1,095,565,000
Other information PHILIPPINE PESOS
ONE BILLION NINETY FIVE MILLION
FIVE HUNDRED SIXTY FIVE THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-006 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:

Colliers International Philippines



Marissa Benitez BS Stat MRICS

Consultant, Valuation & Advisory Services

Valuation and Advisory Services

REA License No. 0000337

PTR No. 6646716

05 March 2018

CERTIFICATION OF VALUATION OPINION

Certification of the valuation opinion contained in our full valuation report Ref: CIPVAL18-009-002-004 dated 12 February 2018 as follows:

Prepared For	:	DM Wenceslao & Associates, Inc. (“DMWAI”)	
Purpose	:	For financial reporting purposes	
Property Address	:	Block 5, Aseana City, Barangay Tambo, Paranaque City, Metro Manila, Philippines	
Brief Description	:	Proposed Aseana 6 Office Building	
Registered Owners	:	Bay Area Holdings Inc.	
Land Title Particulars	:	This area shall be carved out of the “mother lot” identified as Transfer Certificate of Title No. 146458, described as Lot 2, Plan Number Pcs-00-0072776, containing an area of 121,509 square meters registered in the name of Bay Area Holdings, Inc. under the Registry of Deeds for Paranaque City on October 2, 2000.	
Interest Valued	:	Freehold interest with vacant possession	
Basis of Valuation	:	Market Value which we would define as intended to mean as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.	
Valuation Approach	:	Income approach – Land Residual Analysis ¹	
Zoning	:	“Mixed-use” under the Zoning Guidelines of the City Government of Paranaque	
Land Area	:	7,767.79 square meters	
Floor Areas	:	<i>Total building construction area (BCA)</i>	<i>93,213.48</i>
		<i>Total Leasable GFA</i>	<i>62,142.32</i>
		<i>Parking area</i>	<i>15,096</i>
		<i>Total Non GFA (excl. Parking)</i>	<i>25,160</i>
Date of Inspection	:	09 February 2018	
Date of Valuation	:	31 December 2017	

¹ The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. The residual method, is a hybrid of the market approach, the income approach and the cost approach This is based on the completed "gross development value" and the deduction of development costs and the developer's return to arrive at the residual value of the development property.

Gross Development Value : PHP 10,747,571,000.00
PHILIPPINE PESOS
TEN BILLION SEVEN HUNDRED FORTY SEVEN MILLION
FIVE HUNDRED SEVENTY ONE THOUSAND

Valuation and : PHP 1,978,190,000
Other information PHILIPPINE PESOS
ONE BILLION NINE HUNDRED SEVENTY EIGHT MILLION
ONE HUNDRED NINETY THOUSAND

This document certifies the valuation opinion as contained in our full valuation report Ref: CIPVAL18-009-002-004 dated 12 February 2018 in respect of this Property. It must be read in conjunction with, and forms part of the said full valuation report. It is not a guarantee or a level of certainty of value.

Prepared by:
Colliers International Philippines



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05 March 2018

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