

[Note: For the website only. NOT to be included in the printed version of the Prospectus]

**The Prospectus is being displayed in the website to make the Prospectus accessible to more investors. The Philippine Stock Exchange, Inc. ("PSE") assumes no responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.**

This Preliminary Prospectus and the information contained herein are subject to completion or amendment without notice. The Offer Shares may not be sold nor an offer to buy be accepted prior to the time that the Preliminary Prospectus is issued in final form. Under no circumstances shall this Preliminary Prospectus constitute an offer to sell or the solicitation of an offer to buy any Offer Shares nor shall there be any offer, solicitation or sale of the Offer Shares in any jurisdiction where such offer or sale is not permitted.



## Sta. Lucia Land, Inc.

(incorporated in the Republic of the Philippines)

**Primary Offer of up to [2,700,000,000] Common Shares  
with an Over-allotment Option of up to [300,000,000] Common Shares  
at an Offer Price of [P2.26 to P2.80] per Offer Share, to be listed and traded  
on the Main Board of The Philippine Stock Exchange, Inc.**

**Issue Manager, Underwriter and Bookrunner**



China Bank Capital Corporation

**THE 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.**

The date of this Preliminary Prospectus is 22 August 2019

Sta. Lucia Land, Inc.  
Penthouse Building 3, Sta. Lucia Mall  
Marcos Highway corner Imelda Avenue  
Cainta, Rizal, Philippines  
Telephone Number: +632 681-7332  
Corporate Website: www.stalucialand.com.ph

This Prospectus relates to the offer and sale of up to [2,700,000,000] common shares with a par value of ₱1.00 per share (the "Firm Offer", and such shares as "Firm Shares") of Sta. Lucia Land, Inc. (the "Company" or the "Issuer"), a corporation organized under the laws of the Republic of the Philippines, at an offer price of [₱2.26 to ₱2.80] per share (the "Offer Price"). The determination of the Offer Price is further discussed on page [61] of this Prospectus.

The Company has appointed [China Bank Securities Corporation] to act as the stabilizing agent (the "Stabilizing Agent"), with an option exercisable in whole or in part to purchase up to an additional [300,000,000] common shares at the Offer Price (the "Optional Shares", and together with the Firm Shares, the "Offer Shares"), on the same terms and conditions as the Firm Shares as set forth in this Prospectus, solely to cover over-allotments, if any, and effect price stabilization transactions (the "Over-allotment Option"), from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. The offer of the Offer Shares, including the Optional Shares, is referred to as the "Offer". The Offer Shares shall be listed and traded under the trading symbol "SLI" on the Main Board of The Philippine Stock Exchange, Inc. ("PSE" or the "Stock Exchange").

The Company presently has an authorized capital stock of ₱16,000,000,000.00, divided into 16,000,000,000 common shares with a par value of ₱1.00 per share, of which 8,196,450,000 common shares and 2,600,000,000 treasury shares are issued as of the date of this Prospectus. Up to [3,000,000,000] new shares are being issued by the Company from its authorized and unissued capital stock by way of a primary offer. Upon completion of the Offer, the total outstanding shares of the Company shall be up to [11,196,450,000] common shares, and the Offer Shares will comprise up to [26.79%] of the outstanding capital stock. At an Offer Price of ₱[2.26] to ₱[2.80] per share, the market capitalization of the Company upon listing will be ₱[25.30 billion] to ₱[31.35 billion].

All of the common shares which have been issued and are to be issued pursuant to the Offer have identical rights and privileges. The common shares may be owned by any person or entity regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership for certain types of domestic companies. Considering that the Company is engaged in real property ownership and development, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. See "Philippine Foreign Exchange and Foreign Ownership Controls" beginning on page [196] of this Prospectus.

The Company expects to raise gross proceeds of approximately ₱[6,102 million] to ₱[8,400 million]. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱[216.50 million] to ₱[282.20 million]) will be approximately ₱[5,885 million] to ₱[8,117 million]. The net proceeds from the Offer will be used by the Company to partially finance the following: (i) capital expenditures for ongoing

projects; (ii) strategic land banking; and for (iii) general corporate purposes. The Company will not use any net proceeds from the Offer to repay any indebtedness to the Issue Manager, Underwriter and Bookrunner. See "Use of Proceeds" beginning on page [54] of this Prospectus.

Up to [540,000,000] Offer Shares or 20% of the Firm Shares are being offered at the Offer Price to all of the trading participants of The Philippine Stock Exchange, Inc. ("PSE Trading Participants") and the remaining [2,160,000,000] Offer Shares or 80% of the Firm Shares shall be distributed by the Underwriter to qualified institutional buyers (QIBs) and to the general public. To ensure that the shares will be fully subscribed, China Bank Capital Corporation (the "Underwriter" or "China Bank Capital") has committed to underwrite, on a firm commitment basis, the Offer Shares. Any allocation of Offer Shares not taken up by the PSE Trading Participants, the QIBs and the general public shall be purchased by the Underwriter. The commission to be received by the Underwriter is discussed in the "Plan of Distribution" section on page [199] of this Prospectus.

China Bank Capital is duly-licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. China Bank Capital, a subsidiary of China Banking Corporation ("China Bank"), provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndication, bonds and notes issuances, securitization, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestures and joint ventures. It was established and licensed as an investment house on 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

Each holder of the common shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board"), at its sole discretion, provided that any stock dividend declaration will require the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Revised Corporation Code of the Philippines, Republic Act 11232 (the "Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. There can be no guarantee that the Company will pay any dividends in the future. Dividends may be declared only from the Company's unrestricted retained earnings. The Company has approved a dividend policy that would entitle the stockholders to receive the dividends equivalent up to 10% of the prior fiscal year's net income after tax, subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board. See the section on Dividend Policy on page [59] of this Prospectus.

Prior to making an investment decision, investors are advised to carefully consider the risks associated with an investment in the Offer Shares. See "Risk Factors" on page [29] of this Prospectus for a more detailed discussion on the risks, which while not intended to be an exhaustive enumeration of all risks, must be considered in connection with an investment in the Offer Shares.

On [28 August 2019], the Company filed with the Securities and Exchange Commission ("SEC") a registration statement (the "Registration Statement") relating to the Offer Shares. The SEC issued an order, rendering effective the Registration Statement and a Certificate of Permit to Offer Securities for Sales (the "Permit to Sell"). The issuance of the Permit to Sell is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

The listing of the Offer Shares is subject to the approval of the PSE. An application to list the Offer Shares was approved on [●] by the board of directors of the PSE, subject to fulfillment of certain listing conditions by the Company. However, such approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE of the Offer 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.

Unless otherwise stated, the information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, which accepts full responsibility for the accuracy of the information and confirms that, to the best of its knowledge, there are no other material facts the omission of which would make any statement in this document incorrect. Any subsequent transaction made shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

The Issue Manager, Underwriter and Bookrunner confirms that it has exercised the required due diligence in verifying that all material information in this Prospectus are true and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. The Underwriter assumes no liability for any information supplied by the Company in relation to this Prospectus.

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 made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No representation or warranty, express or implied, is made by the Issue Manager, Underwriter and Bookrunner as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issue Manager, Underwriter and Bookrunner. 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 are prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

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 the Company or the Underwriter. 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 the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Underwriter makes any representation as to the accuracy and completeness of such information.

This document does not constitute an offer or a solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer or solicitation. Each investor in the Offer Shares must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases, offers or sells such securities and must obtain the necessary consent, approval or permission for the purchase, offer or sale of such securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase, offer or sales. Foreign investors interested in subscribing to or purchasing the Offer Shares should apprise themselves as to 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 that may affect them. Prospective investors to the Offer Shares must conduct their own evaluation of the Company, and the terms and conditions of the Offer.

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.**

STA. LUCIA LAND, INC.

By:



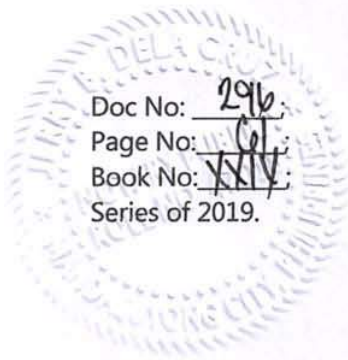
Vicente R. Santos  
Chairman of the Board

  
Mariza Santos - Tan  
Director/ Treasurer  
Exequiel D. Robles  
Director/President  
Crystal I. Prado  
Assistant Corporate Secretary

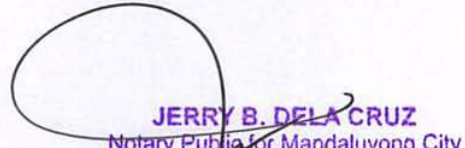
22 AUG 2019

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_ 2019, affiants exhibiting to me competent proofs of identity, to wit:

NAME	VALID I.D.	EXPIRY DATE
Vicente R. Santos	P7782826A	02 July 2028
Exequiel D. Robles	P5067324A	16 November 2022
Mariza Santos – Tan	P1089376A	04 December 2021
Crystal I. Prado	P4576274A	01 October 2022



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Series of 2019.

  
**JERRY B. DELA CRUZ**  
Notary Public for Mandaluyong City  
Until 31 December 2019  
Appointment No. 0257-18  
Roll Number 47018  
IBP No. 063313/01.04.19/RSM  
PTR No. 3823144/01.03.19/Mandaluyong  
MCLE Compliance No. VI-Q025921/04.29.19  
G/F State Center II Bldg.  
Ortigas Avenue, Mandaluyong City

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## 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 the Company's actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could 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:

- the Company's ability to successfully manage its sale on installment activities;
- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to successfully manage its growth;
- changes in the Philippine property market and the demand for the Company's housing and land developments;
- the Company's ability to maintain its reputation for on-time project completion;
- the Company's ability to successfully manage its future business, financial condition, results of operations and cash flow;
- general political, social and economic conditions in the Philippines;
- any future political instability in the Philippines;
- the condition of and changes in the Philippine, Asian or global economies;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- changes to the laws, including tax laws, regulations, policies and licenses applicable to or affecting the Company;
- competition in the Philippine property industry;
- legal or regulatory proceedings in which the Company is or may become involved; and
- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters.

Additional factors that could cause the 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. The Company and the Underwriter 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 the 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 the 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", "target", "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 the 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 the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. The Company does not intend to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise, unless material within the purview of the Securities Regulation Code ("SRC") and other applicable laws, the mandate of which is to enforce investor protection. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Investors should not place undue reliance on any forward-looking information.

## GLOSSARY OF TERMS

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

<i>Application</i>	the documents to purchase or subscribe to the Offer Shares
<i>Banking Day or Business Day</i>	a day on which commercial banks are open for business in Makati City, Metro Manila and Cainta, Rizal
<i>BIR</i>	the Bureau of Internal Revenue
<i>Board of Directors or Board</i>	the Board of Directors of the Company
<i>BSP</i>	Bangko Sentral ng Pilipinas, the central bank of the Philippines
<i>Company or Issuer or SLI</i>	Sta. Lucia Land, Inc.
<i>Corporation Code</i>	Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines, as amended by Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines
<i>DENR</i>	the Department of Environment and Natural Resources
<i>DST</i>	Documentary Stamp Taxes
<i>ECC</i>	Environmental Compliance Certificate
<i>Firm Offer</i>	the offer and sale of up to [2,700,000,000] new common shares of the Company
<i>Firm Shares</i>	the common shares relating to the Firm Offer
<i>Government</i>	the national government of the Republic of the Philippines
<i>Greenshoe Agreement</i>	an agreement between the Issuer and the Stabilizing Agent granting the latter the Over-allotment Option and authority to conduct stabilizing activities in connection with the Offer
<i>Group</i>	Sta. Lucia Group of Companies, including SLRDI, the Company, and the Company's Subsidiaries
<i>HLURB</i>	Housing and Land Use Regulatory Board
<i>IRO</i>	Investor Relations Officer

<i>IRRs</i>	Implementing Rules and Regulations of the SRC, as amended
<i>Issue Manager, Underwriter and Bookrunner</i>	China Bank Capital Corporation, a corporation organized and existing under Philippine law and duly licensed as an investment house by the SEC
<i>Listing Date</i>	the date on which trading of the Offer Shares commence on The Philippine Stock Exchange, Inc., expected to be on [9 December 2019]
<i>Maceda Law</i>	Republic Act No. 6552 or "An Act to Provide Protection to Buyers of Real Estate on Installment Payments"
<i>Offer</i>	the offer and sale of the Offer Shares
<i>Offer Price</i>	₱[2.26] to ₱[2.80] per Offer Share
<i>Offer Shares</i>	the Firm Shares and the Optional Shares
<i>OFs</i>	OFWs and Filipino expatriates
<i>OFWs</i>	Overseas Filipino workers
<i>Optional Shares</i>	the common shares relating to the Over-allotment Option
<i>Over-allotment Option</i>	the option granted by the Company to the Stabilizing Agent exercisable on and within 30 calendar days of the Listing Date, to purchase up to an additional [300,000,000] Offer Shares
<i>PDEX</i>	the Philippine Dealing & Exchange Corp.
<i>PDTC</i>	the Philippine Depository & Trust Corporation
<i>PCD Nominee</i>	PCD Nominee Corporation, 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
<i>Pesos or ₱</i>	the legal currency of the Republic of the Philippines
<i>PFRS</i>	Philippine Financial Reporting Standards
<i>Philippine Constitution</i>	the 1987 Constitution of the Philippines, the supreme law of the Republic of the Philippines
<i>Philippine National</i>	a citizen of the Philippines, 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 entitled 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 entitled 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

<i>POGO</i>	Philippine offshore gaming operators
<i>Prospectus</i>	this document together with all its annexes and attachments
<i>PSE or Stock Exchange</i>	The Philippine Stock Exchange, Inc.
<i>PSE Trading Participants</i>	the trading participants of the PSE in the Philippines
<i>Receiving Bank</i>	[•]
<i>Reservation Sales</i>	sales contracted with customers wherein reservation payments were already received but booked as liabilities (contract liability)
<i>SEC</i>	the Securities and Exchange Commission of the Philippines
<i>Selling Agents</i>	PSE Trading Participants
<i>SLECC</i>	Sta. Lucia East Commercial Corporation
<i>SLEGM or Sta. Lucia Mall</i>	Sta. Lucia East Grand Mall
<i>SLHI or Sta. Lucia Homes</i>	Sta. Lucia Homes, Inc.
<i>SLRDI</i>	Sta. Lucia Realty & Development, Inc.
<i>sqm</i>	square meter/s
<i>SRC</i>	Republic Act No. 8799, also known as the Securities Regulation Code of the Philippines
<i>Stabilizing Agent</i>	[China Bank Securities Corporation, a corporation organized and existing under Philippine law and duly licensed as a stock brokerage by the SEC]
<i>Stock Transfer Agent</i>	Professional Stock Transfer, Inc.
<i>Subsidiaries</i>	With respect to the Company, Sta. Lucia Homes, Inc, and Santalucia Ventures, Inc.

<i>SVI</i>	Santalucia Ventures, Inc.
<i>Trading Day</i>	a day when PSE is open for business
<i>Undertaking to Purchase</i>	In connection with the Offer and the conduct of stabilization activities, [SLRDI] has undertaken to purchase from the Underwriter, acting through the Stabilizing Agent, at the Offer Price per Share any or all Undertaking to Purchase Shares required to be purchased by the Underwriter, from time to time, beginning on or after the Listing Date and ending on the date 30 days from the Listing Date. See "Plan of Distribution—Over-allotment Option and the Undertaking to Purchase" on page [•] of this Prospectus.
<i>Unrestricted Retained Earnings</i>	the amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by the 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 obtaining in the Company such as when there is a need for a special reserve for probable contingencies

## SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited consolidated financial statements and related notes included 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.

### COMPANY OVERVIEW

Sta. Lucia Land, Inc. is the flagship property development arm of the Sta. Lucia Group of Companies (the "Group") which is principally engaged in real estate development, both horizontal and vertical, in various locations across the country. The Group has built a track record in the area of horizontal residential developments, particularly gated subdivisions, and has expanded into vertical developments, mall operations, housing construction and marketing. The Group is controlled by the Robles and Santos families.

The Company conducts its business via the following main operating segments:

#### Residential Projects

##### 1. Horizontal Developments

Residential Lots. Horizontal developments consist of residential lots for sale in gated subdivisions, complete with facilities and amenities. Typical features of these gated subdivisions include an entrance gate, guard house, landscaped entry statement, community clubhouse, basketball court, swimming pool, wide concrete road network, paved sidewalks with concrete curbs and gutters, centralized interrelated water system, underground drainage system, and electric system. These projects involve minimal construction works.

Since 2007, the Company has completed 57 residential subdivision projects and is currently developing 73 residential subdivision projects involving 25,000 units with average selling prices per unit ranging from ₱400,000 to ₱12,000,000. Required downpayments are usually 15% to 20%, payable in 6 months to 1 year.

##### 2. Vertical Developments

Townhouses. Townhouse projects are comprised of residential housing units with independent and identical houses that are built adjacent to each other, with a row sharing one or two house walls. These projects have higher development costs, are built on smaller land areas (i.e. six to seven hectares), and are developed in phases. The Company starts with the next phase only once the previous phase is sold out.

The Company has completed two townhouse projects known as the Nottingham Villas, one in Taytay, Rizal and another in Jaro, Iloilo, with 11 and 10 phases, respectively, having an average price of [₱2,700,000] per unit. It has another townhouse project, also called as Nottingham Villas, currently being developed in Puerto Princesa, Palawan. Downpayments of 15% to 20% are usually



required, payable in 6 months up to 2 years. Balance of 80% is paid through in-house or bank financing.

Condominiums. The condominium projects of the Company are located in strategic locations near existing horizontal developments. The Company has completed the following six residential condominium projects:

Condominium Project	Location
East Bel Air Tower 1	Cainta, Rizal
La Mirada Tower	Lapu-lapu City, Cebu
Neopolitan Condominium 1	Fairview, Quezon City
Splendido Taal Tower 1	Laurel, Batangas
Sta. Lucia Residenze – Monte Carlo (Tower 1)	Cainta, Rizal
The Orchard Pasig Tower	Pasig City

and currently has two (2) ongoing projects, one in Cainta, Rizal (East Bel-Air 3) and another in Jaro, Iloilo, (Greenmeadows Condominium). The usual required downpayment ranges from 15% to 20%, payable in 2 to 3 years. Balance of 80% is paid through in-house or bank financing.

Condotels. Condotel projects are condominium units being sold to individual buyers but are managed and operated as a hotel. For condotel projects, unit buyers are given the option to purchase a condominium unit or a condotel unit. A condotel unit is placed under a rental program initially for 15 years where it is rented out like a typical hotel room. An experienced management company, with common shareholders and directors as SLI, handles all operations, maintenance, and management of the units under the rental program. Rental income from the units is shared between the Company and the unit owners, where the management company usually receives at least 30% of net rental income. The condotel owner is not given any guarantee or assurance that the unit will be leased or if leased out, of any guaranteed return on the rental of his/her unit. Condotel unit owners are given 30 complimentary room nights per year which are transferrable across all the Company's condotels in the Philippines.

The Company has completed the following six condotel projects:

Condotel Project	Location
Arterra Residences at Discovery Bay	Lapu-lapu City, Cebu
Stradella (formerly East Bel Air Tower 2)	Cainta, Rizal
La Breza Tower	Mother Ignacia Street, Quezon City
Soto Grande Iloilo	Jaro, Iloilo
Splendido Taal Tower 2	Laurel, Batangas
Sta. Lucia Residenze – Santorini (Tower 2)	Cainta, Rizal

and currently has nine (9) ongoing projects in (i) Puerto Princesa (Crown Residence at Harbor Springs Resort), (ii) Katipunan, Quezon City (Sotto Grande Katipunan), (iii) Fairview, Quezon City (Soto Grande Neopolitan), (iv) Quezon City (The Tribute), (v) Puerto Princesa (Soto Grande Palawan), (vi) Cebu (Nivel Hills), (vii) Davao City (Soto Grande Davao), and(viii) two in Baguio City

(Soto Grande Baguio Tower 1 and 2).

Average selling prices per unit range from ₱85,000 to ₱118,000 per sqm with required downpayments of 20%, payable in two to three years while the balance of 80% is paid through in-house or bank financing.

## **Commercial Properties**

### **1. Mall**

Sta. Lucia East Grand Mall (SLEGM). The SLEGM is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a gross floor area (GFA) of 180,000 sqm and is located at Marcos Highway cor. Felix Ave., Cainta, Rizal. Currently, the mall has 88,489.68 sqm of gross leasable space of which 84,046.77 sqm or 94.98% is leased. This business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a three-storey building with a GFA of 50,000 sqm and a net leasable area of 12,600 sqm. The expansion mall has a 20,000 sqm parking to cater to residential tenants and mall clients.

### **2. Commercial Lots**

The commercial properties of the Company are complementary to existing residential projects and are being offered to existing established retail partners. There are a total of 759 commercial lots covering 88.39 hectares adjacent to the Company's projects nationwide. There is an allocation for an average commercial space ranging from 300 to 2,000 sqm in the majority of the Company's projects. The Company intends to expand its retail portfolio by offering these commercial properties via 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Company's own malls in these commercial properties and leasing it to retailers.

## **Services**

### **1. Sale on Installment**

The Company also earns revenue through its sale on installment program to cater to their customers who do not have the accumulated savings to pay for the projects of the Company but have sufficient recurring income to support monthly amortization payments. Approximately 90% of the Company's sales are through its in-house installment program. The customers of the Company who avail of the program are charged higher than the prevailing interest rates of banks, ranging from 14% to 16% per annum and a 20% downpayment with tenors up to a maximum of 10 years. For 2018 to 2019, around 90% of customers of SLI availed of the sale on installment facility with terms of 5 years or less.

## 2. Housing / Construction

The Company also ventured into housing construction services through its wholly-owned subsidiary, SLHI, which provides access to and assistance in connection with general construction services to its lot buyers. SLHI began operating in 2014 in order to service the needs of lot buyers who would like to have their own house constructed on their previously bought lots but are not familiar with the process (i.e. securing permits, construction, accessing financing, etc.). SLHI provides these services to its lot owners with the assurance of reliability from an established brand name. The price of house construction service ranges from ₱22,500 per sqm to ₱28,000 per sqm. Payment terms require a 20% downpayment that is payable up to 6 months, with the balance payable up to 10 years through in house or bank financing. While this remains a good opportunity for the Company to reach more lot buyers, the Company, for the next few years, will focus on project development through strategic land banking and joint ventures with land owners in key provinces.

## 3. Marketing

The Company is currently conducting marketing services through its subsidiary, SVI. SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Group. The sales and marketing functions were shifted to SVI in order that the Company may focus on the development of its projects.

For the years ended December 31, 2016, 2017 and 2018, SLI had total revenues of ₱3,292.9 million, ₱3,689.3 million and ₱4,032.2 million, respectively. The Company also had net income of ₱730.4 million, ₱817.7 million and ₱1,065.2 million, respectively, over the same periods. For the six months ended 30 June 2018 and 2019, the Company had total revenues of ₱2,059.2 million and ₱3,496.1 million respectively.

## **COMPETITIVE STRENGTHS**

The Company's competitive strengths include the following:

- Solid track record in real estate development
- Efficient joint venture model
- Extensive land bank and project portfolio strategically located in high growth areas
- Sales and marketing team with nationwide and global coverage
- Seasoned and respected leadership team

Please refer to "Competitive Strengths" on page [93] of this Prospectus for a more detailed discussion.

## **BUSINESS STRATEGIES**

The Company's business strategies include the following:

- Accelerate land bank development and project rollout
- Establish new joint ventures and strategic partnerships
- Expand recurring income base
- Boost brand awareness and strengthen brand equity
- Build master-planned and integrated communities
- Explore complementary ventures and platforms

Please refer to "Business Strategies" on page [98] of this Prospectus for a more detailed discussion.

## **RISKS OF INVESTING**

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

- risks relating to the Company's business;
- risks relating to the Philippines; and
- risks relating to the Offer and the Offer Shares.

Please refer to the section entitled "Risk Factors" which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of Offer Shares.

## **CORPORATE INFORMATION**

The Company is a Philippine corporation with its registered office at Penthouse Building 3, Sta. Lucia Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal, Philippines. The Company's telephone number is +632 681 7332 and its fax number is +632 681 7467. Its corporate website is [www.stalucialand.com.ph](http://www.stalucialand.com.ph). The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

### **Investor Relations Office and Compliance Office**

The Investor Relations Office is 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 the Company's stakeholders as well as to the broader investor community. Mr. Jeremiah T. Pampolina, the Company's Investor Relations Officer ("IRO"), serves as the Company's designated investor relations manager and head of the Company's Investor Relations Office. The IRO

is responsible for ensuring that the Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO oversees most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO is also responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Mr. Jeremiah T. Pampolina concurrently serves as the Company's Compliance Officer to ensure that the Company complies with, and files on a timely basis, all required disclosures and continuing requirements of the Philippine SEC and the PSE.

The Company's Investor Relations Office is located at Penthouse Building 3, Sta. Lucia Mall, Marcos Highway corner Imelda Avenue, Cainta, Rizal, Philippines.

## SUMMARY OF THE OFFER

*The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.*

Issuer .....	Sta. Lucia Land, Inc., a corporation organized and existing under Philippine law with the trading symbol "SLI"
Issue Manager, Underwriter and Bookrunner .....	China Bank Capital Corporation
Selling Agents .....	PSE Trading Participants
The Offer .....	A Firm Offer of up to [2,700,000,000] common shares, and up to an additional [300,000,000] Optional Shares, with a par value of ₱1.00 per share, to be issued and offered by the Company. After the completion of the Offer, the Offer Shares will comprise up to [26.79%] of the Company's outstanding common shares.

Out of the Offer Shares, up to [540,000,000] common shares will be allocated to all PSE Trading Participants. Each PSE Trading Participant shall initially be allocated [4,186,000] Offer Shares and subject to reallocation as may be determined by the PSE. The remainder of up to [2,160,000,000] Offer Shares, plus any Offer Shares allocated to the PSE Trading Participants but not taken up by them, will be distributed by the Underwriter to its clients, retail investors or the general public. Offer Shares not taken up by the Selling Agents, the Underwriter's clients, retail investors or the general public shall be purchased by the Underwriter in exercise of its firm underwriting commitment pursuant to the underwriting agreement executed by and between the Company and the Underwriter (the "Underwriting Agreement"). For a more detailed discussion, see "Plan on Distribution" on page [199] of this Prospectus.

Offer Shares .....	Up to [2,700,000,000] Firm Shares [and up to 300,000,000 Optional Shares]
Offer Price.....	₱[2.26] to ₱[2.80] per Offer Share
Over-allotment Option.....	The Company has granted the Stabilizing Agent an option, exercisable in whole or in part, to purchase up to [300,000,000] Optional Shares at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this Prospectus, solely to cover over-allotments, if any, and effect price stabilization activities. The Over-allotment Option is exercisable from time to time for a period which shall not exceed 30 calendar days from and including the Listing Date. See “Plan of Distribution – The Over-allotment Option”.
Offer Period .....	The period commencing at 9:00 a.m., Manila time, on [18 November 2019] and ending at 12:00 noon, Manila time, on [29 November 2019]. The Company and the Issue Manager, Underwriter and Bookrunner reserve the right to extend or terminate the offer period with the approval of the SEC and PSE. Duly accomplished “Application to Subscribe” forms and signature cards together with the supporting documents and corresponding payments must be received by the Selling Agents or the Underwriter not later than 12:00 noon, Manila time, on [29 November 2019].
	If for any reason the aforementioned date for the end of the Offer Period should fall on a day when banks in the Philippines are closed, the Offer Period will expire on the Banking Day immediately succeeding the end of the Offer Period.
Use of Proceeds .....	The Company intends to use the net proceeds from the Offer to partially finance the following: (i) capital expenditures for ongoing projects; (ii) strategic land banking; and for (iii) general corporate purposes. See “Use of Proceeds” for details of how the total net proceeds are expected to be applied.
Dividends .....	The Company has approved a dividend policy that would entitle stockholders to receive dividends up to 10% of the prior fiscal year’s net income after tax, subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board.

The declaration and payment of dividends is subject to compliance with regulatory requirements of the SEC and PSE. See "Dividends and Dividend Policy."

Listing and Trading ..... The Company's application for the listing of the Offer Shares was approved by the PSE on [●]. All of the Offer Shares to be issued are expected to be listed on the PSE under the symbol and company alias "SLI". See "Description of the Shares." All of the Offer Shares are expected to be listed on the PSE on or about [9 December 2019]. Trading of the Offer Shares is expected to commence on [9 December 2019].

Eligible Investors ..... The Offer Shares may be subscribed by any individual of legal age, or any corporation, association, partnership or trust, regardless of citizenship or nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws.

Restrictions on Ownership ..... The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Because the Company is engaged in real property ownership and development, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. For more information relating to restrictions on the ownership of the Common Shares, see "Philippine Foreign Exchange and Foreign Ownership Controls."

As of 30 June 2019, 0.0319% of the Company's common shares are held by foreign nationals.

Representation and Warranty of Foreign Investors ..... Foreign investors interested in subscribing to the 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, are required to represent and warrant that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.



Registration of Foreign Investments    The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only 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 foreign investor. See "Philippine Foreign Exchange and Foreign Ownership Controls."

Minimum Subscription .....    Each application must be for a minimum of [10,000] Offer Shares, and thereafter, in multiples of [1,000] Offer Shares. Applications for multiples of any other number of common shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.

Procedure for Application .....    Application forms and signature cards may be obtained from the Issue Manager, Underwriter and Bookrunner or from any participating Selling Agent. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. 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 an individual, the Application must be accomplished in quadruplicate and accompanied by the following documents: (i) corresponding check payments and (ii) a fully executed signature card.

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

- (i) certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) or other constitutive document (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);
- (ii) certified true copy of the applicant's SEC Certificate of Registration or equivalent document in case of a foreign corporation, duly certified by its corporate secretary (or managing partner in the case of a partnership); and

- (iii) duly notarized corporate secretary's certificate (or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals.

Payment Terms..... The purchase price must be paid in full in Philippine 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 nationwide; or (ii) a manager's or cashier's check issued by such authorized bank. All checks should be made payable to "[Sta. Lucia Land, Inc.]", crossed "Payee's Account Only," and dated the same date as the Application. Checks subject to clearing periods of over three banking days shall not be accepted.

The Applications and the related payments will be received at any of the offices of the Underwriter and the Selling Agents.

Acceptance or Rejection of Application to Subscribe and Reduction of Allotment of Offer Shares .....

Applications are subject to confirmation by the Underwriter and the final approval of the Company. The Company and the Underwriter reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by the Application. The Company and the 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 the Company and the 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 at the PSE.

Refunds..... In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Underwriter, is less than the number covered by its Application, or if an Application is rejected by the Company, then the Underwriter shall refund, without interest, within five banking days from the end of the Offer Period, 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 with whom the applicant has filed the Application, at the applicant's risk.

Registration and Lodgment of Shares with PDTC..... The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share 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.

Tax Considerations..... See "Philippine Taxation" for further 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:

Pricing Date .....	[12 November 2019]
Start of the Offer .....	[18 November 2019]
Submission of Commitments by the PSE Trading Participants .....	[20 November 2019]
End of the Offer .....	[29 November 2019]
Settlement and Listing Date .....	[09 December 2019]

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

## SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary consolidated financial information as at and for the years ended December 31, 2018, 2017 and 2016 were derived from the Company's audited consolidated financial statements, which were prepared in accordance with Philippine Financial Reporting Standards ("PFRS") and were audited by Sycip Gorres Velayo & Co. (SGV & Co.) in accordance with the Philippine Standards on Auditing ("PSA"). The summary consolidated financial information as at and for the six months ended 30 June 2019 and 2018 were derived from the Company's consolidated financial statements, which were prepared in accordance with PFRS. The summary consolidated financial information below is not necessarily indicative of the results of future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the SEC Form 17-A and the relevant consolidated financial statements of Sta. Lucia Land, Inc., including the notes thereto, included in this Prospectus.

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In ₱ millions, except per share figures	Six Months Ended June 30		Years Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
<b>REVENUE</b>					
Real estate sales	2,524.2	1,274.0	2,428.3	2,108.5	1,889.6
Rental income	416.4	446.0	858.8	1,026.1	852.5
Commission income	221.3	85.4	181.3	109.3	105.2
Interest income	164.0	113.1	301.0	160.0	139.5
Dividend income	5.7	7.2	7.2	7.2	7.2
Construction income	–	–	–	1.6	25.6
Others	164.4	133.6	255.7	276.6	273.4
	3,496.1	2,059.2	4,032.2	3,689.3	3,292.9
<b>COSTS AND EXPENSES</b>					
Costs of real estate	873.6	488.5	959.0	860.9	946.4
Costs of rental income	272.1	276.3	554.0	584.0	581.2
Costs of construction	–	–	–	0.9	16.4
	1,145.7	764.8	1,513.0	1,445.8	1,544.0
Commissions	409.5	165.2	324.7	244.0	278.9
Representation	42.6	8.1	18.0	19.7	11.3
Taxes, licenses and fees	40.7	25.2	70.8	98.4	100.4
Salaries and wages and other benefits	36.1	28.5	65.1	64.1	55.6
Advertising	33.1	31.9	59.7	56.3	51.0
Repairs and maintenance	24.1	10.8	33.6	17.0	30.2
Utilities	12.4	4.1	7.5	21.9	13.7
Professional fees	9.5	9.1	21.1	31.4	20.8
Depreciation and amortization	9.3	8.8	17.0	19.8	20.0
Expected credit loss	–	1.4	1.4	2.6	2.9
Transportation, travel, office supplies and miscellaneous	36.7	25.2	51.6	49.6	42.0
	653.9	318.2	670.4	624.8	626.9
<b>INTEREST EXPENSE</b>	488.0	325.9	706.7	487.6	290.4
<b>INCOME BEFORE INCOME TAX</b>	1,208.5	650.3	1,142.1	1,131.0	831.7
<b>PROVISION FOR INCOME TAX</b>	324.8	217.7	76.9	313.4	101.3
<b>NET INCOME</b>	883.7	432.6	1,065.2	817.7	730.4
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	(149.8)	(98.5)	33.9	26.3	35.9
<b>TOTAL COMPREHENSIVE INCOME</b>	733.9	334.1	1,099.1	844.0	766.3

Basic/Diluted Earnings per Share	0.11	0.05	0.12	0.09	0.08
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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In P millions	June 30		December 31	
	2019 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	460.3	1,064.5	626.2	140.5
Receivables	1,430.7	1,874.0	2,686.8	2,519.5
Contract assets	1,259.7	701.5	–	–
Real estate inventories	19,590.9	18,303.7	16,027.8	11,952.8
Other current assets	5,455.5	5,204.1	2,753.8	2,493.4
<b>Total Current Assets</b>	<b>28,197.2</b>	<b>27,147.7</b>	<b>22,094.7</b>	<b>17,106.2</b>
<b>Noncurrent Assets</b>				
Noncurrent installment contracts receivables	88.3	494.8	1,499.8	934.3
Contract assets - net of current portion	1,611.7	673.1	–	–
Investment properties	5,156.1	5,154.5	5,157.6	5,152.8
Property and equipment	50.0	44.5	55.7	63.3
Financial assets at fair value through other comprehensive income (FVOCI)	835.8	985.0	878.0	844.2
Other noncurrent assets	757.2	216.5	121.1	24.4
<b>Total Noncurrent Assets</b>	<b>8,499.1</b>	<b>7,568.4</b>	<b>7,712.3</b>	<b>7,019.1</b>
<b>TOTAL ASSETS</b>	<b>36,696.3</b>	<b>34,716.2</b>	<b>29,807.0</b>	<b>24,125.3</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	3,798.4	3,990.8	2,992.2	2,800.0
Loans payable – short term	4,317.3	3,608.0	5,475.0	2,395.6
Contract liabilities	2,221.2	2,017.7	–	–
Customers' deposits	–	–	1,223.4	908.7
Income tax payable	118.0	19.9	46.2	78.9
<b>Total Current Liabilities</b>	<b>10,455.0</b>	<b>9,636.4</b>	<b>9,736.8</b>	<b>6,183.1</b>
<b>Noncurrent Liabilities</b>				
Loans payable – long term	10,018.0	9,998.8	5,039.7	3,934.9
Contract liabilities - net of current portion	296.0	45.4	–	–
Pension liabilities	7.2	5.5	2.2	3.7
Deferred tax liabilities - net	731.9	575.8	718.4	537.6
<b>Total Noncurrent Liabilities</b>	<b>11,053.1</b>	<b>10,625.5</b>	<b>5,760.3</b>	<b>4,476.2</b>
<b>Total Liabilities</b>	<b>21,508.1</b>	<b>20,261.9</b>	<b>15,497.1</b>	<b>10,659.3</b>
<b>Equity</b>				
Capital Stock	10,796.5	10,796.5	10,796.5	10,796.5
Additional paid-in capital	330.0	330.0	330.0	330.0
Retained earnings	5,286.1	4,402.4	3,461.9	2,644.3
Unrealized gain on fair value of available-for-sale financial assets	(1,640.0)	568.8	461.8	435.8
Remeasurement losses on pension	419.5	(3.3)	(0.2)	(0.6)
Treasury shares	(3.8)	(1,640.0)	(740)	(740)
<b>Total Equity</b>	<b>15,188.2</b>	<b>14,454.3</b>	<b>14,310.0</b>	<b>13,466.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36,696.3</b>	<b>34,716.2</b>	<b>29,807.0</b>	<b>24,125.3</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

In P millions	Six Months Ended June 30		Years Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
Net cash flows generated from (used in)					
operating activities	(630.0)	(451.1)	(1,638.2)	(2,970.4)	(1,800.2)
Net cash flows used in investing activities	(194.7)	(69.1)	(206.8)	(271.0)	(614.2)
Net cash flows from financing activities	220.6	270.4	2,283.4	3,727.2	339.9
Cash at beginning of year	1,064.5	626.2	626.2	140.5	2,215.0
Cash at end of period	460.3	376.5	1,064.5	626.2	140.5

## KEY PERFORMANCE INDICATORS

The table below sets forth key performance indicators for the Company for the years ended December 31, 2018, 2017 and 2016 and the six months ended 30 June 2019 and 2018.

	Six Months Ended June 30		Year Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018	2017	2016
Current Ratio	2.72	1.54	2.81	2.27	2.77
Debt to Equity	0.94	0.68	1.40	1.08	0.47
Interest Coverage Ratio	247.66%	199.54%	161.61%	231.94%	286.43%
Return on Asset	2.41%	1.35%	3.06%	2.74%	3.03%
Return on Equity	5.82%	2.95%	7.37%	5.71%	5.42%

Notes:

- (1) Current ratio = total current assets over total current liabilities
- (2) Debt to equity = loans payable over total equity
- (3) Interest coverage ratio = income before income tax over interest expense
- (4) Return on assets = net income over total assets
- (5) Return on equity = net income over total equity

## RISK FACTORS

*An investment in the Offer Shares involves a number of risks. The price of securities can and does 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 rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and 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, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost.*

*This risk factor 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 should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the common shares and the Company from the SEC.*

### RISKS RELATING TO THE COMPANY'S BUSINESS

**A significant portion of the demand for the Company's products is from OFWs, expatriate Filipinos, and their families, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are based.**

The Company is reliant on OFWs, expatriate Filipinos, and their families who live in the Philippines to generate a significant portion of the demand for its subdivision lots and high-rise condominium units, particularly for its affordable and middle-income projects. In order to reach them, the Company engages SVI and certain marketing companies who have both domestic and international presence.

A number of factors, however, could lead to reduced remittances from OFWs, a reduction in the number of OFWs or a reduction in the purchasing power of expatriate Filipinos and their families. These include:

- a downturn in the economic performance of the countries and regions where a significant number of these remitters are located, such as Italy, the United Kingdom, Spain, Singapore, the Middle East, and the United States;
- restrictions imposed by these countries' governments on the ability of their banks to provide services to remittance companies or money transfer operations due to anti-money laundering policies, thereby impeding the flow of money to the Philippines;
- a change in government regulations that currently exempt the income of OFWs from taxation in the Philippines;
- the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East; and

- restrictions imposed by other countries on the entry or the continued employment of foreign workers.

Any of these events could adversely affect demand for the Company's projects from OFWs, expatriate Filipinos and their families, which could have a material adverse effect on the Company's business, financial condition and results of operations.

To mitigate the risk of a downturn in the demand from its dependency on OFWs and their families, the Company has been looking to expand its customer base and has appointed SVI and seven other marketing companies whose clientele not only includes OFWs and their families but BPO employees, SME owners and other corporate and government employees as well.

**The interests of JV partners for the Company's land development projects may differ from the Company's and they may take actions that adversely affect the Company.**

The Company has entered into joint venture ("JV") agreements with landowners as part of its overall land acquisition strategy and intends to continue to do so. Under the terms of its JV agreements, the Company takes responsibility for project development, while its JV partner typically supplies the project land.

A JV involves special risks where the JV partner may have economic or business interests or goals inconsistent with or different from those of the Company's. The JV partner may take actions contrary to the Company's instructions or requests, or be in direct opposition to the Company's policies or objectives with respect to the real estate investments, or the JV partner may not meet its obligations under the JV arrangement. Disputes between the Company and its JV partner could arise after significant capital investments in a project have been made, which could result in the loss of some or all of the Company's investment in the project. The Company's reliance on its JV arrangements could therefore have a material adverse effect on the Company's results of operations and financial condition.

To mitigate the risk that interests of the Company's JV partners may differ with that of the Company, the terms and conditions and the development plans for the properties are discussed thoroughly with the JV partners and documented under JV agreements.

**The Company is exposed to risks associated with its sale on installment activities, including the risk of customer default**

The Company has provided a substantial amount of sale on installment to its customers, particularly for buyers of its affordable and middle-income real estate products. In cases where the Company provides sale on installment, it charges customers interest rates that are substantially higher than comparable rates for bank financing. As a result, and particularly during periods when interest rates are relatively high, the Company faces the risk that a greater number of customers who utilize the Company's sale on installment facilities will default on their payment obligations, which would require the Company to incur expenses, such as those relating to sales cancellations, and reselling of projects. There is also no assurance that the Company can resell a subdivision lot or a condominium unit once a sale has been cancelled. The inability of its customers who availed of the in-house installment



program to meet their payment obligations and a decline in the number of customers buying on installment could also have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes that the impact of defaults is minimized since it conducts extensive credit check on its customers and the possession and physical title of these properties remain with the Company until all required payments are made and complete. Furthermore, assets under the in-house installment program are mostly lots and the Company believes that it will be able to resell these lots through the marketing companies that it engages for its projects.

**The Company is subject to significant competition in connection with their land development and leasing business.**

The Company competes with a number of land and commercial developers, some of which have greater financial resources and may be perceived to have more attractive projects. Competition from other developers may adversely affect the Company's ability to successfully operate its investment properties, and continued development by these and other market participants could result in saturation of the market for residential and commercial projects.

With respect to residential lots and condominium sales, the Company considers DMCI Homes, Filinvest, and SM Development Corporation as its competitors. The Company is able to effectively compete for the buyers primarily on the basis of price, reliability and location of the development site.

With respect to its mall business, SM Prime and Robinsons Retail are considered as the main competitors of the Company. The Company is able to compete for the buyers on the basis of effective tenant mix, location and rental rates.

The competition that the Company faces in these sectors of the property market, and its ability to compete with larger and more experienced competitors, could have a material adverse effect on the Company's results of operations or financial condition.

**The Company faces certain risks related to the cancellation of sales involving its residential projects and if the Company were to experience a material number of sales cancellations, the Company's historical revenues would be overstated.**

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of sales contracts for subdivision lots and condominium units are cancelled.

- The Company is subject to R.A. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. This right shall be exercised by the buyer only once in each year of the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments

made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

- While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy, periods when interest rates are high or similar situations. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to resell the same property or resell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.
- In the event the Company experiences a material number of sales cancellations, investors are cautioned that the Company's historical revenues would have been overstated because such historical revenues would not have accurately reflected subsequent customer defaults or sales cancellations. Investors are also cautioned not to rely on the Company's historical income statements as indicators of the Company's future revenues or profits.

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

To try minimize the impact of such risk, receivable balances are monitored by the Company on a regular basis. In addition, majority of the Company's historical revenues have been from lot sales. The development and maintenance of these lots involves lower costs versus house and lot developers, and residential lots would be easier to resell than other property types.

**Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.**

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on the Company and on demand for its products. For example:

- In connection with the Company's real estate development business, higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Insofar as the Company's core land development business is concerned, because the Company believes that a substantial portion of its customers procure financing (either from banks or using the Company's sale on installment program) to fund their property purchases, higher interest rates

make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.

- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.
- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, real estate stress test limit for real estate exposures, and real estate limits, both of which are imposed by the BSP on bank lending. If the Company were to reach the single borrower limit, real estate stress test limit for real estate exposures, or real estate limit with respect to any bank, the Company may have difficulty obtaining financing with reasonable rates of interest from other banks.
- If the BSP also lowers the cap on the loan-to-collateral value ratio, which currently is at 60% of the collateral value of a property, the amount of capital accessible to the buyers of the Company's projects would be limited.

To manage interest rate risk, the Company's long-term loans are a combination of floating-rate and fixed-rate loans. In the Monetary Board policy meeting of the BSP on 8 August 2019, the BSP decided to cut the interest rate on the BSP's overnight reverse repurchase facility by 25 basis points 4.25% for the overnight reverse repurchase rate. Accordingly, the interest rates on the overnight deposit and lending rates facilities were reduced to 3.75% and 4.75%, respectively. This marks the second rate cut implemented by the BSP in 2019 after a similar 25-basis point reduction in interest rates in May.

BSP cuts its inflation forecast to 2.6% from the downward-revised 2.7% while revising next year's inflation at 2.9% from 3.0%.

**The Company faces risks relating to the management and acquisition of its land bank, which could adversely affect its margins.**

The Company must continuously seek JV partners and/or acquire land for its own account in order to replenish and expand its land inventory. Risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land and subdivision lots can fluctuate significantly as a result of changing market conditions. The Company cannot assure investors that the measures it employs to manage land inventory risks will be successful.

Changes in economic or market conditions may also require the Company to defer the commencement of projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its financial statement, as well as reduce the amount of property available for sale.

Any of the foregoing events would have a material adverse effect on the Company's business and financial condition. The Company takes steps to ensure that JV agreements and land purchases are on reasonable terms, and at locations that are marketable for short and long-term projects.

**Titles over land owned by the Company may be contested by third parties.**

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land.

Although the Company conducts extensive title searches before it acquires any parcel of land, from time to time the Company has had to defend itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company. Although historically these claims have not had a material adverse effect on the Company and its business, in the event a greater number of similar third-party claims are brought against the Company in the future or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects.

Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation. To mitigate the risk of land titles being contested by third parties, the Company conducts thorough title verification of the properties the Company purchases.

**The Company faces risks relating to its residential property development business, including risks relating to project cost and completion.**

The Company's principal business is the development of subdivision lots and sale of residential properties in the Philippines. The property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. In addition, obtaining required Government approvals and permits may take substantially more time and resources than anticipated or construction of projects may not be completed on schedule and within budget.

Furthermore, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Further, the failure by the Company to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

To manage this risk, the Company accredits and establishes relationships with qualified suppliers to provide cost and budgetary estimates, and ensure supply of materials to be used for developing the land. The Company also appoints contractors based on a number of qualifications such as experience in the project area, past project performance, and contract price, among others.

**The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.**

With the vast track record of developing real estate in the Philippines, the Company believes it has established an excellent reputation and brand name. If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to sell its projects. This would impair the Company's ability to reduce its capital investment requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

The Company appoints contractors based on a number of qualifications such as experience in the project area and past project performance, among others, to ensure that the quality of projects developed meets the requirements of its customers. In terms of after-sales service, the customers' needs are addressed by the Company's appropriate department/unit. Any technical concerns are addressed by the assigned engineers. Engineers are assigned on a per city/region basis as well so that project responsibility and accountability is clear and focused. The Company also ensures in its agreements with all of its contractors that warranties and 10% retention are in place after turnover to ensure the delivery of quality products to its customers.

**Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or may not complete projects on time and within budget.**

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fit-out works. The Company selects independent contractors principally by conducting tenders and taking into consideration factors such as the contractors' experience, its financial and construction resources, any previous relationship with the Company, its reputation for quality and its track record. There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget, which could result in costs increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or at par with the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the

Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company carefully selects and accredits only qualified suppliers to provide cost and budgetary estimates, and supply of materials to be used for developing the properties. The Company also appoints contractors based on a number of qualifications such as experience in the project area, past project performance, and contract price, among others.

**The Company operates in a highly-regulated environment and it is affected by the development and application of regulations in the Philippines.**

The Philippines' property development industry is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be converted into non-agricultural land prior to development and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense.

Presidential Decree No. 957, as amended, ("PD 957") and Batas Pambansa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium or subdivision project. PD 957 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which enforces these statutes. Regulations applicable to the Company's operations include standards regarding:

- the suitability of the site;
- road access;
- necessary community facilities;
- open spaces;
- water supply;
- sewage disposal systems;
- electricity supply;
- lot sizes;
- the length of the housing blocks; and
- house construction.

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its subsidiaries

or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked.

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing units. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with applicable laws and regulations. Dealers, brokers and salesmen are also required to register with the HLURB. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon a verified complaint from an interested party for reasons such as insolvency, non-delivery of title to fully-paid buyers, deviation from approved plans, or violation of any of the provisions of P.D. 957. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with Batas Pambansa Blg. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with Presidential Decree 957 which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of each subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls.

Republic Act No. 7279 ("RA 7279"), otherwise known as the Urban Development and Housing Act, as amended by Republic Act No. 10884, further requires developers of proposed residential subdivision 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 residential condominium area or project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. While this is the preferred manner of compliance, the developer may resort to other manners of compliance such as (i) developing socialized housing in a new settlement, (ii) entering into joint-venture projects for socialized housing with local government units, housing agencies, other private socialized housing developers, or non-government organizations engaged in the provision of socialized housing in accordance with the regulations, or (iii) participating in a new project under the community mortgage program (CMP) through land development in a CMP project. To comply with this requirement, a developer may also invest in socialized housing bonds approved by the HLURB or such other options as provided in the law and applicable regulations. These options include the development of a new settlement, slum upgrading, participation in a community mortgage program, the undertaking a joint-venture projects and the building of a large socialized housing project to build a credit balance.

Republic Act No. 4726, otherwise known as The Condominium Act ("R.A. No. 4726"), as amended, likewise regulates the development and sale of condominium projects. R.A No. 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

Should any of the Company's subsidiaries engage in construction, it shall be subject to regulation by the Government, particularly the Philippine Contractors Accreditation Board ("PCAB") which was created by virtue of Republic Act No. 4566 ("RA 4566"). RA 4566 as amended by P.D. No. 1746 provides that no contractor (including sub-contractor and specialty contractor) shall engage in the business of contracting without first having secured a PCAB license to conduct business. It is an offense to engage in contracting business without a license first being obtained. The purpose of RA 4566 is to ensure, for the safety of the public, that only qualified and reliable contractors are allowed to undertake construction in the country. The law also aims to promote for the benefit of the public and private sectors and for the national interest, the orderly growth of the contracting sector and the upgrading of construction capability.

In applying for and granting such license, the PCAB takes into consideration the applicant - contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity; (ii) equipment capacity; (iii) experience of firm; and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project.

To mitigate the risk of development and application regulations in the Philippines having an adverse effect on the Company's projects, the Company's Legal Department and Engineering Department ensure that all projects are compliant with Government regulations and specifications.

**Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.**

In general, developers of real estate projects are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources ("DENR"). For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate ("ECC") to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its 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 the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or



future laws or regulations will 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. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

To mitigate the risk that environmental laws may have an adverse effect on the Company's projects, the Company's Legal Department, Engineering Department and Permits and Licenses Department ensure that the projects are compliant with environmental laws.

**The Company is majority controlled by SLRDI and indirectly by the Robles and Santos families, and interests of SLRDI and the Robles and Santos families may differ significantly from the interests of the Company's other shareholders.**

SLRDI controls and is expected to continue to control the Company. In turn, SLRDI is controlled by members of the Robles and Santos families, who either individually or collectively have controlled SLRDI and the Company since its formation. Members of the Robles and Santos families also serve as directors and executive officers in SLRDI, the Company and its affiliates. The interests of the Robles and Santos families may differ from the interests of the Company and the Company's other shareholders, and there can be no assurance that they will exercise influence over the Company in a manner that is in the best interest of the Company and the Company's other shareholders. In addition, there can be no assurance that the Company's business, financial position and results of operations will not be adversely affected in the event the Robles and Santos families reduces part of, or disposes all of, their shareholdings in the Company.

To protect minority shareholders, major decisions are subject to Board approval which includes independent directors. Moreover, the Company has a manual on corporate governance which it strictly adheres to. All material board matters are disclosed to the PSE and are available to the general public.

**The Company has a number of related-party transactions with affiliated companies.**

The companies controlled by the Robles and Santos families and by SLRDI have a number of transactions with the Company. The Company's practice has been to enter into contracts with these affiliate companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties.

The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with SLRDI and the Robles and Santos families. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between SLRDI, the Robles and Santos families, and the Company in a number of other areas relating to its businesses, including:

- major business combinations involving the Company and its subsidiaries;
- plans to develop the respective businesses of the Company and its subsidiaries; and
- business opportunities that may be attractive to SLRDI, the Robles and Santos families and the Company.

The Company can provide no assurance that its related-party transactions will not have a material adverse effect on its business or results of operations.

Dealings within the Group are made at terms and prices agreed upon by the respective parties, on an arms-length basis. Major decisions are subject to Board approval which includes independent directors, and the Company has a manual on corporate governance which it adheres to.

**The Company may be unable to attract and retain skilled professionals, such as architects and engineers.**

The Company's ability to plan, design and execute current and future projects depends on its ability to attract, train, motivate and retain highly skilled personnel, particularly architects and engineers. The Company believes that there is significant demand for such personnel not only from its competitors but also from companies outside the Philippines, particularly companies operating in the Middle East. Any inability on the part of Company in hiring and, more importantly, retaining qualified personnel could impair its ability to undertake project design, planning and execution activities in-house and could require the Company to incur additional costs by having to engage third parties to perform these activities.

To mitigate the risk of the Company being unable to attract and retain skilled professionals, the Company believes that it has been successful in fostering good relationships with its employees and will continue to provide professional training programs to enable its employees to serve its customers better, increase productivity and improve their skills. The Company also provides competitive compensation and benefit packages.

**The Company is dependent on third-party brokers to sell its subdivision lots and condominium units.**

Aside from SVI, the marketing and advertising arm of the Group, the Company relies on affiliated and third-party brokers to market and sell its subdivision lots and condominium units to potential customers inside and outside of the Philippines. These brokers may also act as brokers for other developers in the same markets in which the Company operates, and there can be no assurance that they will not favor the interests of their other clients over the interests of the Company, or otherwise act in the Company's best interests. There is competition for the services of third-party brokers in the Philippines, and many of the Company's competitors either use the same brokers as the Company or attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to terminate or breach their brokerage agreements, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers. This could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

In addition, the Company offers certain incentives based on sales targets such as domestic and international all-expense paid trips.

**A domestic asset price bubble could adversely affect the Company's business.**

One of the risks inherent in any real estate property market is the possibility of an asset price bubble. This occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices, followed by a drastic drop in prices when the bubble bursts. In the Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from OFWs, and the growing BPO sector which is vulnerable to global economic changes.

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 6.9% in 2016, 6.7% in 2017 and 6.2% in 2018, and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

There can be no assurance however, that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition and results of operations.

The Company believes that should the country experience such an asset price bubble, impact on the Company will be relatively mitigated since most of its properties are located in the province.

**The Company is exposed to risks relating to the leasing business.**

The Company leases its retail and office spaces to various third parties and affiliates. Some factors concerning the Company's tenants that could affect the Company's financial condition may include the following:

- untimely expiration of leases and vacancies of tenants;
- delays in the payment of rent due to a tenant's declining sales or slow turnover;
- tenants seeking the protection of bankruptcy laws that could result in delays in the Company's receipt of rental payments;
- the Company's inability to collect rental payments or the early termination of a tenant's lease;
- tenants that do not comply with the general terms of the lease; and
- changes in laws and government regulations relating to real estate, including those governing usage, zoning, taxes and government charges that could lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance.

Any unfavorable developments with respect to the Company's tenants could have an adverse effect on the Company's business, financial condition and results of operations. To mitigate the risk, the Company's leasing policies include screening applicants carefully and securing appropriate mix of tenants with respect to its retail spaces, both in terms of the nature of their business and their size.

### **Electronic commerce platforms may challenge the viability of the retail tenants of the Company**

The Company expects to derive a substantial portion of its revenue from its portfolio of retail and office leasing space. The Company's retail tenants may be affected by the growth and popularity of online purchasing, shifts in marketing strategies by retailers in response to changing market conditions and opportunities provided by electronic commerce platforms.

There is no assurance that the growth of e-commerce will not have a material adverse effect on the Company's business, financial condition and results of operations. The Company expects that its retail properties will complement electronic commerce platforms by enabling retailers to provide a physical outlet for online purchasers to receive their items. In addition, having an appropriate mix of tenants (e.g. retailers of apparel and consumer electronics, food kiosks, supermarket for basic necessities) allows the Company to continue generating leasing revenue since basic necessities are traditionally procured through brick-and-mortar store. Moreover, while food choices are also available in the e-commerce platform, these food stores will still need sufficient space and, therefore, will continue leasing commercial spaces.

### **The Company may be involved in legal and other proceedings arising from its operations.**

The Company may be involved in disputes with various parties involved in the construction and operation of its properties, including contractual disputes with contractors, suppliers, construction workers and homeowners or property damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal and other proceedings which may result in substantial costs, delays in the Company's development schedule, and the diversion of resources and management's attention. The Company may also have disagreements with regulatory bodies in the course of its operations, which may subject the Company to administrative proceedings and unfavourable decisions that could result in penalties and/or delay the development of its projects. In such cases, the Company's business could be materially and adversely affected.

### **The sale of condotel units by the Company may be considered as an unregistered offering and sale of securities.**

Similar to other real estate development companies, the Company has condotel projects which provide unit buyers the option to purchase either a condominium unit or a condotel unit. A condotel unit is placed under a rental program which is then rented out like a typical hotel room for a period of 15 years. A third-party management company handles all operations, maintenance, and management of the units in consideration of a percentage of the net rental income. The balance thereof is distributed among the participating condotel unit buyers.

The SEC had opined in previous opinions that the sale, management, pooling and sharing of revenues from the operation of condotels may be viewed as an investment contract. Such contract may be seen as a contract for the sale of a security, which requires prior registration with the SEC before the same are sold or offered for sale or distribution in the Philippines. In the decisions and opinions promulgated, the SEC concluded that condotel projects are arrangements that have all the elements of an investment contract, namely: (i) an investment of money; (ii) in a common enterprise; (iii) with expectation of profits; and (iv) primarily from efforts of others. As such, the SEC has issued orders directing real estate

companies offering condotel projects to immediately cease from further offering, soliciting, or otherwise offering or selling condotel units with such features to the public.

One such order by the SEC was challenged by a real estate developer in a case before the Court of Appeals ("CA"). The case questioned the validity of the SEC's *ex parte* preliminary cease and desist order against the developer, based on an initial finding that the sale of the condotel units qualified as a sale of unregistered securities. The CA, in its Decision dated 1 June 2013, held that the transaction did not constitute an investment contract as the element of "investment of money" was lacking in such project. The CA ruled that unit buyers pay their monies for the purpose of acquiring ownership of the property, not for the purpose of engaging in the business of renting out of units. Thus, the CA annulled the SEC's order against the real estate company to cease from further selling or offering its condotel units. This was later affirmed by CA in its November 28, 2013 Resolution.

The SEC elevated the case to the Supreme Court, which issued its Decision on November 28, 2016 reversing the CA's decision and reinstating the Cease and Desist Order of the SEC. While the case was decided adversely against the real estate developer for failure to exhaust its administrative remedies by filing an appeal directly with the CA instead of a motion for reconsideration with the SEC *en banc*, the Supreme Court stated that it agrees with the SEC's preliminary finding in this particular case that selling unregistered securities would necessarily operate as fraud on investors. The Supreme Court did not make any definitive ruling on whether the sale of condotel units necessarily constitutes a sale of securities that requires SEC registration under the SRC. The decision in the "Securities and Exchange Commission, et. al. vs. CJH Development Corporation, et. a. (G.R. No. 210316) attained finality and an Entry of Judgment was issued on October 23, 2017.

## **RISKS RELATING TO THE PHILIPPINES**

**All of the Company's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Company's business, financial position and results of operations.**

All of the Company's business activities and assets are based in the Philippines, which exposes the Company to risks associated with the country, including the performance of the Philippine economy. Historically, the Company has derived substantially all of its revenues and operating profits from the Philippines and, as such, its businesses are highly dependent on the state of the Philippine economy. Demand for residential real estate, commercial leasing and office leasing are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and OFs.

Aside from OFWs and OFs, the Company has also benefited from the growth of the BPO industry as increased revenues have allowed more people to purchase their own homes rather than renting them. However, benefitting from the growth of the BPO sector that mainly originate from other countries exposes the Company to certain political and economic conditions present in such jurisdictions. These conditions include but are not limited to: (a) a downturn in the economic performance and (b) a change in government policy that limits or suspends the outsourcing of functions to offshore BPO companies.

Any of these events could adversely affect the demand from these BPO, which could have an adverse effect on the Company's business, financial condition, and results of operations.

The Company is also already in discussion with POGO/BPO companies who will be leasing approximately 10,056 sqm of the 12,173 sqm space of the Sta. Lucia Business Center located in Cainta, Rizal. The construction of the Sta. Lucia Business Center is estimated to be completed by 4<sup>th</sup> quarter of 2019. If these lease arrangements will not materialize, the Company stands to lose projected revenues until such office space is leased to other tenants.

Demand from BPOs and offshoring firms is challenged today by the slowdown in PEZA accreditations, and by possible tax reforms currently pending in Congress which may eliminate certain incentives intended to attract foreign investors. Both these regulatory concerns are seen to decrease the competitiveness of Philippine office spaces vis-à-vis those in neighboring jurisdictions. Furthermore, and specifically in relation to POGOs, the government of the People's Republic of China announced in August 2019 that it would begin to crack down on gambling and the exploitation of Chinese workers by POGOs. The Philippine Senate also has plans to conduct inquiries in aid of legislation to address concerns regarding the influx of illegal foreign workers being employed at POGOs, particularly those coming from China. Should any of the BPO or POGO companies exit the Philippines or significantly downsize operations as a result of these developments, the Company may suffer from substantial sales or lease terminations and there is no assurance that such terminations will not have a material adverse effect on its financial condition and results of operations.

Ultimately, however, the Company believes that its business and financial performance would not be significantly affected by any downturn in the BPO or POGO industry as these business segments will contribute only 2% of total revenues. Nonetheless, the Company continuously monitors the political and economic situations and policies in the relevant jurisdictions to anticipate any effect it may have on the Company and its business.

**Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Company's businesses.**

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. As of December 31, 2018, according to BSP data, the Peso has depreciated by 11.78% to ₱52.724 per U.S.\$1.00 from ₱47.1660 per U.S.\$1.00 at the end of 2015. As of 30 June 2019, the Peso was at ₱51.358 against the U.S. dollar.

**Political instability in the Philippines could destabilize the country and may have a negative effect on the Company.**

The Philippines has from time to time experienced severe political and social instability. Its situation can be the cause of concern for some investors, particularly since 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 the last few years, there were instances of political instability.

In February 2019, journalist Maria Ressa was ordered arrested on charges of cyber libel. Her arrest elicited concern from the international community and has been criticized by various groups as an attempt by the government to silence critical press coverage against sitting President Rodrigo R. Duterte and his administration. The trial of Maria Ressa officially commenced on 23 July 2019. In December 2018, Senator Antonio Trillanes III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her term as Secretary of the Department of Justice from 2010 to 2015. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court of the Philippines ousted Chief Justice Maria Lourdes Sereno by ruling in a *quo warranto* proceeding that her appointment was invalid. The removal of Chief Justice Sereno became controversial because it was not coursed through the constitutionally mandated process of impeachment. In June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking among other offenses. In addition, since the commencement of the current administration and based on reports, more than 5,000 alleged drug dealers and users have been killed in police operations as well as supposed vigilantes.

Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's business, financial condition and results of operations.

**Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations and result in losses not covered by its insurance.**

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. In particular, 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 the Company from completing construction of its projects in a timely manner or at all. Moreover, such natural catastrophes could increase the costs of operating the Company's business. There can be no assurance that the Company will be fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

**Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's business, financial position and results of operations.**

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. In September 2016, the Abu Sayyaf abducted Jurgen Gustav Kantner and killed his wife while the couple were sailing off the waters of the southern Philippines. Kantner was beheaded in February 2017, after ransom demands were not allegedly met. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

Moreover, there were isolated bombings in the Philippines in recent years, mainly in regions in the southern part of the Philippines. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

The Government of the Philippines and the Armed Forces of the Philippines have clashed with members of several separatist groups seeking greater autonomy, including the MILF, the Moro National Liberation Front and the New People's Army.

On 2 September 2016, a bombing that killed 15 and injured 71 took place in Davao City, Mindanao. It is believed that the Abu Sayyaf organization and/or their allies are responsible for the bombing.

In May 2017, members of the "Maute Group", a local terrorist group with alleged allegiances to the Islamic State of Iraq and Syria, attacked Marawi City in Lanao del Sur, leading to clashes with Government troops that have been ongoing for four months. The attacks on Marawi City prompted President Duterte to declare martial law and suspend the writ of habeas corpus over the whole island of Mindanao. Based on news reports, up to 600,000 residents of Marawi City and nearby towns have been displaced as a result of the ongoing clashes between the Maute Group and Government troops. In a special joint session convened on 22 July 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On 17 October 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On 13 December 2017, both Houses of Congress again granted President Duterte's request to extend Martial law in Mindanao until 31 December 2018. For the third time on 17 December 2018, Martial Law was extended by both Houses of Congress until 31 December 2019. In January 2019, separate petitions were filed with the Supreme Court challenging the third extension of Martial Law in Mindanao. The Supreme Court, however, has upheld the extension, and has denied Motions for Reconsideration filed by the petitioners.

Similar attacks or 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. Any such destabilization could cause interruption to parts of the Company's business and materially and adversely affect its business, financial condition and results of operations.



It is worth noting, however, that the current administration has taken steps forward in efforts to build peace with communist rebels and other separatists through continuing talks. On 26 July 2018, President Duterte signed into law the Bangsamoro Organic Law ("BOL"). The BOL abolishes the Autonomous Region in Muslim Mindanao ("ARMM"), and creates the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM"). The BARMM is intended to be parliamentary-democratic in form, and would be headed by a chief minister, who would preside over an 80-member parliament. On 25 January 2019 and 6 February 2019, plebiscites were held to determine wherein voters ratified the BOL, officially creating the BARMM and replacing the ARMM. Transition plans are now in effect, and the BARMM is currently in the process of drafting its own local government code.

**Any future changes in PFRS may affect the financial reporting of the Company's business.**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as of and for the year ended December 31, 2018, except for the adoption of the following new and amended PFRSs which became effective 1 January 2019.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. As required by PAS 34, the nature and effect of these changes are disclosed below.

- March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs)

In March 2019, the IFRS Interpretations Committee (the Committee) issued IFRIC Update summarizing the decisions reached by the Committee in its public meetings. The March 2019 IFRIC Update includes the Committee's Agenda Decision on the capitalization of borrowing cost on over time transfer of constructed goods. The IFRIC Agenda Decision clarified whether borrowing costs may be capitalized in relation to the construction of a residential multi-unit real estate development (building) which are sold to customers prior to start of construction or completion of the development.

Applying paragraph 8 of PAS 23, Borrowing Cost, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Paragraph 5 of PAS 23 defines a qualifying asset as 'an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. Under the March 2019 IFRIC Update, the Committee clarified that the related assets that might be recognized in the real estate company's financial statements (i.e., installment contract receivable, contract asset, or inventory) will not qualify as a qualifying asset and the corresponding borrowing cost may no longer be capitalized.

The adoption of the above Agenda Decision will result in a change in accounting policy which will have to be accounted for under PAS 8, Accounting Policies, Changes in Accounting Estimates, and Errors, i.e., retrospectively, together with the corresponding required quantitative disclosures. The Company is currently assessing the impact of adopting this amendment as it needs sufficient time to implement changes in its accounting policy.

**Overseas shareholders may be subject to restrictions on repatriation of Pesos received with respect to the Common Shares.**

Under BSP regulations, 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 within the Philippine banking system. In particular, a foreign investment must be registered with the BSP if 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. See “Philippine Foreign Exchange and Foreign Ownership Controls”.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency-denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority during a foreign exchange crisis or in times of national emergency to suspend temporarily or restrict sales of foreign exchange, to require licensing of foreign exchange transactions or to require delivery of foreign exchange to BSP or its designee. The Company is not aware of any pending proposals by the Government relating to such restrictions. The Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange. Any restrictions imposed in the future pursuant to such statutory authority could adversely affect the ability of investors to repatriate foreign currency upon sale of the Common Shares or dividends or distributions relating to them.

**The sovereign credit ratings of the Philippines may adversely affect the Company’s business.**

The sovereign credit ratings of the Philippines directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies – Fitch (BBB-), Standard and Poor’s (BBB-) and Moody’s (Baa3). In April 2019, S&P upgraded its ratings to “BBB+” with a stable outlook while Moody’s and Fitch’s credit rating was last set at “Baa2” stable and “BBB” in December 2014 and December 2017, respectively. All ratings are a notch above investment grade and the highest that the country has received so far from any credit ratings agency.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Company. There is no assurance that Fitch, Moody’s, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Company, to raise additional financing, and will increase borrowing and other costs.

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by

recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused each other of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal later that year. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines to initial arbitral proceedings.

On 9 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines.

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Company could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. On July 12, 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favor of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal's landmark decision contained several rulings, foremost of which invalidated China's "nine-dash line", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone (EEZ) in the West Philippine Sea. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial condition and results of operations.

On 9 June 2019, the boat Gem-Ver carrying 22 Filipino fishermen from San Jose sailed to Recto Bank in order to catch fish. Recto Bank is found to the west of Palawan and is within the disputed West Philippine Sea. For decades, the fishermen of San Jose have fished in the area reportedly rich in fish and said to contain huge reserves of oil and natural gas.

Around midnight of that day, Gem-Ver was reportedly hit by a Chinese vessel Yuemaobinyu 42212 leaving a hole that caused the boat to sink from the rear. Yuemaobinyu 42212 returned to the wreckage, flashed its lights, sped off and never returned, leaving the Filipino crew floating in the middle

of the sea. The fishermen were saved only when a Vietnamese boat noticed the wreckage and saved them.

At present, there are ongoing debate on whether or not the Philippines should allow non-Filipinos from catching fish within the EEZ in the West Philippine Sea in light of the favorable decision of the Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands rendered in its favor in 2016.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result.

## **RISKS RELATING TO THE OFFER AND THE OFFER SHARES**

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, 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.

### **The relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Offer Shares at a suitable price or at a time they desire.**

The Philippine securities markets are substantially smaller, less liquid, and more volatile relative to major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets are. The Offer Price could differ significantly from the price at which the common shares will trade subsequent to completion of the Offer. There can be no assurance that even after the Offer Shares have been approved for listing on the PSE, any active trading market for the common shares will develop or be sustained after the Offer, or that the Offer Price will correspond to the price at which the common shares will trade in the Philippine public market subsequent to the

Offer. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

Factors that could affect the price of the Company's common shares include the following:

- fluctuations in the Company's results of operations and cash flows or those of other companies in the Company's industry;
- the public's reaction to the Company's press releases, announcements and filings with the Philippine SEC and PSE;
- additions or departures of key personnel;
- changes in financial estimates or recommendations by research analysts;
- changes in the amount of indebtedness the Company has outstanding;
- changes in general conditions in the Philippines and international economy, financial markets or the industries in which the Company operates, including changes in regulatory requirements and changes in political conditions in the Philippines;
- significant contracts, acquisitions, dispositions, financings, joint marketing relationships, joint ventures or capital commitments by the Company or its competitors;
- asset impairments or other charges;
- developments related to significant claims or proceedings against the Company;
- the Company's dividend policy; and
- future sales of the Company's equity or equity-linked securities.

In recent years, stock markets, including the PSE, have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market prices of the Company's common shares.

**Future sales of common shares in the public market could adversely affect the prevailing market price of the common shares and shareholders may experience dilution in their holdings.**

In order to finance the expansion of the Company's business and operations, the Company will consider the funding options available to it at the time, which may include the sale of additional common shares from the treasury or the issuance of new common shares. If additional funds are raised through the sale or issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares. Furthermore, the market price of the common shares could decline as a result of future sales of substantial amounts of common shares in

the public market or the issuance of new common shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the common shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate. Investors may not be able to sell their common shares at or above the price they paid for them.

**The Company's shares are subject to Philippine foreign ownership limitations.**

The Philippine Constitution and related statutes restrict land ownership to Philippine Nationals. The term "Philippine National" as defined under Republic Act No. 7042 or the Foreign Investments Act, as amended, means a citizen of the Philippines, 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 entitled 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 Corporation Code of which 100% of the capital stock outstanding and entitled 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. As of the date of this Prospectus, the Company owns private land in the Philippines.

On May 20, 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided guidelines (the "Guidelines") on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities (the "Nationalized Corporations"). The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The validity of this Memorandum Circular and its interpretation of the rules on corporate nationality have been affirmed by the Supreme Court.

Since the aggregate foreign ownership in the Company is limited to a maximum of 40% of its issued and outstanding capital stock, the Company cannot allow the issuance or the transfer of its common shares to persons other than Philippine Nationals and cannot record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National. This restriction may adversely affect the liquidity and market price of the common shares to the extent international investors are not permitted to purchase common shares in normal secondary transactions.

**Developments in other markets and countries may adversely affect the Philippine economy and, therefore, the market price of the Company's common shares.**

In the past, the Philippine economy and the securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other countries, especially other countries in Southeast Asia, as well as investors' responses to those conditions. Although economic conditions are different in each country, investors' reactions to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the economic crisis in the United States and Europe triggered market volatility in other countries'

securities markets, including the Philippines. Accordingly, adverse developments in the global economy could lead to a reduction in the demand for, and market price of, the common shares.

**The Company may be unable to pay dividends on the common shares.**

Although the Company has adopted a dividend policy whereby, subject to available cash and the existence of Unrestricted Retained Earnings, up to 10% of the Company's net income for the preceding fiscal year will be declared as dividends, there is no assurance that the Company can or will declare dividends on the common shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its Subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its Subsidiaries, and other factors the Board may deem relevant. See "Dividends and Dividend Policy."

**There can be no guarantee that the Offer Shares will be listed on the PSE.**

Purchasers of the Offer Shares will be required to pay for such Offer Shares on the Offer Period expected to be on [18 November 2019 to 29 November 2019]. Although the PSE is expected to approve the Company's application to list the Offer Shares, there can be no guarantee 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 would be illiquid and shareholders will not be able to trade the Offer Shares on the PSE. This may materially and adversely affect the value of the Offer Shares.

**The Company's management has broad discretion to determine how to use the proceeds received from the Offer, and may use them in ways that may not enhance the Company's operating results or the price of the Company's common shares.**

The Company intends to use the net proceeds of this offering in accordance with and as described under "Use of Proceeds". The Company's management, however, will have broad discretion over the use and investment of the net proceeds of the Offer, and accordingly investors will need to rely upon the judgment of the Company's management with respect to the use of proceeds with only limited information concerning management's specific intentions.

## USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer at the Offer Price of [P2.26 to P2.80] per share will be approximately [P5,885.49 million to P8,117.79 million] after deducting the applicable underwriting fees and commissions and expenses for the Offer payable by the Company as shown below. At the Offer Price of [P2.26 to P2.80] per share, the total proceeds from the offer and sale of the Offer Shares, the estimated costs and expenses for the offer and sale of the Offer Shares to be incurred by the Company and the estimated net proceeds from the offer and sale of the Offer are also shown in the table below.

	Estimated Amounts at P2.26/share without Over-allotment (P millions)	Estimated Amounts at P2.26/share with Over-allotment (P millions)
Estimated Gross Proceeds	6,102.00	6,780.00
Less: Estimated fees, commissions and expenses		
Gross Underwriting Fees	160.57	178.42
SEC registration, filing and research fees	2.28	2.28
PSE listing and processing fee	7.65	7.65
Estimated professional fees	12.00	12.00
Estimated other expenses*	7.00	7.00
Documentary stamp tax	27.00	30.00
Total estimated expenses	<b>216.50</b>	<b>234.35</b>
<b>Estimated net proceeds</b>	<b>5,885.49</b>	<b>6,542.65</b>

	Estimated Amounts at P2.80/share without Over-allotment (P millions)	Estimated Amounts at P2.80/share with Over-allotment (P millions)
Estimated Gross Proceeds	7,560.00	8,400.00
Less: Estimated fees, commissions and expenses		
Gross Underwriting Fees	198.94	221.05
SEC registration, filing and research fees	2.69	2.69
PSE listing and processing fee	9.46	9.46
Estimated professional fees	12.00	12.00
Estimated other expenses*	7.00	7.00
Documentary stamp tax	27.00	30.00
Total estimated expenses	<b>257.10</b>	<b>282.20</b>
<b>Estimated net proceeds</b>	<b>7,302.92</b>	<b>8,117.79</b>

*\*Estimated other expenses include fees for publication, printing, shipping, and other miscellaneous expenses that the Company expects to incur in relation to the Offer.*

The Company intends to use the net proceeds from the Offer to partially finance its (i) capital expenditures for new and some of the ongoing projects; (ii) strategic land banking; and for (iii) general corporate purposes. Further details on the proposed use of net proceeds are set forth below:



- Estimated Amounts at ₱2.26/share:

Use of Proceeds	without Over-allotment (₱millions)	%	with Over-allotment (₱millions)	%	Estimated Schedule of Disbursement
Capital expenditures for new and on-going projects	4,795.00	81.47%	5,260.00	80.40%	4 <sup>th</sup> Quarter 2019 to 2020
Strategic land banking	820.00	13.93%	820.00	12.53%	4 <sup>th</sup> Quarter 2019 to 2020
General corporate purposes	270.49	4.60%	462.65	7.07%	4 <sup>th</sup> Quarter 2019 to 2020
<b>Total</b>	<b>5,885.49</b>	<b>100.00%</b>	<b>6,542.65</b>	<b>100.00%</b>	

- Estimated Amounts at ₱2.80/share:

Use of Proceeds	without Over-allotment (₱millions)	%	with Over-allotment (₱millions)	%	Estimated Schedule of Disbursement
Capital expenditures for new and on-going projects	6,120.00	83.80%	6,780.00	83.52%	4 <sup>th</sup> Quarter 2019 to 2020
Strategic land banking	820.00	11.23%	820.00	10.10%	4 <sup>th</sup> Quarter 2019 to 2020
General corporate purposes	362.90	4.97%	517.79	6.38%	4 <sup>th</sup> Quarter 2019 to 2020
<b>Total</b>	<b>7,302.90</b>	<b>100.00%</b>	<b>8,117.79</b>	<b>100.00%</b>	

In the event that the net proceeds from the sale of Primary Offer Shares is less than the expected amount, we intend to allocate the proceeds in order of priority as follows:

1. Capital expenditures for new and on-going projects
2. Strategic land banking
3. General corporate purposes

### Capital expenditures for new and on-going projects

The Company has several new and on-going projects scattered all over the country and SLI will allocate the following amounts to partially finance the development on the following regions:

- Estimated Amounts at ₱2.26/share:

Region	without Over-allotment (₱ millions)	with Over-allotment (₱ millions)	Estimated Schedule of Disbursement
Region 7 - Central Visayas	926.00	1,016.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 6 - Western Visayas	895.00	982.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 4A - CALABARZON	867.00	952.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 11 - Davao Region	752.00	825.00	4 <sup>th</sup> Quarter 2019 to 2020

Region 12 - SOCCSKSARGEN	581.00	638.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 4B – MIMAROPA	411.00	451.00	4 <sup>th</sup> Quarter 2019 to 2020
Cordillera Administrative Region	252.00	275.00	4 <sup>th</sup> Quarter 2019 to 2020
National Capital Region	111.00	121.00	4 <sup>th</sup> Quarter 2019 to 2020
<b>Total</b>	<b>4,795.00</b>	<b>5,260.00</b>	

- Estimated Amounts at ₱2.80/share:

Region	without Over-allotment (₱ millions)	with Over-allotment (₱ millions)	Estimated Schedule of Disbursement
Region 7 - Central Visayas	1,182.00	1,310.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 6 - Western Visayas	1,141.00	1,264.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 4A - CALABARZON	1,107.00	1,227.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 11 - Davao Region	960.00	1,063.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 12 - SOCCSKSARGEN	742.00	822.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 4B – MIMAROPA	525.00	582.00	4 <sup>th</sup> Quarter 2019 to 2020
Cordillera Administrative Region	322.00	356.00	4 <sup>th</sup> Quarter 2019 to 2020
National Capital Region	141.00	156.00	4 <sup>th</sup> Quarter 2019 to 2020
<b>Total</b>	<b>6,120.00</b>	<b>6,780.00</b>	

### Strategic land banking

Aligned with the Company's growth objectives, SLI continues to pursue real estate deals which can be developed into future residential and commercial projects. The Company's strategy for development is to focus on provincial areas that are largely ignored and under-served by its bigger competitors whose projects have, until recently, been concentrated in Metro Manila which is already congested and near saturation. SLI is present in 11 regions across the country. The Company believes that sustained growth will come from the provinces and major cities outside of Metro Manila and have therefore prioritized establishing its presence there. The Company believes that its expertise and knowledge in these areas will prove significant as it continues to expand its property footprint in these largely under-served areas.

While the joint venture business model has allowed the Company to rapidly expand its geographic reach, strategic land banking will allow it to achieve its goals more efficiently. Acquiring lands will allow the Company to effectively reduce its reliance on joint venture partners whose interests may not be always be aligned with the Company's and who may take actions that may adversely affect the Company.

In this light, having readily available funds provides the Company with flexibility and faster turnaround time in negotiating for the acquisition of strategic locations. SLI will allocate ₱820.00 million from the proceeds of the Offer for this purpose.

The Company has undertaken preliminary activities and has targeted areas per region as follows:

Region	Estimated Amount ₱ millions	Estimated Schedule of Disbursement
Region 4A – CALABARZON	496.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 6 - Western Visayas	173.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 3 - Central Luzon	108.00	4 <sup>th</sup> Quarter 2019 to 2020
Region 11 - Davao Region	43.00	4 <sup>th</sup> Quarter 2019 to 2020
<b>Total</b>	<b>820.00</b>	

### General corporate purposes

The balance of the proceeds shall be used for general corporate purposes, including but not limited to working capital requirements, corporate office overhead, administrative expenses and other costs shouldered by Company in the course of normal business operations not specifically related to any single project. The proceeds for general corporate purposes will not be used for any of the Company's on-going projects.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures. The actual amount and timing of disbursement of the net proceeds from the Offer for the use stated above will depend on various factors. Once the Company receives the net proceeds from the Offer, it shall apply the same for the purposes discussed above, but to the extent that such net proceeds from the Offer are not immediately applied to the above purposes, the Company will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments.

The Company does not plan to use any portion of the proceeds to discharge any nor to reimburse any of its officer, director or employee or shareholder for services rendered, asset previously transferred, or money loaned or advanced. None of the proceeds from the Offer will be used to finance the acquisition of other businesses or acquisition of assets from affiliates or associates, other than disclosed. Aside from underwriting fees, no amount of the net proceeds shall inure to the benefit of the Issue Manager and Underwriter and its parent company.

In the event of any material deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors and disclosed to the SEC and the PSE. In addition, the Company shall submit via the PSE's Online Disclosure System, the PSE Electronic Disclosure Generation Technology ("PSE EDGE"), 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 Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter certified by the Company's Chief Financial Officer or Treasurer and external auditor;

- (iii) annual summary of the application of the proceeds on or before 31 January of the year following the Offer certified by the Company's Chief Financial Officer or Treasurer and external auditor; and
- (iv) approval by the Company's Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the 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 Company's Board of Directors as required in item (iv) above. The Company will submit an external auditor's certification of the accuracy of the information reported by the Company to the PSE in its quarterly and annual reports.

## DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

### Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The 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. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

On 17 April 2017 and 19 March 2018, the Company entered into two Notes Facility Agreements ("Facility Agreements") where it undertook not to declare dividends if it is in default under the Facility Agreements or, if as a result thereof, the Company would breach its financial covenants. The Facility Agreements require the Company to maintain a current ratio of at least 1.00x and 2.00x, respectively, a debt-to-equity ratio of not more than 1.50x and a debt service coverage ratio of not less than 1.25x.

In addition, the documentation relating to the Company's ₱2.0 billion 6.7284% Series A Bonds due 2018 and ₱2.0 billion 6.7150% Series B Bonds due 2021 require the Company to maintain a current ratio of at least 1.00x, debt-to-equity ratio of not more than 1.50x and a debt service coverage ratio of not less than 1.25x. The Company exercised its early redemption option and redeemed Series A Bonds in 2017. The Company continues to be bound by said financial covenants as Series B Bonds remain outstanding.

### Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date

should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. 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 SEC.

Dividends payable may 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 and Foreign Ownership Controls."

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "Payment Date"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

### **Dividend History and Policy**

No cash dividends were declared for fiscal years 2018, 2017 and 2016.

The Company's current dividend policy provides for dividends up to 10% of the prior fiscal year's net income after tax, subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board. There can be no guarantee that the Company will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future.

## DETERMINATION OF THE OFFER PRICE

The common shares are listed and traded on the Main Board of the PSE under the symbol "SLI." The Company will apply for the Offer Shares to be listed and traded on the PSE under the same symbol. For a description of the PSE, see "The Philippine Stock Market."

The Offer Price has been determined by the Company and the Issue Manager, Underwriter and Bookrunner through a book-building process and not by reference to the historical trading price of the common shares. Investors should not rely on the historical market price of the common shares on the PSE as an indicator of the value of the common shares.

The factors considered in determining the Offer Price, among others, include the Company's ability to generate earnings and cash flow, its prospects, the level of demand from institutional investors, overall market conditions at the time of the launch and the market price of listed comparable companies. The Offer Price does not have any correlation to the actual book value of the Offer Shares.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, shareholders' equity and capitalization as of 30 June 2019, and as adjusted to reflect the sale at an assumed Offer Price of ₱[2.26] to ₱[2.80] per Offer Share of: (i) up to [2,700,000,000] Firm Shares; and (ii) up to [3,000,000,000] Offer Shares with the Over-allotment Option. The table should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included in this Prospectus beginning on page F-1. Other than as described below, there has been no material change in the Company's capitalization and indebtedness since 30 June 2019.

In ₱ millions	Actual as of June 30, 2019	As adjusted after giving effect to the Offer	As adjusted after giving effect to the Offer and the Over-allotment Option
			(unaudited) [₱2.26]
<b>Total debt(1)</b>	14,335.3	14,335.3	14,335.3
<b>Equity:</b>			
Capital stock	10,796.5	13,496.5	13,796.5
Additional paid-in capital	330.0	3,732.0	4,110.0
Treasury shares	(1,640.0)	(1,640.0)	(1,640.0)
Equity reserve(2)	415.7	415.7	415.7
Retained earnings	5,286.1	5,286.1	5,286.1
<b>Total equity</b>	15,188.2	21,290.2	21,968.2
<b>Total capitalization</b>	29,523.5	35,625.5	36,303.5
			[₱2.80]
<b>Total debt(1)</b>	14,335.3	14,335.3	14,335.3
<b>Equity:</b>			
Capital stock	10,796.5	13,496.5	13,796.5
Additional paid-in capital	330.0	5,190.0	5,730.0
Treasury shares	(1,640.0)	(1,640.0)	(1,640.0)
Equity reserve(2)	415.7	415.7	415.7
Retained earnings	5,286.1	5,286.1	5,286.1
<b>Total equity</b>	15,188.2	22,748.2	23,588.2
<b>Total capitalization</b>	29,523.5	37,083.5	37,923.5

*Notes:*

(1) Loans payable (current and non-current).

(2) Includes unrealized gain on fair value of available-for-sale financial assets and remeasurement losses on pension liabilities



## DILUTION

The net book value attributable to the Company's shareholders, based on the Company's audited financial statements as at 30 June 2019, was ₱15.19 billion, while the net book value per Common Share was ₱1.85. The net book value attributable to the Company's common shareholders represents the amount of the Company's total equity attributable to equity holders of the SLRDI. The Company's net book value per share is computed by dividing the net book value attributable to the Company's shareholders by the equivalent number of Common Shares outstanding. Without taking into account any other changes in such net book value after 30 June 2019 other than the sale of up to [3,000,000,000] Offer Shares at the Offer Price of from [₱2.26 up to ₱2.80] per Offer Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's *pro forma* net book value immediately following the completion of the Offer would increase to a range from [₱21.29] billion, or [₱1.95] per Common Share to [₱23.59] billion, or [₱2.11] per Common Share. This represents an immediate increase in net book value of from [₱0.11] per Common Share to [₱0.25] per Common Share to existing shareholders, and no immediate dilution to purchasers of the Offer Shares at the Offer Price of from [₱2.26] up to [₱2.80] per Offer Share.

The following table illustrates dilution on a per share basis based on the Offer Price of from [₱2.26 up to ₱2.80] per Offer Share:

Offer: 2.7 billion shares	Without Over-allotment	With Over-allotment
Offer Price per Offer Share .....	[₱2.26]	[₱2.26]
Net book value per Common Share as at 30 June 2019	1.85	1.85
Increase in net book value per Common Share .....	0.10	0.23
<i>Pro forma</i> net book value per Common Share immediately following completion of the Offer .....	21,290,231,976	22,748,231,976
Dilution to purchasers of the Offer Shares .....	-	-
Offer Price per Offer Share .....	[₱2.80]	[₱2.80]
Net book value per Common Share as at 30 June 2019	1.85	1.85
Increase in net book value per Common Share .....	0.11	0.25
<i>Pro forma</i> net book value per Common Share immediately following completion of the Offer .....	21,968,231,976	23,588,231,976
Dilution to purchasers of the Offer Shares .....	-	-

The following table sets forth the shareholdings and percentage of Common Shares outstanding of existing and new shareholders of the Company immediately after completion of a Primary Offer of 2,700,000,000 Firm Shares:

	Common Shares	
	Number	%
Existing shareholders.....	8,196,450,000	75.22%
New investors.....	[2,700,000,000]	24.78%
<b>Total</b>	10,896,450,000	100.00%

The following table sets forth the shareholdings and percentage of Common Shares outstanding of existing and new shareholders of the Company immediately after completion of the Offer of 3,000,000,000 Offer Shares (assuming full exercise of the Over-allotment Option):

	Common Shares	
	Number	%
Existing shareholders.....	8,196,450,000	73.21%
New investors.....	[3,000,000,000]	26.79%
<b>Total</b>	<b>11,196,450,000</b>	<b>100.00%</b>

## SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary consolidated financial information for the Company and should be read in conjunction with the independent auditors' reports and the Company's consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary consolidated financial information as at and for the years ended December 31, 2018, 2017 and 2016 were derived from the Company's audited consolidated financial statements, which were prepared in accordance with PFRS and were audited by SGV & Co. in accordance with the Philippine Standards on Auditing ("PSA"). The summary consolidated financial information as at and for the six months ended 30 June 2019 and 2018 were derived from the Company's consolidated financial statements, which were prepared in accordance with PFRS. The summary consolidated financial information below is not necessarily indicative of the results of future operations.

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In P millions, except per share figures	Six Months Ended June 30		Years Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
<b>REVENUE</b>					
Real estate sales	2,524.2	1,274.0	2,428.3	2,108.5	1,889.6
Rental income	416.4	446.0	858.8	1,026.1	852.5
Commission income	221.3	85.4	181.3	109.3	105.2
Interest income	164.0	113.1	301.0	160.0	139.5
Dividend income	5.7	7.2	7.2	7.2	7.2
Construction income	-	-	-	1.6	25.6
Others	164.4	133.6	255.7	276.6	273.4
	3,496.1	2,059.2	4,032.2	3,689.3	3,292.9
<b>COSTS AND EXPENSES</b>					
Costs of real estate	873.6	488.5	959.0	860.9	946.4
Costs of rental income	272.1	276.3	554.0	584.0	581.2
Costs of construction	-	-	-	0.9	16.4
	1,145.7	764.8	1,513.0	1,445.8	1,544.0
Commissions	409.5	165.2	324.7	244.0	278.9
Representation	42.6	8.1	18.0	19.7	11.3
Taxes, licenses and fees	40.7	25.2	70.8	98.4	100.4
Salaries and wages and other benefits	36.1	28.5	65.1	64.1	55.6
Advertising	33.1	31.9	59.7	56.3	51.0
Repairs and maintenance	24.1	10.8	33.6	17.0	30.2
Utilities	12.4	4.1	7.5	21.9	13.7
Professional fees	9.5	9.1	21.1	31.4	20.8
Depreciation and amortization	9.3	8.8	17.0	19.8	20.0
Expected credit loss	-	1.4	1.4	2.6	2.9
Transportation, travel, office supplies and miscellaneous	36.7	25.2	51.6	49.6	42.0
	653.9	318.2	670.4	624.8	626.9
<b>INTEREST EXPENSE</b>	488.0	325.9	706.7	487.6	290.4
<b>INCOME BEFORE INCOME TAX</b>	1,208.5	650.3	1,142.1	1,131.0	831.7
<b>PROVISION FOR INCOME TAX</b>	324.8	217.7	76.9	313.4	101.3
<b>NET INCOME</b>	883.7	432.6	1,065.2	817.7	730.4
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	(149.8)	(98.5)	33.9	26.3	35.9

<b>TOTAL COMPREHENSIVE INCOME</b>	733.9	334.1	1,099.1	844.0	766.3
<b>Basic/Diluted Earnings per Share</b>	<b>0.11</b>	0.05	<b>0.12</b>	<b>0.09</b>	<b>0.08</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In ₪ millions	June 30		December 31	
	2019 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	460.3	1,064.5	626.2	140.5
Receivables	1,430.7	1,874.0	2,686.8	2,519.5
Contract assets	1,259.7	701.5	–	–
Real estate inventories	19,590.9	18,303.7	16,027.8	11,952.8
Other current assets	5,455.5	5,204.1	2,753.8	2,493.4
<b>Total Current Assets</b>	<b>28,197.2</b>	<b>27,147.7</b>	<b>22,094.7</b>	<b>17,106.2</b>
<b>Noncurrent Assets</b>				
Noncurrent installment contracts receivables	88.3	494.8	1,499.8	934.3
Contract assets - net of current portion	1,611.7	673.1	–	–
Investment properties	5,156.1	5,154.5	5,157.6	5,152.8
Property and equipment	50.0	44.5	55.7	63.3
Financial assets at fair value through other comprehensive income (FVOCI)	835.8	985.0	878.0	844.2
Other noncurrent assets	757.2	216.5	121.1	24.4
<b>Total Noncurrent Assets</b>	<b>8,499.1</b>	<b>7,568.4</b>	<b>7,712.3</b>	<b>7,019.1</b>
<b>TOTAL ASSETS</b>	<b>36,696.3</b>	<b>34,716.2</b>	<b>29,807.0</b>	<b>24,125.3</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables	3,798.4	3,990.8	2,992.2	2,800.0
Loans payable – short term	4,317.3	3,608.0	5,475.0	2,395.6
Contract liabilities	2,221.2	2,017.7	–	–
Customers' deposits	–	–	1,223.4	908.7
Income tax payable	118.0	19.9	46.2	78.9
<b>Total Current Liabilities</b>	<b>10,455.0</b>	<b>9,636.4</b>	<b>9,736.8</b>	<b>6,183.1</b>
<b>Noncurrent Liabilities</b>				
Loans payable – long term	10,018.0	9,998.8	5,039.7	3,934.9
Contract liabilities - net of current portion	296.0	45.4	–	–
Pension liabilities	7.2	5.5	2.2	3.7
Deferred tax liabilities - net	731.9	575.8	718.4	537.6
<b>Total Noncurrent Liabilities</b>	<b>11,053.1</b>	<b>10,625.5</b>	<b>5,760.3</b>	<b>4,476.2</b>
<b>Total Liabilities</b>	<b>21,508.1</b>	<b>20,261.9</b>	<b>15,497.1</b>	<b>10,659.3</b>
<b>Equity</b>				
Capital Stock	10,796.5	10,796.5	10,796.5	10,796.5
Additional paid-in capital	330.0	330.0	330.0	330.0
Retained earnings	5,286.1	4,402.4	3,461.9	2,644.3
Unrealized gain on fair value of available-for-sale financial assets	(1,640.0)	568.8	461.8	435.8
Remeasurement losses on pension	419.5	(3.3)	(0.2)	(0.6)
Treasury shares	(3.8)	(1,640.0)	(740)	(740)

In ₪ millions	June 30		December 31	
<b>Total Equity</b>	15,188.2	14,454.3	14,310.0	13,466.0
<b>TOTAL LIABILITIES AND EQUITY</b>	36,696.3	34,716.2	29,807.0	24,125.3

### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

In ₪ millions	Six Months Ended June 30		Years Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018 (Audited)	2017 (Audited)	2016 (Audited)
Net cash flows generated from (used in)					
operating activities	(630.0)	(451.1)	(1,638.2)	(2,970.4)	(1,800.2)
Net cash flows used in investing activities	(194.7)	(69.1)	(206.8)	(271.0)	(614.2)
Net cash flows from financing activities	220.6	270.4	2,283.4	3,727.2	339.9
Cash at beginning of year	1,064.5	626.2	626.2	140.5	2,215.0
Cash at end of period	460.3	376.5	1,064.5	626.2	140.5

### **KEY PERFORMANCE INDICATORS**

The table below sets forth key performance indicators for the Company for the years ended December 31, 2018, 2017 and 2016 and the three months ended 30 June 2019 and 2018.

	Six Months Ended June 30		Year Ended December 31		
	2019 (Unaudited)	2018 (Unaudited)	2018	2017	2016
Current Ratio	2.72	1.54	2.81	2.27	2.77
Debt to Equity	0.94	0.68	1.40	1.08	0.47
Interest Coverage Ratio	247.66%	199.54%	161.61%	231.94%	286.43%
Return on Asset	2.41%	1.35%	3.06%	2.74%	3.03%
Return on Equity	5.82%	2.95%	7.37%	5.71%	5.42%

Notes:

- (1) Current ratio = total current assets over total current liabilities
- (2) Debt to equity = loans payable over total equity
- (3) Interest coverage ratio = income before income tax over interest expense
- (4) Return on assets = net income over total assets
- (5) Return on equity = net income over total equity

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

The following discussion of the Company's financial results should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements and notes and interim consolidated financial statements thereto contained in this Prospectus and the section entitled "Selected Financial and Operating Information."

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

### RESULTS OF OPERATIONS

**Period ended 30 June 2019 compared to period ended 30 June 2018**

#### *Revenue*

With the aggressive strategies of increasing its revenue, the Company was able to generate total revenue from real estate sales of ₱2,524.21 million as of the first half of 2019. This is ₱1,250.24 million higher comparing to the recognized real estate sales in the same period in 2018. Commission income is at ₱221.32 million, an increase of 159% as compared to the same period last year. Interest income also posted a 45% increase, amounting to ₱164.03 million in the first half of 2019. Rental income is down by ₱29.59 million or 7% of 2018 balance. Over all, the gross revenue recognized by the Company as of first half of 2019 is ₱3,496.06 million, up by 70% comparing to the recognized amount in the same period last year.

#### *Cost and Expense*

Total expenses as of the first half of 2019 amounted to ₱2,287.55 million, 62% higher than ₱1,408.91 million recognized during the same period last year. Cost of sales is ₱1,145.69 million and ₱764.80 million, selling and administrative expense is ₱653.90 million and ₱318.20 million, interest expense is ₱487.97 million and ₱325.90 million for the first half of 2019 and 2018 respectively.

#### *Comprehensive Income*

Net income after tax increased by 120% or ₱399.80 million from ₱334.12 million in 2018 to ₱733.92 million in 2019. The increase was primarily attributable to the increase in real estate sales.

### **FINANCIAL CONDITION**

#### **Total Assets**

The Company's total assets increased to ₱36,696 million as of 30 June 2019 from ₱34,716 million in 2018. The 6% increase is due to significant amount of project and capital expenditures spent in the first half of 2019 increasing the real estate inventory by ₱1,287 million. Also, increase in current

contract assets and other current assets amounting to ₱558 million and ₱527 million have significantly contributed to the increase in total assets.

### Total Liabilities

Total liabilities reported to be ₱21,508 million as of 30 June 2019 compared to ₱20,262 million in 2018. Increase in the reported balance is primarily attributable to the availments of short-term credit lines amounting to ₱709 million for the first half of 2019.

### Key Performance Indicators

	June 30, 2019	December 31, 2018
Current Ratio	2.72	2.81
Debt to Equity	0.94	1.40
Interest Coverage Ratio	247.66%	161.61%
Return on Asset	2.41%	3.06%
Return on Equity	5.82%	7.37%

\*Notes to Key Performance Indicator:

1. Current Ratio = current assets (cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans and income tax payables).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio= Earnings before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

### ***Material Changes in the Balance Sheet (+/- 5%) as of June 30, 2019 versus the Balance Sheet as of December 31, 2018***

#### *57% decrease in cash*

*Decrease in cash is primarily attributable to extensive disbursement of funds to finance on-going and new project developments as well as continuous strategic land banking.*

#### *24% decrease in receivables*

*The boosted effort exerted in collections had significantly reduced the receivable balances realizing more cash during the period.*

#### *30% increase in current contract assets*

*Increase in real estate sales during the period has significantly affected the contract assets during the period.*

*7% increase in real estate inventories*

*The continuous commitment of the group in expanding its business drives extensive capital expenditures for project development and land banking during the period increasing its real estate inventories and delivering more sustainable and reliable residential communities.*

*10% increase in other current assets*

*The significant growth was due to the across the board project developments and aggressive marketing activities thus increasing prepayments to the contractors and marketing arms.*

*82% decrease in noncurrent instalment contract receivables*

*Increased efforts in boosting the Group's collections of its outstanding instalment receivable contributed in the decrease during the period.*

*139% increase in non-current contract assets*

*Increase in real estate sales during the period has significantly affected the non-current contract assets during the period.*

*12% decrease in property and equipment*

*Efforts in increasing the real estate inventory balance directly affected the property and equipment account due to higher demands on the use of the assets in order to accommodate the expanded project developments.*

*15% decrease in financial assets at fair value through other comprehensive income*

*Decrease was due to the movement of market values of quoted investment securities of Philippine Racing Inc. and Manila Jockey Club Inc.*

*123% increase in other noncurrent assets*

*Increase was due to more advances made to contractors to develop raw lands purchased in the previous year. Also, increase was attributable to the advance commissions paid to marketing arms to promote sales.*

*5% decrease in accounts payable*

*Decrease was due to the settlement of outstanding payables to suppliers.*

*20% increase in short-term debt*

*The Company maximized the use of short-term lines during the period to partially finance project developments and other corporate expenses.*

*10% increase in current contract liabilities*

*Increase in real estate sales during the period has significantly affected the contract liabilities during the period.*

*493% increase in income tax payable*

*Increase in real estate sales during the period has significantly increased the current year's tax liabilities.*

*552% increase in non-current contract liabilities*



*Increase in real estate sales during the period has significantly affected the contract liabilities during the period.*

*30% increase in pension liabilities*

*The increase is due to the changes in estimates for retirement liability as valued by the independent actuary.*

*27% increase in deferred tax liabilities-net*

*Increase was directly related to the recognition accounts in the books affecting temporary differences.*

*20% increase in retained earnings*

*Increase in retained earnings is primarily attributable to the net income recognized during the period.*

*26% decrease in unrealized gain on fair value of available-for-sale financial assets*

*Decrease was due to the decrease in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.*

*17% decrease in unrealized gain on pension liabilities*

*Due to the changes in estimates for retirement liability as valued by the independent actuary.*

***Material Changes in the Income Statement (+/- 5% and >₱10M) for the six-month period ended 30 June 2019 versus the Income Statement for the six-month period ended 30 June 2018***

*98% increase in real estate sales*

*Remarkable sales take up of projects launched during the year, boosted efforts in increasing the real estate sales and extensive expansion had increased the recognized sales during the period.*

*7% decrease in rental income*

*Due to re-evaluation of lease rates to be competitive with neighbouring malls.*

*159% increase in commission income*

*Increase is directly attributed to the significant increase in sales recognized during period.*

*45% increase in interest income*

*Significant increase in sales recognized during the period directly affected interest income during the period as more buyers opted to choose instalment payment scheme.*

*23% increase in other income*

*Increase is directly attributed to the significant increase in sales recognized during period. Other income includes the processing fees and other sales related items.*

*79% increase in cost of real estate sales*

*Increase is directly attributed to the significant increase in sales recognized during period.*

*148% increase in commissions*

*Increase is primarily brought about by the significant increase in recognized sales during the period.*

*424% increase in representation*

*Increase was primarily due to the increase in volume of transactions made by the Company.*

*62% increase in taxes, licenses and fees*

*Increase brought about by the increase in operational activities and volume of transactions by the Company.*

*27% increase in salaries, wages and other benefits*

*As labor force of the Company during the period was increased, attributable expenses relating to salaries, wages and other employee benefits had correspondingly increased.*

*123% increase in repairs and maintenance*

*Higher cost of repairs and maintenance and other maintenance related expenses was incurred by the Company during the period to maintain the status and standards of each projects.*

*203% increase in utilities*

*Increase was due to higher consumption of power, water, and other utilities during the period as brought about by the increase in the volume of transactions.*

*6% increase in depreciation and amortization*

*Increase is directly related to the increase in asset acquisition during the period to support the Company's commitment to expand its project portfolio all over the country.*

*46% increase in miscellaneous expenses*

*Mainly due to increase in surcharges and penalties, insurance, legal, office supplies, software maintenance, and transportation expenses incurred by the Company.*

*50% increase in interest expense*

*Increase in interest expense was brought about by the Company's current debt structure. The maximization of debt financing by the Company had directly increased the recognized interest expense during the period.*

*49% increase in provision for income tax*

*Boosted recognized sales during the period directly affected the provision for income tax recognized.*

**Year Ended December 31, 2018 compared to year ended December 31, 2017**

### ***Overview of Operations***

The Company was able to hit a revenue growth of 30% in 2018 amounting to ₱4,032.2 million. Net income after tax increased by 30% to ₱1,065 million in 2018 from ₱818 million last year. The significant growth was mainly attributable to the increase in real estate sales contributed mostly by projects Palo Alto Rizal, Greenwoods Executive, Sta. Lucia Residenze Santorini and Sotogrande Davao. Boosted by the effective implementation of its extensive marketing efforts and across the board developments all

over the country, real estate sales grew from ₱2,108 million in 2017 to ₱2,428 million in 2018. However, rental revenue decreased from ₱1,026 million in 2017 to ₱859 million in 2018.

Also, the Company was able to manage efficiently its cost at 38% of its gross revenue in 2018 compared to 39% registered in 2017.

### ***Revenue***

Boosted by the effective implementation of extensive marketing efforts and across the board developments all over the country, the Company was able to generate gross revenue of ₱2,428 million in 2018 from its real estate sales. However, rental income decreased by ₱167 million from ₱1,026 million recognized in 2017 due to reevaluation of lease rates to be competitive with neighboring malls. During the year, more buyers opted for longer payment schemes from real estate sales resulting to increase in recognized interest income totaling to ₱301 million in 2018 as compared to ₱160 million in 2017. Revenue from other sources totaled ₱444 million in 2018.

### ***Cost and Expense***

Total expenses for the year amounted to ₱2,890 million, 13% higher than ₱2,559 million in 2017. Cost of sales is ₱1,513 million and ₱1,446 million, selling and administrative expenses is ₱670 million and ₱625 million, interest expense is ₱707 million and ₱488 million in 2018 and 2017 respectively.

### ***Net Income***

Net income after tax increased by 30% or ₱248 million from ₱818 million in 2017 to ₱1,065 million in 2018. The increase was primarily attributable to the increase in real estate sales.

### ***PROJECT AND CAPITAL EXPENDITURES***

The Company spent ₱6,506 million for project and capital expenditures in 2018. The amount is accounted for the continuous development of the Registrant's existing residential and commercial projects and finance newly developed projects. ₱319 million of the said amount was used in procuring raw lands for new residential and condominium project developments.

### ***FINANCIAL CONDITION***

#### ***Assets***

The Company's total assets increased to ₱34,778 million in 2018 from ₱29,807 million in 2017. The 17% increase is due to significant amount project and capital expenditures spent in 2018 increasing the real estate inventory by ₱2,276 million. Also, increase in other current assets amounting to ₱2,426 million have significantly affected the increase in total assets.

### *Liabilities*

Total liabilities was at ₱20,262 million in 2018 compared to ₱15,497 million in 2017. This is attributable to the availment of long term loans and issuance of corporate bonds during 2018. The increase in contract liabilities, previously recognized as customers' deposit, is due to more projects being sold during the year but are not yet booked as revenue due to accounting standards policy. This contributed an amount of ₱840 million in the increase in total liabilities.

### *Equity*

Total stockholders' equity increased by ₱214 million in 2018 due to the net income generated during the year amounting to ₱1,065 million. Also contributing to the increase is the change in fair value of available for sale financial assets amounting to P107 million.

### **Key Performance Indicators**

	December 31, 2018	December 31, 2017
Current Ratio	2.81	2.27
Debt to Equity	1.40	1.08
Interest Coverage Ratio	161.61%	231.94%
Return on Asset	3.06%	2.74%
Return on Equity	7.37%	5.71%

\*Notes to Key Performance Indicator:

1. Current Ratio = current assets (cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans and income tax payables).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio= Earnings before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during 2018.

***Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2018 versus the Balance Sheet as of December 31, 2017***

*70% increase in cash*

*Increase in cash was due to increase in collections from sales. Also, the availment of short and long-term loans counterweighed the substantial amount spent in capital expenditures, thus increasing the amount of cash in 2018.*

*30% decrease in receivables*

*The boosted collection effort had significantly reduced the receivable balances that resulted to increased realized cash during the year.*

*14% increase in real estate inventories*

*The increase was primarily due to significant capital expenditures in 2018. As the Company envisions expanding its business in the market niche, significant funds was allocated in project developments and acquisition of raw lands, thus increasing the real estate inventory.*

*89% increase in other current assets*

*The significant growth was due to the across the board project developments and aggressive marketing activities thus increasing prepayments to the contractors and marketing arms.*

*67% decrease in noncurrent receivables*

*The significant decrease was brought about by the extended efforts exerted in collections from customers.*

*20% decrease in property and equipment*

*The decrease is due to depreciation of assets.*

*12% increase in available for sale financial assets*

*Increase in the fair market value of the financial assets.*

*518% increase in other noncurrent assets*

*Primarily due to significant security deposits made in 2018.*

*33% increase in accounts payable*

*The increase is mainly attributable to the increasing procurement of resources to be used in project developments acquired under installment payment schemes.*

*34% decrease in short-term debt*

*As the Company maximized its fund sourcing through long-term loan availment and issuance of corporate bonds, short-term lines were settled during the year.*

*57% decrease in income tax payable*

*Mainly attributable to timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.*

*98% increase in long term debts*

*The Company maximized its fund sourcing activities through availment of long-term loans and issuance of corporate bonds.*

*20% decrease in deferred tax liabilities-net*

*Decrease was due to the reversal deferred tax liability attributed to the uncollected rent to SLECC.*

*155% increase in pension liabilities*

*Due to the changes in estimates for retirement liability as valued by the independent actuary.*

*122% increase in treasury shares*

*Increase in treasury share was brought about by the purchase of 750,000,000 shares costing ₱900,000,000.*

*23% increase in unrealized gain on fair value of available-for-sale financial assets*

*Increase was due to the increase in market price of investment securities in Philippine Racing Inc. and Manila Jockey Club Inc.*

*1,434% increase in unrealized gain on pension liabilities*

*Due to the changes in estimates for retirement liability as valued by the independent actuary.*

***Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2018 versus the Income Statement for the year ended December 31, 2017***

*15% increase in real estate sales*

*As driven by the Company's vision of expanding its position in the market niche, boosted marketing efforts during the year was employed increasing the real estate sales recognized during the year.*

*16% decrease in rental income*

*Due to reevaluation of lease rates to be competitive with neighboring malls*

*88% increase in interest income*

*Boosted sales significantly increased the recognized interest income during the year as more buyers opted to choose installment payment scheme.*

*66% increase in commission income*

*Increase was due to significant marketing strategies employed by our marketing company subsidiary.*

*13% increase in cost and expenses*

*Relatively due to increase in operations of the company.*

*33% increase in commissions*

*Brought about by the increase in real estate sales recognized during the year.*

*28% decrease in taxes, licenses and fees*

*Due to the decrease in short-term line financing, minimal documentary stamp taxes was incurred during the year.*

*16% increase in advertising*

*Increase was mainly attributed to the boosted marketing strategies implemented during the year to increase sales.*

*7% decrease in salaries, wages and other benefits*

*Due to the decrease in employee turnover, previously hired personnel remained in the Company. This resulted in decreasing outflow of resources attributed in hiring new employees.*

*33% decrease in professional fees*

*The decrease was due to the termination of contracts from various consultant and professionals for the continuous project developments.*

*62% decrease in representation*

*Primarily due to the decrease in representation related expenses paid by the Company.*

*14% decrease in depreciation and amortization*

*Decrease was due to lower depreciation recognized as result of minimal property and equipment acquisition during 2018.*

*18% decrease in utilities*

*The dropdown in amount was due to the effective implementation of cost management strategies relating to consumption of light, water and communication expenses.*

*97% increase in repairs and maintenance*

*Increase in number projects already completed not yet turned over to home owners associations (HOA) and Condominium Corporation significantly increased the incurrence of expenses related to repairs and maintenance for its upkeep.*

*45% decrease in provision for doubtful accounts*

*Extensive collection strategies were implemented thus, reducing the management's estimate for doubtful accounts.*

*45% increase in interest expense*

*The Company's shift in maximizing fund raising activities to availment of long-term loans and issuance of corporate bonds increased the recognized interest expense in 2018.*

*75% decrease in provision for income tax*

*Decrease was mainly attributed to the reversal of deferred tax liability.*

## **Year Ended December 31, 2017 compared to year ended December 31, 2016**

### ***Overview of Operations***

The Company registered a growth in net income after tax by 12% compared to previous year. Net income after tax increased to ₱818million in 2017 from ₱730 million in 2016. Gross revenue amounting to ₱3,689 million or 12% increase as compared to ₱3,293 million from 2016 is mainly attributable to two main revenue streams of the Company; real estate sales and rental revenues. The Company sustained its growth on real estate sales, ₱219 million increase from ₱1,890 million in 2016, due to extensive strategies in marketing, developments and project completion. The increase in number of mall tenants and minimal escalation rate to existing tenants resulted to an increase in rental income to ₱1,026 million in 2017 from ₱852 million in 2016.

The Company has become cost efficient by reducing avoidable costs which resulted to higher returns. Due to this, costs of deriving revenues decreased to ₱1,446 million in 2017 from ₱1,544 million in 2016.

### ***Revenue***

Due to extensive strategies in marketing, developments and project completion, real estate revenues generated ₱2,108 million in 2017, 12% higher than the previous year. Increase in rental income by 20% is mainly attributable to increase in number of mall tenants and minimal escalation rate to existing tenants. Interest income amounting to ₱160 million during the year was generated from installment receivables since more buyers are opting for longer payment schemes. Construction income decreased to ₱1,612 million in 2017 compared to ₱25,591 million in 2016 due to higher volume of construction activity in the previous year.

### ***Cost and Expense***

With the efficiency in cost management which resulted to higher returns, costs of deriving revenue from real estate sales and rental revenue decrease to ₱1,445 million in 2017 from ₱1,528 million in 2016 or 5% lower than last year. Cost of construction also decreased to ₱1 million in 2017 from ₱16 million due to higher volume of construction activity in the previous year.

### ***Net Income***

The net income after tax increased to ₱818 million in 2017 from ₱730 million in 2016 resulting to 12% growth. The increase was primarily due to increase in real estate sales.

### ***PROJECT AND CAPITAL EXPENDITURES***

The Company spent ₱6,006 million for project and capital expenditures which were utilized for continuous development of the Registrant's existing residential and commercial projects and to finance newly developed projects. ₱2,877 million of the said amount was used in procuring raw lands for new residential and condominium project developments and ₱1,018 represents advances made to contractors.



## ***FINANCIAL CONDITION***

### ***Assets***

The Company's total assets increase to ₱29,807 million in 2017 from ₱24,125 in 2016. The ₱2,068 million (+24% year-on-year) increase is due to project and capital expenditures in 2017. Other factors are increase in trade receivables due to real estate sales growth, and increase in fair market value of investment in form of stocks.

### ***Liabilities***

Total liabilities were at ₱15,497 million in 2017 compared to ₱10,659 million in 2016 due to the short term and long-term loans drawn during 2017 and still unpaid as of December of the same year. Increase in customer's deposit due to more projects developed that are offered for sale during the year also contributed to the 45% increase in total liabilities.

### ***Equity***

Total stockholders' equity increased by ₱844 million in 2017 due to the net income generated during the year amounting to ₱818 million. Also contributing to the increase is the change in fair value of investments in form of stocks amounting to ₱26 million.

### **Key Performance Indicators**

	December 31, 2017	December 31, 2016
Current Ratio	2.28	2.77
Debt to Equity	0.73	0.47
Interest Coverage Ratio	231.94%	286.43%
Return on Asset	3.03%	3.03%
Return on Equity	5.71%	5.42%

\*Notes to Key Performance Indicator:

1. Current Ratio = current assets (cash, receivables, inventories, due from affiliates, prepaid commissions, and other current asset) over current liabilities (accounts payable, customer deposit, current portion of bank loans and income tax payables).
2. Debt to Equity = Total debt over shareholder's equity.
3. Interest Coverage Ratio= Earnings before Income Tax and Interest Expense over Interest Expense
4. Return on Asset = Net Income over Total Assets
5. Return on Equity = Net Income over shareholder's equity.

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Company and unconsolidated entities were created during 2017.

***Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2017 versus the Balance Sheet as of December 31, 2016***

*346% increase in cash*

*Despite substantial amount spent in capital expenditures that are used in continuous development of existing projects and acquisition of various raw lands for future expansions, cash increased due to higher sales and increase in short term and long-term debt availed during the year.*

*7% increase in receivables*

*Due to remarkable sales growth and more projects that have been developed and offered for sale in the market.*

*34% increase in real estate inventories*

*The increase was primarily due to significant capital expenditures for continuous development of the Registrant's existing residential and commercial projects and to finance newly developed projects and raw land acquisitions.*

*14% increase in other current assets*

*To sustain the growth in development of projects and aggressive marketing activities, the Company made advances to contractors and marketing arms, respectively, which caused the increase in prepayments.*

*61% increase in noncurrent receivables*

*Due to a number of buyers choosing to settle under a longer payment schemes.*

*12% decrease in property and equipment*

*The decrease is due to depreciation of assets.*

*43% increase in other noncurrent assets*

*Primarily due to significant security deposits made for 2017.*

*7% increase in accounts payable*

*Mainly attributable to unceasing development of designed projects and procurement of various to be used for future projects under installment scheme.*

*129% increase in short-term debt*

*Due to additional loans obtained by the Company to finance aggressive development operations and activities.*

*35% increase in customer's deposits*

*Due to new projects developed and extensive marketing strategies, there is increase in reservation fees and collections of downpayments.*

*41% decrease in income tax payable*

*Mainly attributable to timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.*

*28% increase in long term debts*

*To finance the Company's continuous development of the existing residential and commercial projects, newly developed projects and raw land acquisitions.*

*34% increase in deferred tax liabilities-net*

*Mainly attributable to timing differences of revenue recognition of real estate transactions and others for tax purposes versus accounting purposes.*

*41% decrease in pension liabilities*

*Due to the changes in estimates for retirement liability as valued by the independent actuary.*

*31% increase in retained earnings*

*Attributed to the net income reported in the 2017.*

*6% decrease in unrealized gain on fair value of available-for-sale financial assets*

*Due to the movement of market prices of investment securities in Phil Racing Inc. and Manila Jockey Club Inc.*

***Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2017 versus the Income Statement for the year ended December 31, 2016***

*12% increase in real estate sales*

*Driven by the extensive marketing strategies and project development, real estate sales are notably increasing. Since more projects are developed as result of more land acquisitions and joint venture being dealt with, more lots and units are offered for sale during the year.*

*20% increase in rental income*

*Mainly due to increase in number of mall tenants and minimal escalation rate to existing tenants resulted to higher rental income*

*15% increase in interest income*

*Due to the interests earned from installment receivables since more buyers are opting for longer payment schemes.*

*94% decrease in construction income*

*Due to lower volume construction activities during the year.*

*6% increase in cost and expenses*

*Due to efficiency in cost management of the Company.*

*13% decrease in commissions*

*Due to some varying rates of commission fees paid to marketing arms.*

*15% increase is salaries, wages and other benefits*

*Due to increase in labor force of the Company.*

*68% increase in interest expense*

*Due to the increase in short term and long term debt during the year.*

*11% increase in advertising*

*Mainly attributable to increase volume of advertising and promotions made by the Company in 2017 as compared to 2016 as part of marketing strategy to promote sales.*

*51% increase in professional fees*

*Due to significant professional services paid for the actuarial valuation of retirement liability and valuation of Company's assets.*

*60% increase in utilities*

*Mainly due to whole year recognition of utility expenses comprised mostly of security, light, water and communication expenses*

*44% decrease in repairs and maintenance*

*Due to minimal repairs and maintenance during the year for the completed projects not yet turned over to home owners association.*

*74% increase in representation*

*Primarily due to increase in volume of transactions made by the Company.*

*12% decrease in provision for doubtful accounts*

*Collection over the past few years are noticeably improving thus causing reducing the management's estimate for doubtful accounts.*

*18% increase in miscellaneous expense*

*Due to surcharges and penalties, insurance, legal, office supplies, software maintenance and transportation expenses incurred by the Company*

*209% increase in provision for income tax*

*Due to higher income earned during the year.*

## **Five (5) Key Performance Indicators**

### ***On Sales***

The Company's marketing arms include:

1. Orchard Property Marketing Corp.
2. Royal Homes Marketing Corp
3. Asian Pacific Realty & Brokerage Corp.
4. Fil-Estate Group of Companies
5. Mega East Properties Inc.
6. Sta. Lucia Global Marketing Inc.
7. SantaLucia Ventures, Inc.
8. 1 Premiere Land Marketing Corporation

These marketing companies have been proven to be effective in carrying out the business plans of the Sta. Lucia Group. The combined sales force of these marketing units totals over 120,000, catering to clients all over the Philippines.

The Company is still looking into other marketing units that may supplement its growth. The Company is specifically looking for marketing firms that will accommodate its requirements and its marketing framework. With so many projects in sight and a diversified product line, there will always be opportunities for other marketing units.

#### ***On Technology Exploitation***

The Company has made use of the expertise of NOAH Galleries software that is aimed at reducing costs, improving the quality of all processes involved in development, as well achieving accuracy involving all of its business operations. This software covers the following modules: Project Development; Accounts Payable; Real Estate Sales; and Financials which comprise the complete operation of the Company, namely property development. This software is expected to increase the efficiency and productivity of the Company, as well as the quality of the processes involved in property development. The migration of data to the SAP software started in June 2013 and adjustments are continuously being made to further improve the system and cater to the Company's needs.

In addition to the software, the Company's website, developed by CETT Computer Education Network can now be accessed by prospective buyers and investors through the web address [www.stalucialand.com.ph](http://www.stalucialand.com.ph). The website contains the list of lots for sale, a lot map, and a reservation system, which will enable clients to make on-line reservations. This website is expected to improve client convenience and also serve as a marketing tool.

#### ***On Inventory Optimization***

The Company has in its portfolio a total of 3,789,429 square meters of residential, commercial and mixed-use properties from the 26 properties infused by SLRDI. Moreover, the Company has additional joint venture and land acquisition projects that are executed since the inception by the Registrant.

Plans have been discussed and are currently being implemented on the disposal of the said properties, which will enhance the sales figure and bottom line of the Company. On average, most of these projects have to be sold over a period of three to four years. Developments shall also take two to three years.

### ***On Organization Design***

The Company now has the assistance of professionals leading its reorganization and is still in the process of hiring highly-skilled professionals who will be involved in the daily operations of the company.

In addition, the creation of the Executive Committee and Management Committee will make decision making more responsive to the needs of the business.

### ***Liquidity and Capital Resources***

The Company was able to meet its capital requirements from its capital resources, including those obtained from borrowings, prepaid sales and internally generated cash. Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company manages its liquidity profile to be able to finance the capital expenditures and service the maturing debts. To cover the financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity offerings

The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets. As of December 31, 2018 and 2017, the Company has undrawn facilities amounting to nil and P675 million, respectively. As part of the liquidity risk management, the Company is currently transacting with local banks for a longer term corporate notes and negotiation of higher undrawn credit lines to meet the debtors', suppliers' and contractors' obligations and business expansion.

At the Special Meeting of the Board of Directors of the Company held last 17 February 2017, subject to securing all required approvals under applicable laws, rules and regulations, the Company was authorized to negotiate and avail of a 10 year Corporate Note Facility with financial institutions, with a maximum of 19 investors, for an aggregate amount of ₱3.00 billion and with an overallotment option of ₱2.00 billion, for the pre-payment of existing obligations of the Company, strategic land banking, capital expenditures for ongoing and new projects, and general corporate purposes.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost, and ensures the availability of ample unused credit facilities as back-up liquidity

### **Factors that may have material effect on the Operations**

#### ***Effects of Economic Conditions***

The results of the Company's operations and financial condition are affected by the general economic condition in the Philippines, including inflation rates, interest rate levels and currency exchange rate

movements. For instance, the general performance of the Philippine economy affects demand for residential and commercial products, and inflation affects the Company's costs and its margins.

# BUSINESS

## OVERVIEW

Sta. Lucia Land, Inc. is the flagship property development arm of the Sta. Lucia Group of Companies (the "Group") which is principally engaged in real estate development, both horizontal and vertical, in various locations across the country. The Group has built a track record in the area of horizontal residential developments, particularly gated subdivisions, and has expanded into vertical developments, mall operations, housing construction and marketing. The Group is controlled by the Robles and Santos families.

The Company conducts its business via the following main operating segments:

### Residential Projects

#### 1. Horizontal Developments

Residential Lots. Horizontal developments consist of residential lots for sale in gated subdivisions, complete with facilities and amenities. Typical features of these gated subdivisions include an entrance gate, guard house, landscaped entry statement, community clubhouse, basketball court, swimming pool, wide concrete road network, paved sidewalks with concrete curbs and gutters, centralized interrelated water system, underground drainage system, and electric system. These projects involve minimal construction works.

Since 2007, the Company has completed 57 residential subdivision projects and is currently developing 73 residential subdivision projects involving 25,000 units with average selling prices per unit ranging from ₱400,000 to ₱12,000,000. Required downpayments are usually 15% to 20%, payable in six months to one year.

#### 2. Vertical Developments

Townhouses. Townhouse projects are projects comprised of residential housing units with independent and identical houses that are built adjacent to each other, with a row sharing one or two house walls. These projects have higher development costs, are built on smaller land areas (i.e. six to seven hectares), and are developed in phases. The Company starts with the next phase only once the previous phase is sold out.

The Company has completed two townhouse projects known as the Nottingham Villas, one in Taytay, Rizal and another in Jaro, Iloilo, with 11 and 10 phases, respectively, having an average price of [₱2,700,000] per unit. It has another townhouse project, also called as Nottingham Villas, currently being developed in Puerto Princesa, Palawan. Downpayments of 15% to 20% are usually required, payable in 6 months up to 2 years. Balance of 80% is paid through in-house or bank financing.

Condominiums. The condominium projects of the Company are located in strategic locations near existing horizontal developments. The Company has completed the following six residential



condominium projects:

Condominium Project	Location
East Bel Air Tower 1	Cainta, Rizal
La Mirada Tower	Lapu-lapu City, Cebu
Neopolitan Condominium 1	Fairview, Quezon City
Splendido Taal Tower 1	Laurel, Batangas
Sta. Lucia Residenze – Monte Carlo (Tower 1)	Cainta, Rizal
The Orchard Pasig Tower	Pasig City

and currently has two (2) ongoing projects, one in Cainta, Rizal (East Bel-Air 3) and another in Jaro, Iloilo, (Greenmeadows Condominium). The usual required downpayment ranges from 15% to 20%, payable in 2 to 3 years. Balance of 80% is paid through in-house or bank financing.

Condotels. Condotel projects are condominium units being sold to individual buyers but are managed and operated as a hotel. For condotel projects, unit buyers are given the option to purchase a condominium unit or a condotel unit. A condotel unit is placed under a rental program initially for 15 years where it is rented out like a typical hotel room. An experienced management company, with common shareholders and directors as SLI, handles all operations, maintenance, and management of the units under the rental program. Rental income from the units is shared between the Company and the unit owners, where the management company usually receives at least 30% of net rental income. The condotel owner is not given any guarantee or assurance that the unit will be leased or if leased out, of any guaranteed return on the rental of his/her unit. Condotel unit owners are given 30 complimentary room nights per year which are transferrable across all the Company's condotels in the Philippines.

The Company has completed the following six condotel projects:

Condotel Project	Location
Arterra Residences at Discovery Bay	Lapu-lapu City, Cebu
Stradella (formerly East Bel Air Tower 2)	Cainta, Rizal
La Breza Tower	Mother Ignacia Street, Quezon City
Soto Grande Iloilo	Jaro, Iloilo
Splendido Taal Tower 2	Laurel, Batangas
Sta. Lucia Residenze – Santorini (Tower 2)	Cainta, Rizal

and currently has nine (9) ongoing projects in (i) Puerto Princesa (Crown Residence at Harbor Springs Resort), (ii) Katipunan, Quezon City (Sotto Grande Katipunan), (iii) Fairview, Quezon City (Soto Grande Neopolitan), (iv) Quezon City (The Tribute), (v) Puerto Princesa (Soto Grande Palawan), (vi) Cebu (Nivel Hills), (vii) Davao City (Soto Grande Davao), and (viii) two in Bagiuo City (Soto Grande Bagiuo Tower 1 and 2),.

Average selling prices per unit range from ₱85,000 to ₱118,000 per sqm with required downpayments of 20%, payable in two to three years while the balance of 80% is paid through in-house or bank financing.

## Commercial Properties

### 3. Mall

Sta. Lucia East Grand Mall (SLEGM). The SLEGM is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a gross floor area (GFA) of 180,000 sqm and is located at Marcos Highway cor. Felix Ave., Cainta, Rizal. Currently, the mall has a 88,489.68 sqm gross leasable space of which 84,046.77 sqm or 94.98% is leased. This business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a three-storey building with a GFA of 50,000 sqm and a net leasable area of 12,600 sqm. The mall has a 20,000 sqm parking to cater to residential tenants and mall clients.

### 4. Commercial Lots

The commercial properties of the Company are complementary to existing residential projects and are being offered to existing established retail partners. There are a total of 759 commercial lots covering 88.39 hectares adjacent to the Company's projects nationwide. There is an allocation for an average commercial space ranging from 300 to 2,000 sqm in majority of the Company's projects. The Company intends to expand its retail portfolio by offering these commercial properties via 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Company's own malls in these commercial properties and leasing it to retailers.

## Services

### 4. Sale on Installment

The Company also earns revenues through its sale on installment program to cater to their customers who do not have the accumulated savings to pay for the projects of the Company but have sufficient recurring income to support monthly amortization payments. Approximately 90% of the Company's sales are through its in-house installment program. The customers of the Company who avail of the program are charged higher than the prevailing interest rates of banks, ranging from 14% to 16% per annum and a 20% downpayment with tenors up to a maximum of 10 years. For 2018 to 2019, around 90% of customers of SLI availed the sale on installment facility with terms of 5 years or less.

### 5. Housing / Construction

The Company also ventured into housing construction services through its wholly-owned subsidiary, SLHI, which provides access to and assistance in connection with general construction

services to its lot buyers. SLHI began operating in 2014 in order to service the needs of lot buyers who would like to have their own house constructed on their previously bought lots but are not familiar with the process (i.e. securing permits, construction, accessing financing, etc.). SLHI provides these services to its lot owners with the assurance of reliability from an established brand name. The price of house construction service ranges from ₱22,500 per sqm to ₱28,000 per sqm. Payment terms require a 20% downpayment that is payable up to 6 months, with the balance payable up to 10 years through in house or bank financing. While this remains a good opportunity for the Company to reach more lot buyers, the Company, for the next few years, will focus on project development through strategic land banking and joint ventures with land owners in key provinces.

## 6. Marketing

The Company is currently conducting marketing services through its subsidiary, SVI. SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Company. The sales and marketing functions were shifted to SVI in order that the Company may focus on the development of its projects.

For the years ended December 31, 2016, 2017 and 2018, SLI had total revenues of ₱3,292.9 million, ₱3,689.2 million and ₱4,032.2 million, respectively. The Company also had net income of ₱730.4 million, ₱817.7 million and ₱1,065.2 million, respectively, over the same periods. For the six months ended 30 June 2018 and 2019, the Company had total revenues of ₱2,059.2 million and ₱3,469.1 million, respectively.

## HISTORY

The Group's early beginnings as a real estate developer began in 1972 under the name Buen-Mar Realty ("Buen-Mar") established by siblings Buenaventura Robles and Marcela Robles-Santos, aided by their spouses Dominga Dumandan-Robles and Atty. Felipe G. Santos. Buen-Mar gave way to the creation of what is now known as the Sta. Lucia brand – a name rooted in the family's strong religious beliefs. Saint Lucia, also known as Lucia of Syracuse or Saint Lucy, is the patron saint of vision. The name "Lucia" is derived from the Latin word for light. Atty. Felipe Santos and then 19-year old Exequiel Robles, the eldest of the Robles siblings, took over the business and incorporated Sta. Lucia Realty & Development, Inc. ("SLRDI") in 1971, a move which paved the way for the Group's venture into full-scale horizontal land development. Exequiel D. Robles continued his father's work in real estate as head of the Group.

In 1996, the Group started its first residential and golf course development in the country, The Orchard Golf and Country Club (the "Orchard"), which has two golf courses designed by Gary Player and Arnold Palmer, respectively, well regarded professional golfers. The Orchard was the first world class golf course development in the Philippines with a fully integrated golf and residential community. Since then, the Group has constructed over fifteen (15) golf courses, currently the highest number for any developer in the country. Aside from residential projects and golf courses, the Group has also developed a 10.5-hectare mall complex in Cainta, Rizal, the Sta. Lucia East Grand Mall ("SLEGM") and select resorts and hotels such as Palo Alto Rizal, Club Morocco Zambales, Aqua Mira Cavite, Vistamar

Cebu, Nasacosta Batangas, Sotogrande Cebu, Arterra Cebu, Santorini Rizal, Sotogrande Iloilo, etc. which are all complementary to existing residential projects.



On the other hand, the Company, prior to the entry of SLRDI, was a dormant listed company which was engaged in clay mining operations until 1995. The Company was incorporated on 6 December 1966 under the name "Almario E. Mendoza & Company, Inc." authorized to carry on a business of manufacturing of lumber, plywood, veneer, and of similar kind or nature. On 5 November 1973, the Company's name was changed to "Zipporah Copper & Gold Mining Corporation" with its corporate purpose amended authorizing it to engage in mining activities. On 18 March 1987, the Company again changed its name and was called "Zipporah Mining & Industrial Corporation". On 14 August 1996, the Company's corporate name was changed to "Zipporah Realty Holdings, Inc." with the primary purpose amended to real estate development. On 9 October 2007, the Company's corporate name was changed to its current name, Sta. Lucia Land, Inc., together with the primary purpose allowing it to engage in both horizontal and vertical developments. At this point, the Group already had a 20.92% interest the Company.

In 2008, SLRDI increased its stake in the Company from 20.92% to 97.22% through an asset for share swap transaction and was effectively listed in the PSE via backdoor listing. SLRDI subscribed to 10,000,000,000 common shares of the Company in exchange for the assignment of all its rights, title and interest to certain investment properties consisting of (i) the Sta. Lucia East Grand Mall amounting to ₱4,710.00 million and (ii) several parcels of land amounting to ₱6,018.50 million with assumption of mortgage in the amount of ₱723.60 million in favor of the Company. This additional ₱10 billion subscription was consummated on May 20, 2008, the day SEC approved the Company's application to increase its authorized capital stock from ₱2 billion divided into 2,000,000,000 common shares to ₱16 billion divided into 16,000,000,000 common shares.

Since its listing in the PSE, SLI continued to grow its business by focusing on its core competencies of providing master-planned gated communities/subdivisions.

In 2013, complementing its existing residential projects, the Company decided to establish Sta. Lucia Homes, Inc. ("SLHI") to handle housing construction and Santalucia Ventures, Inc. ("SVI") for marketing, operation and development of the Company's projects. SLHI was incorporated on 20 February 2013 with the primary purpose of constructing and developing residential structures for lot buyers of the Group. A few months later, or on 5 April 2013, SVI was incorporated with the primary purpose of marketing, operating, managing residential structures for lot buyers of the Group.

More than four decades later, having successfully developed namesake subdivisions in Pasig City and various municipalities in the Rizal province, the Group expanded its presence into new markets while strengthening its hold on existing markets. Most of the Group's projects are residential subdivisions, where they offer lot owners an area where they can build a home, nurture a family and have a lifestyle of their own. Most of the subdivisions built by the Company include community and sports facilities such as a clubhouse, swimming pool, basketball court, landscaped gardens and a children's

playground and, in addition to basic amenities, concrete roads, adequate water and electrical power. In larger communities, the Group’s developments may include tennis courts, water slides, bowling facilities, and man-made lakes.

From its beginnings more than 45 years ago, the Group has grown to be an established nationwide developer of gated subdivision lots catering to the middle class in emerging cities. The following are the major developments in the history of the Group:

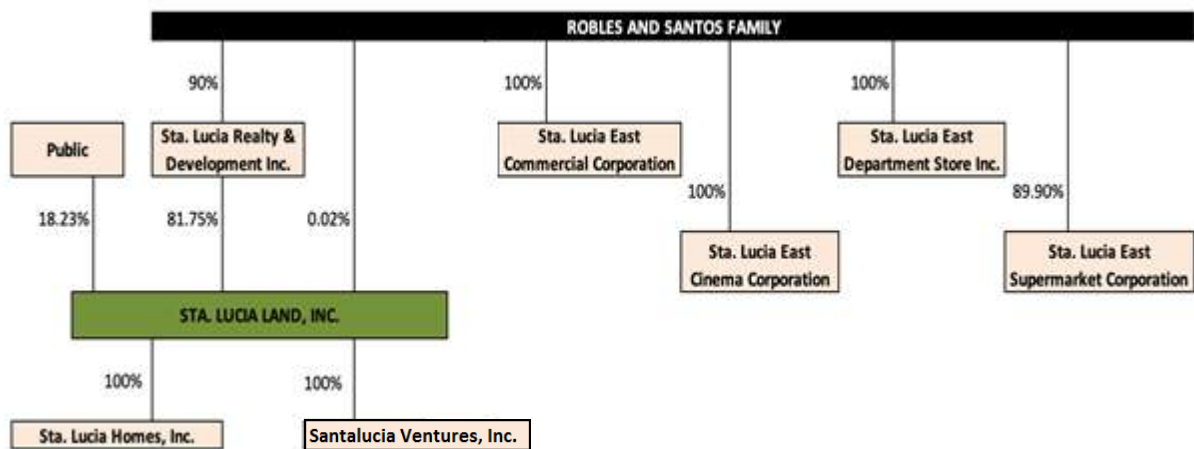
1972	<ul style="list-style-type: none"> <li>Buenaventura Robles and Marcela Robles- Santos established Buen-Mar Realty to develop gated subdivisions</li> </ul>
1991	<ul style="list-style-type: none"> <li>Development of the SLEGM, the first mall in Cainta, Rizal</li> </ul>
2007	<ul style="list-style-type: none"> <li>Back-door listing of the Group’s assets by acquiring Zipporah Realty Holdings, Inc. and the formation of Sta. Lucia Land, Inc as the sole developer of the Group.</li> </ul>
2009	<ul style="list-style-type: none"> <li>Launch of the first master planned lake community in Iloilo (Greenmeadows)</li> <li>Launch of the Company’s first high-rise project in Metro Manila called La Breza Tower</li> </ul>
2012	<ul style="list-style-type: none"> <li>Start of the development of the Company’s first townhouse project comprised of 7 clusters, the Nottingham Villas Townhomes in Rizal province. The first cluster was sold out in less than a year.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Incorporation of SLHI and SVI as the Company ventures into house construction and marketing services</li> </ul>
2014	<ul style="list-style-type: none"> <li>Reached record of ₱2.3 billion in sales revenue and ₱549 million in net income</li> </ul>
2015	<ul style="list-style-type: none"> <li>Maiden capital market offering of ₱4 billion retail bonds listed in Philippine Dealing &amp; Exchange Corp. (“PDEX”) with credit rating of AA+</li> </ul>
2016	<ul style="list-style-type: none"> <li>[2000+] hectares of nationwide land banking</li> </ul>
2017	<ul style="list-style-type: none"> <li>10-year corporate notes for ₱3.1 billion</li> </ul>
2018	<ul style="list-style-type: none"> <li>Reached record of ₱4 billion in revenue and ₱1.065 billion in net income</li> <li>7-year corporate notes for ₱5 billion</li> </ul>

In recognition of its efforts, SLI has garnered several awards and recognitions over the years:

Period	Awards	Category
2019	FIABCI – Philippines International Real Estate Federation	Best Hotel in Visayas (Gold) “Arterra, Cebu”
2019	FIABCI – Philippines International Real Estate Federation	Property Man of the Year “Mr. Exequiel D. Robles”
2019	FIABCI – Philippines International Real Estate Federation	Excellence Award - Diplomate
2018-2019	Golf Digest	Top 10 Best Golf Course in the Philippines
2018	APAC Insider Philippine Business Awards	Best Real Estate Developer Company

2018	Outlook Awards 2018	Highly Commended Developer of the Year – Luzon
2018	Outlook Awards 2018	Highly Commended Premium Condo of the Year – Visayas & Mindanao “Arterra Bayfront Residences”
2017	Asia CEO Awards	Smart Enterprise Global Filipino Executive of the Year
2017	Asia CEO Awards	TCS Executive Leadership Team of the Year
2016	Asia CEO Awards	Heart for OFWs Company of the Year
2016	Asian Golf Awards 2016	Top 10 Best Golf Course in the Philippines
2016	Asia-Pacific Stevie Awards	Innovative Management in Consumer Products & Services Industries
2014-2019	World Golf Awards	Philippines’ Top 10 Best Golf Courses
2012	My Property.ph Real Estate Awards	Best Investment Awards for Splendido Towers
2012	BCI Asia	Top 10 Developer in the Philippines
2007 - 2011	Reader’s Digest	Reader’s Digest Trusted Brand (Gold)

The Company is listed on the PSE under the ticker “SLI”. As of 30 June 2019, the Company is 81.7550% owned by SLRDI.



At present, SLI has two subsidiaries: Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc. The functions of each subsidiary are summarized below:

### Sta. Lucia Homes, Inc. (SLHI)

SLHI was incorporated on 20 February 2013. Its primary purpose is to construct, develop, improve, mortgage, pledge and deal with residential structure for lot buyers of the Company. SLHI is a wholly-owned subsidiary of the Company.

### Santalucia Ventures, Inc. (SVI)

SVI was incorporated on 5 April 2013. Its primary purpose is to market, operate, manage, develop, improve, dispose, mortgage, pledge and deal with residential structure for lot buyers of the Company. SVI is a wholly-owned subsidiary of the Company.

## **COMPETITIVE STRENGTHS**

### ***Solid track record in real estate development***

Sta. Lucia Land, Inc. ("SLI" or the "Company") is the listed real estate arm of the Sta. Lucia Group (the "Group"), a real estate industry pioneer with a development track record spanning more than 45 years. The Group has successfully developed more than [10,000] hectares of land into over [250] projects, [120,000] lots, [2,600] houses, and [3,800] condominium units across more than [70] cities and municipalities in the country. The property credentials of the Group include some of the best known residential communities and leisure estates in the Philippines.

The Group started in 1972 as a subdivision developer under the name Buen-Mar Realty. Having developed subdivisions in Pasig, Taytay, Morong, and Rizal, Buen-Mar Realty gave way to the creation of what is now known as Sta. Lucia Realty and Development, Inc. ("SLRDI"). In 1991, the Group started the development of the first mall in Cainta, Rizal: the Sta. Lucia East Grand Mall ("SLEGM"), a 10.5-hectare mall complex complementing the needs of growing residential communities in the cities of Pasig and Marikina as well as in various towns of Rizal. In 1996, the Group started its first fully integrated golf and residential estate, The Orchard Golf and Country Club. Since then, the Group has expanded into the development of hotels, resorts, condotels, and larger subdivisions.

In 1996, SLRDI bought a 20.92% stake in the Company, then known as Zipporah Realty Holdings, Inc., formerly Zipporah Copper & Gold Mining Corporation, a listed company originally engaged in mining operations. In 2007, the Company adopted its current name, Sta. Lucia Land, Inc., and changed its primary purpose to enable it to engage in both horizontal and vertical property development. In 2008, SLRDI increased its stake in the Company from 20.92% to 97.22% through an asset for share swap transaction wherein SLRDI subscribed to 10,000,000,000 common shares of the Company in exchange for the assignment to the latter of all SLRDI's rights, title and interest to certain investment properties consisting of (i) SLEGM amounting to ₱ 4,705.13 million and (ii) several parcels of land amounting to ₱ 6,019.71 million with assumption of mortgage in the amount of ₱ 724.84 million. SLI became the real estate development arm of the Group and has continued to grow its business by focusing on its expertise in creating master-planned gated communities and subdivisions.

As a testament to its real estate development capability and contribution to the industry, SLI has garnered numerous awards, including, among others: "Best Real Estate Developer" in 2018, APAC

Insider Philippine Business Awards; “Best Hotel in Visayas (Gold)” in 2019 (for its Arterra, Cebu development), FIABCI – Philippines International Real Estate Federation; “Highly Commended Developer of the Year – Luzon” in 2018, Outlook Awards 2018; and “Best Real Estate Development Firm” in 2019, APAC Insider South East Asia Business Awards.

With its rich experience partnered with diverse product offerings, SLI believes that it can capitalize on its track record, reputation and network to attract core business opportunities, pursue new projects, and drive expansion.

***Efficient joint venture model***

The Company utilizes a joint venture (“JV”) business model to continuously increase its land bank and geographic footprint. Under the JV business model, the Company enters into JV agreements with various landowners for the development and sale of subdivision lots and condominium units with allocation to the joint venture partner of certain lots or units, or proceeds from the sales of lots or units, based on a pre-agreed sharing ratio. SLI’s interests in these joint ventures range from 40% to 85%, depending on the value of the land or investment against estimated development costs.

As of 30 June 2019, the Company has established partnerships for 23 projects which contribute approximately 43% or 997 hectares of SLI’s current land bank. These projects generated 24.58% of SLI’s revenue as of 30 June 2019. By entering into joint ventures, the Company is able to increase its land bank for a fraction of the cost compared to acquiring land directly, thus enlarging its operating capacity. Moreover, through this business model, the Company is able to widen its geographic presence, resulting in greater market penetration while minimizing the risk of potential loss from an unprofitable JV arrangement.

In addition, as a result of its experience doing business with diverse counterparties and entities through the JV model, the Company is able to effectively apply insights and strategies that facilitate negotiation and documentation, resulting in faster deal execution and closing.

***Extensive land bank and project portfolio strategically located in high growth areas***

The Company has a land bank of more than 2,150 hectares strategically located in high growth areas across all major island groups of the country. Of this total, approximately 1,260 hectares are directly owned by SLI and around 894 hectares are attributable to the Company from its various joint ventures. The bulk of the Company’s land bank and joint ventures are well-situated in Mega Manila, Davao, and Iloilo. To date, the Company has completed 73 projects and has a pipeline of 78 projects under development.

Many of the Company’s properties and projects are near the sites of Build-Build-Build (“BBB”) projects of the Philippine Government, as enumerated in the table below.

Region	BBB Project	SLI Project
NCR	Mega Manila Subway	La Breza Tower
		Sotogrande Katipunan
		The Orchard Tower



		Metropoli Residenza Libis
	Katipunan Extension Project	Acropolis Loyola
Ilocos Region	TPL Expressway	Woodside Garden Village
Central Luzon	MRT 7 Project	Neopolitan Condominium
		Colinas Verdes
	Central Luzon Link Expressway Phase 1	Lakewood City
CALABARZON	Cavite-Laguna Expressway	Aquamira At Saddle
		Eagle Ridge Executive
		Green Meadows Dasmaringas
		Metropolis Greens
		Orchard Res Estate & Golf
		St. Charbel Dasmaringas
		Southfield Executive
		Sugarland Estates
		Mestilo Nueva Vida
	PNR South commuter	Golden Meadows Binan
		South Spring Laguna
		La Huerta Calamba
	LRT 1 South Extension	Costa Verde Comm'l & Res.
	LRT 2 Extension	Sta. Lucia Residence
Vermont Park Executive		
Sta. Lucia Business Center		
Sta. Lucia East Grand Mall		
East Bel-Air Residences		
Western Visayas	Bacolod Economic Highway	Manville Royale
		La Alegria
Central Visayas	Metro Cebu Expressway	Alta Vista Residence
		Arterra Discovery Bay
		Vistamar Residence & B Club
		La Mirada at Vistamar
Davao Region	Davao City By-Pass & Mindanao Railway	Altea Ciudades Davao
		Davao River Front
		Las Colinas @ Eden
		Los Rayos Tagum
		Monterey Residences Davao
		Monte Verde Davao
		Ponte Verde Davao
		South Groove Davao
		Soller Mandug Davao
		Sotogrande Hotel Davao
		South Pacific Golf & Leis. Est.
		Sotogrande
Valle Verde Davao		

Proximity to government infrastructure projects has substantially increased the market value of the Company's property portfolio. Based on an appraisal by Santos Knight Frank Inc. as of end-2017, the Company's then inventories, which had a book value of ₱ 16.0 billion, is estimated to have a market value of ₱36.0 billion. The expected economic growth of the regions and the effect of nearby infrastructure projects were cited as factors for the surge in value.

The Company selects properties near major roads, schools, commercial establishments, or other areas of interest to enhance the value of its projects. Apart from this, the Company also considers regional economic growth in property selection. SLI's land-banking strategy is anchored on the time-tested principle that economic growth will translate to higher land values and better marketability for future projects.

The table below shows the economic growth of regions where SLI properties are located:

<b>Region</b>	<b>Average Regional Growth</b>
National Capital Region	7.0%
Cordillera Administrative Region	4.5%
Ilocos Region	8.3%
Central Luzon	8.0%
CALABARZON	6.3%
MIMAROPA	5.5%
Western Visayas	8.5%
Central Visayas	7.7%
Davao Region	10.3%

*Source: Santos Knight Frank, 2017*

With its various product offerings, SLI is in a position to capitalize on the strategic location of its land bank by determining the ideal development suitable to a given area, resulting to more profitable projects.

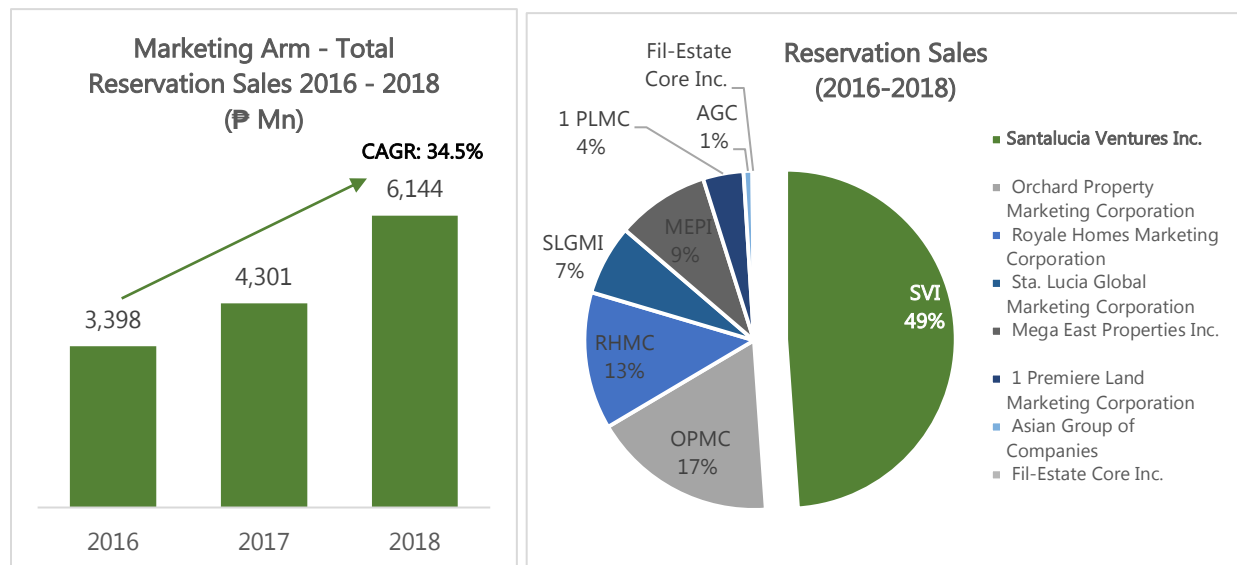
***Sales and marketing team with nationwide and global coverage***

The Company is supported by in-house and third party marketing channels that promote and facilitate property sales both domestically and globally. In the Philippines, the Company's brokers and sales agents are present in high growth areas and are therefore able to readily market SLI's projects in those locations, such as in Bacolod, Bataan, Batangas, Cavite, Cebu, Davao, General Santos, Iloilo, Laguna, Nueva Ecija, Manila, Pangasinan, Quezon City, Rizal, Tarlac, Valenzuela, and Zambales. The Company also has significant international coverage to capture demand from Overseas Filipino Workers ("OFWs") seeking to purchase homes for their families in the Philippines.

Aside from its marketing subsidiary, Santalucia Ventures Inc., the Company also engages third party marketing companies to further expand its domestic and international customer reach. As of [30 June 2019], these third party marketing companies have a total of 1,256 sales agents in the Americas, 307 sales agents in Europe, 1,358 sales agents in the Middle East, and over 120,000 sales agents in Asia (including the Philippines).



Reservation Sales generated through eight marketing companies (including Santalucia Ventures) have steadily risen through the years, a testament to the growth of the Company. The graphs below illustrate the Reservation Sales made through these marketing companies from 2016 to 2018 as well as the Reservation Sales contribution of each entity.



With a nationwide sales network in high-growth areas of the country, coupled with global sales teams present in overseas markets with high OFW concentration, the Company's extensive sales force is well-positioned to sustain and increase the sales of SLI projects.

***Seasoned and respected leadership team***

SLI prides itself in having a highly seasoned and respected management team with comprehensive knowledge and deep understanding of the Philippine real estate market.

The founders are recognized leaders in the real estate industry, having over 45 years of experience in conceptualizing, launching, and developing more than 250 residential, leisure, and commercial real estate projects across the country. They have been instrumental in negotiating and establishing over

100 joint venture partners, identifying growing demand in emerging cities, and expanding the Company's sales force through domestic and international marketing partnerships.

The Company complements its founders' entrepreneurship by hiring and retaining professionals with expertise in key operating functions such as finance, accounting, investor relations, human resources, internal audit, and legal. With over 300 years of combined business, management and operational experience, the SLI corporate organization is geared to support the aggressive expansion plans of the Company.

SLI is also mindful of ensuring seamless succession planning. In this respect, the Company is preparing the next generation of leaders from founding family members and professionals to steer SLI into a new phase of expansion and profitability.

## **BUSINESS STRATEGIES**

The Company plans to drive revenue growth and increase profitability by expansion through land bank acquisition and JVs, diversification into residential construction, improvement of recurring income, expansion of domestic and international marketing channels, and use of fresh funds to implement strategies.

The Company plans to drive earnings growth and raise shareholder value by (a) accelerating land bank development and project rollout, (b) establishing new joint ventures and strategic partnerships, (c) expanding its recurring income base, (d) boosting brand awareness and strengthening brand equity, (e) building master-planned and integrated communities, and (f) exploring complementary ventures and platforms.

### ***Accelerate land bank development and project rollout***

SLI believes that a healthy land-banking strategy is necessary to sustain the Company's long-term ability to continuously and competitively rollout projects to meet market demand. Thus, to ensure its growth trajectory, SLI intends to step up its land-banking program, focusing on emerging areas that are under-served by larger real estate players. In line with this, the Company will capitalize on its market intelligence, relationships, and network to generate robust property leads.

On the back of an expanded land-banking strategy, the Company also plans to accelerate project launches and fast-track its development pipeline. For this purpose, SLI aims to reinforce its organizational resources and systems to not only facilitate faster and more efficient project planning, permitting, and delivery, but also to scale up the Company's capacity to manage multiple projects simultaneously. SLI expects this enhanced pace of rolling out projects attuned to market demand to drive earnings growth.

### ***Establish new joint ventures and strategic partnerships***

The Company will further leverage the strength of its joint venture model to launch more projects and expand its nationwide reach in a cost-efficient and risk-mitigated manner. The Company is in discussions and negotiations with various landowners for potential partnerships and expects to enter

into new JV agreements to secure sites in Cavite, Cebu, Davao, Bacolod, Baler, Batangas, Iloilo, Laguna, Metro Manila, Palawan, and Rizal. The Company believes that these JVs will not only increase SLI's presence in these markets but also improve its overall income margins due to the nature of the JV business model.

On the commercial development side, the Company is exploring tie-ups with established commercial and retail players to improve the value of its commercial properties and residential projects.

### ***Expand recurring income base***

The Company aims to expand its recurring income base by developing offices, malls and hotels as well as potentially entering into strategic partnerships for commercial asset management or development. The Company expects to complete the six-storey Sta. Lucia Business Center by 4Q 2019, which will offer over 10,000 square meters of leasable office space with a projected annual gross revenue contribution of up to ₱100 million. In addition, SLI launched its hotel lines, Sotogrande at Neopolitan 2, Sotogrande Iloilo and Santorini, and plans to open Sotogrande Davao by [4Q 2019]. SLI believes that its recurring income business will be able to deliver a target revenue share of 15% to 20% within three (3) years, assuming occupancy rates of at least 90%.

### ***Boost brand awareness and strengthen brand equity***

SLI believes that a strong brand is vital to thrive in an evolving consumer landscape. With this in mind, the Company plans to further invest in cultivating a highly recognizable and trusted brand focused on family values and aspirations as reflected in its slogan, "Building Dreams". To improve brand building with the goal of boosting brand awareness and strengthening brand equity, the Company intends to recalibrate its marketing materials and messaging to highlight the Sta. Lucia brand.

The Company plans to execute its branded marketing strategy primarily by tapping brand ambassadors (celebrity endorser, women's volleyball team, and men's basketball team), traditional media (newspapers and billboards), and social media platforms. SLI plans to invest ₱350 million for the execution of this marketing strategy over the next five years.

The focus on brand building will help SLI to be more recognizable to its existing and potential customers, translating to sustainable improvement in sales.

### ***Build master-planned and integrated communities***

The Company plans to integrate its residential and commercial offerings while introducing ancillary products to create fully integrated and master-planned subdivisions. The Company believes that its plans to integrate its core and ancillary businesses into a single platform will enable it to reap synergistic benefits by offering a complete product package instead of developing projects separately. These master-planned subdivisions will initially be introduced in Nasa Costa Cove in Nasugbu, Batangas, Phase 2 of Palo Alto in Teresa, Rizal, and Crown Residence at Harbor Springs Resort in Puerto Princesa, Palawan. SLI sees the integration of its product offerings moving forward as not only providing additional revenue but also increasing the marketability and value of its developments.

## Explore complementary ventures and platforms

The Company continues to explore potential complementary businesses and platforms that could generate additional revenue streams and enhance shareholder value. In this regard, the Company plans to step up its affordable house construction services through its subsidiary, SLI Homes. With the help of the Company's database, SLI Homes will target to offer its services to lot owners in subdivisions and estates developed by the Group.

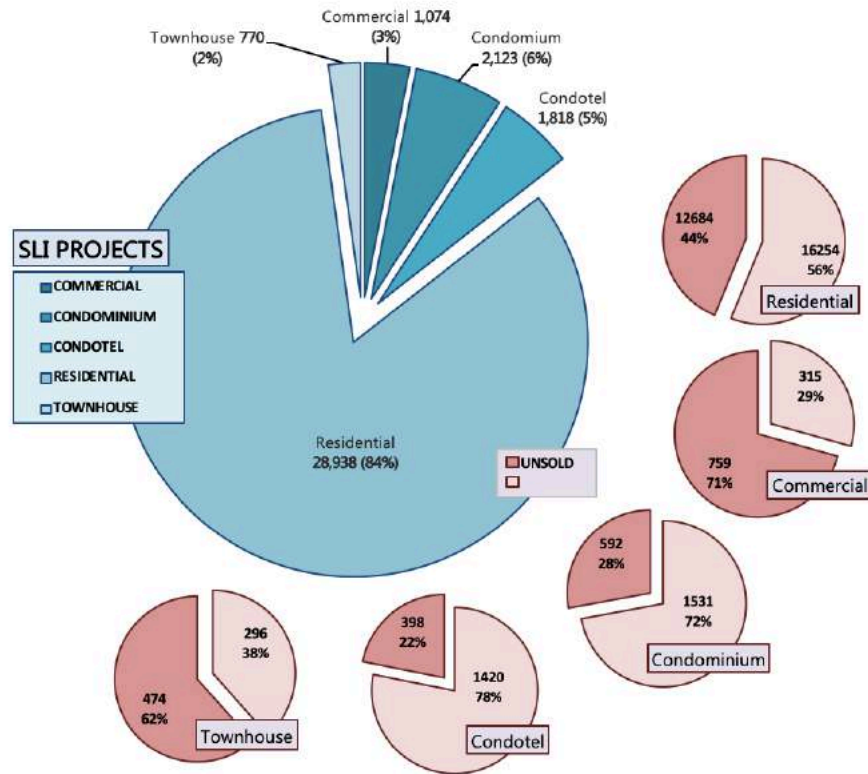
The Company is also closely monitoring regulatory and market developments with respect to real estate investment trusts ("REIT"), with particular attention to how a REIT structure for SLI's commercial assets could deliver significant shareholder value.

## HORIZONTAL AND VERTICAL PROJECTS

The Company considers itself one of the country's largest real estate companies in terms of land developed. The Company has situated its developments in prime locations which are highly accessible to employment, educational, commercial and recreational facilities. The figure below summarizes the geographical distribution of the Company's projects:



NUMBER OF UNITS PER SEGMENT AND STATUS AS OF JUNE 2019  
(in number of units)



## Completed Projects

As of 30 June 2019, the Company completed the development of the following projects:

PROJECT	LOCATION	SALEABLE AREA (SQM)	% SOLD
Bauan Grand Villas	Bauan, Batangas	153,163	85.19%
SplendidoTaal Tower 1	Laurel, Batangas	8,987	58.49%
SplendidoTaal Tower 2	Laurel, Batangas	8,758	56.18%
Villa Chiara	Tagaytay City, Cavite	17,288	91.80%
Luxurre Residences	Alfonso, Cavite	36,130	91.89%
East Bel- Air 1	Cainta, Rizal	3,876	82.50%
Stradella (formerly East Bel-Air 2)	Cainta, Rizal	3,741	37.06%
South Grove Davao	Davao City, Davao	28,255	73.53%
Neopolitan Condominium 1	Fairview, Quezon City	5,801	61.54%
Neopolitan Business Park	Fairview, Quezon City	60,197	86.11%
Pueblo Del Sol Ph1*	Tagaytay City, Cavite	12,098	58.54%
Mesilo Residences: Nueva Vida	Dasmariñas, Cavite	178,100	33.26%
Vista Mar Residential Estate*	LapuLapu City, Cebu	52,385	17.39%
Sierra Vista Ph2A	Caloocan City, Manila	12,585	100.00%
Alta Vista de Subic*	Subic, Zambales	22,021	70.15%
Davao Riverfront*	Davao City, Davao	2,170	62.16%

		81,889 (C)	
Glenrose Park Cebu*	Carcar, Cebu	14,341	91.06%
Lakewood City*	Cabanatuan, Nueva Ecija	107,084	28.76%
MetropoliResidenza*	Libis, Quezon City	18,057	92.19%
Monte Verde Executive*	Tanay, Rizal	51,042	90.38%
Palo Alto*	Taytay, Rizal	679,121	58.48%
Rizal Technopark*	Taytay, Rizal	36,570	81.55%
Rizal Technopak Ph2F	Taytay, Rizal	1,364	100.00%
South Pacific Golf & Leisure Estate*	Davao City, Davao	149,819	72.52%
Palm Coast Marina Bayside*	Roxas Blvd., Pasay City	14,922	100.00%
Greenwoods Pasig*	Pasig City	6,665	100.00%
Greenwoods Executive Ph9E	Taytay, Rizal	2,251	100.00%
Greenwoods Executive Ph8A1	Taytay, Rizal	5,931	92.86%
Greenwoods Executive Ph8A2	Taytay, Rizal	5,706	63.64%
Greenwoods Executive Ph8A3	Taytay, Rizal	3,778	100.00%
Greenwoods Executive Ph8F3	Taytay, Rizal	2,127	86.67%
Nottingham Villas Townhouse	Taytay, Rizal	15,610	87.50%
Greenmeadows Iloilo Ph1	Jaro, Iloilo City	104,225	90.02%
La Mirada Tower 1	LapuLapu City, Cebu	8,659	64.12%
La Breza Tower	Mother Ignacia, Quezon City	12,799	84.95%
Greenland Antipolo	Antipolo City, Rizal	9,050	96.67%
GreenmeadowsTarlac	Paniqui, Tarlac	65,375	71.08%
		24,108 (C)	
Sta. Lucia Residenze – Monte Carlo	Cainta, Rizal	8,572	83.72%
Sugarland Estates	TreceMartires, Cavite	39,713	93.69%
Greenland Newton Ph2B	San Mateo, Rizal	9,549	74.19%
GlenroseTaytay	Taytay, Rizal	7,057	93.62%
Alta Vista Residential Estate*	Cebu City, Cebu	25,450	13.89%
Costa Verde Cavite*	Rosario, Cavite	16,521	83.84%
Eagle Ridge Golf and Residential Estate*	GeneralTrias, Cavite	69,042	16.09%
Greenwoods South*	Batangas City, Batangas	22,188	12.98%
		1,788 (C)	
Metropolis Greens*	General Trias, Cavite	19,362	48.30%
Manville Royale Subdivision*	Bacolod City, Negros Occidental	75,547	75.19%
Pinewoods*	Baguio City, Benguet	39,336	51.47%
Southfield Executive Village*	Dasmariñas, Cavite	28,199	92.71%
Tagaytay Royale*	Tagaytay, City, Cavite	10,946	14.29%
Summer Hills Ph4	Antipolo, Rizal	28,055	98.01%
Soto Grande Ph2	Tagaytay City, Cavite	10,156	92.11%
Soto Grande Ph3	Tagaytay City, Cavite	6,860	100.00%
Costa del Sol Iloilo	Arevalo, Iloilo City	14,971	89.58%
Soto Grande Iloilo	Jaro, Iloilo City	3,697	85.19%
Sta. Lucia Residenza – Santorini	Cainta, Rizal	9,748	61.29%
Arterra Residences at Discovery Bay	LapuLapu City, Cebu	12,915	65.49%
Aqua Mira Resort C-A	Tanza, Cavite	845	50.00%
Aqua Mira Resort C-B	Tanza, Cavite	845	45.83%
Aqua Mira Resort C-C	Tanza, Cavite	854	54.17%
Greenland Cainta Ph.3B	Cainta, Rizal	7,271	94.12%



Greenland Cainta Ph.3B1	Cainta, Rizal	600	33.33%
Greenland Cainta Ph.4C1	Cainta, Rizal	1,759	100.00%
Greenland Cainta Ph.4C2	Cainta, Rizal	1,903	100.00%
Greenland Cainta Ph.4J1	Cainta, Rizal	2,531	100.00%
Greenland Cainta Ph.9C	Cainta, Rizal	3,092	100.00%
Greenwoods Executive Ph.3a2	Pasig City	2,907	86.67%
Metropolis East Ph1B	Binangonan, Rizal	3,042	100.00%
Rockville Residences	Alfonso, Cavite	7,169	83.33%
South Spring Ph1C	Binan, Laguna	290	100.00%
South Spring Ph1D	Binan, Laguna	7,367	80.85%
South Spring Ph1E	Binan, Laguna	4,871	86.21%
Orchard Tower 1 (The Olive)	Amang Rodriguez, Pasig City	4,212	12.58%
<b>TOTAL</b>		<b>309,350</b>	

\*Infused Assets

"C" refers to commercial lots

#### 1. *Bauan Grand Villas*

Bauan Grand Villas is a residential and commercial estate located in Batangas. It covers an area of 46.7 h.a. with 30.97 h.a. available for sale. The total project development cost approximately amounted to ₱220 million. The project is comprised of a total of 709 lots, of which 85.19% have been sold as of 30 June 2019.

#### 2. *Splendido Taal Tower 1*

SplendidoTaal Towers is a 4-tower project located within a 1,500 sqm area in Laurel, Batangas. The first tower is an 18-storey high-rise condominium project. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost approximately amounted to ₱390 million. The project was launched in 2008 and completed in 2010. The project is comprised of a total of 212 units of which 58.49% have been sold as of 30 June 2019.

#### 3. *Splendido Taal Tower 2*

SplendidoTaal Tower 2 is an 18-storey residential and commercial condotel within a 1,500 sqm area in Laurel, Batangas. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost approximately amounted to ₱390 million. The project was launched in 2012 and completed in 2015. The project is comprised of a total of 267 units of which 56.18% have been sold as of 30 June 2019.

#### 4. *Villa Chiara*

Villa Chiara, which covers an area of 5.2 h.a., is a residential estate located in Tagaytay City, Cavite. The project was launched in 2008 and all 56 units have been sold as of June 2019 at an average price of ₱6,500 per sqm. The total project development cost was approximately ₱32 million.

### *5. Luxurre Residences*

Luxurre Residences is a residential and commercial community located in Alfonso, Cavite. The community is designed with a clubhouse, basketball court, and swimming pool. Total project land area is 10.2 h.a. and 91.89% of the units have been sold at an average price of ₱6,700 per sqm. The total project development cost was approximately ₱61 million. The project was launched in 2010 and completed in 2012.

### *6. East Bel- Air 1*

East Bel-Air 1 is a residential condominium featuring American contemporary designs located in the east of Metro Manila. It covers an area of 1.7 hectares, with 160 units sold at an average price of ₱71,848 per square meter. The total project development cost was around ₱124 million. The project was launched in 2010 and completed in 2014.

### *7. Stradella (formerly East Bel-Air 2)*

Stradella is a 6-storey residential and commercial condotel located in Cainta, Rizal. The project offers convenient urban living in a suburban and elegant contemporary setting. Located within the 1 h.a. residential and commercial complex called East Bel-Air. The project was launched in 2012 and completed in 2015. The project is comprised of a total of 143 units of which 37.06% have been sold.

### *8. South Grove Davao*

South Grove is a residential community located in Davao which is 3 km from the city proper. The community is designed with a clubhouse, basketball court, and swimming pool. A total of 136 lots have been developed within the project's 16.2 h.a. land area at an average price of ₱9,750 per sqm. The project was launched in 2011 and completed in 2013.

### *9. Neopolitan Condominium 1*

The Neopolitan Condominium is a 9-storey residential condominium located in Fairview, Quezon City. It is designed as a residential project at the center of buzzing city. It covers an area of 1.2 h.a., with 208 units available for sale, of which 61.54% have been sold. The project was launched in 2012 and completed in 2015.

### *10. Neopolitan Business Park*

Neopolitan Business Park is a commercial property strategically located in Fairview, Quezon City. It has 36 commercial properties with an aggregate area of 60,197 sqm

### *11. Pueblo Del Sol Ph1*

Pueblo Del Sol (Phase 1) is a residential property located in Tagaytay City. It sits on a 12,977 sqm area, with 41 lots for sale, of which 58.54% is sold.

### *12. Mesilo Residences: Nueva Vida*

Mesilo Residences: Nueva Vida is a residential property located in Dasmarinas, Cavite. It has 869 residential lots for sale, which sits on a 183,451 sqm area property. The project was launched in 2010 and completed in 2013.

### *13. Vista Mar Residential Estate*

Vista Mar Residential Estate is a residential and commercial property located in Cebu City. It has 99 residential lots for sale, which sits on a 32,086 sqm area.

### *14. Sierra Vista Ph2A*

Sierra Vista Ph2A is a residential property located in Caloocan City, Manila. It has 11 residential lots for sale, which sits on a 3,654 sqm area. The project was launched in 2014 and completed in 2017. This project is 100% sold.

### *15. Alta Vista de Subic*

Alta Vista de Subic is a residential property located in Subic, Zambales. It sits on a 22,308 sqm area, with 67 lots for sale, of which 70.15% have been sold.

### *16. Davao Riverfront*

Davao Riverfront is a residential and commercial property located in Davao City. It has 11 residential lots for sale, which sits on a 2,170 sqm area. The property also has 100 commercial lots for sale, situated on a 81,889 sqm land.

### *17. Glenrose Park Cebu*

Glenrose Park Cebu is a residential property with housing projects located in Cebu City. It sits on a 14,338 sqm area, with 179 lots for sale.

### *18. Lakewood City*

Lakewood City is a residential property with housing projects located in Cabanatuan. It sits on a 107,087 sqm area, with 372 lots for sale, of which 28.76% have been sold.

### *19. Metropoli Residenza*

Metropoli Residenza is a residential and commercial property located in Libis, Quezon City. It has 64 residential lots for sale, which sits on a 18,057 sqm area.

### *20. Monte Verde Executive*

Monte Verde Executive is a residential property with housing projects located in Taytay, Rizal. It sits on a 43,492.93 sqm area, with 260 lots for sale.

*21. Palo Alto*

Palo Alto a residential property located in Tanay, Rizal. It sits on a 678,837 sqm area, with 1,115 lots for sale.

*22. Rizal Technopark*

Rizal Technopark is a commercial property located in Taytay, Rizal. It sits on a 25,112 sqm area, with 34 lots for sale. This project is 100% sold.

*23. Rizal Technopark Ph2F*

Rizal Technopark Ph2F is a residential property located in Taytay, Rizal. It sits on a 3,884 sqm area, with 9 lots for sale.

*24. South Pacific Golf & Leisure Estate*

South Pacific Golf & Leisure Estate is a residential property with housing projects located in Davao City. It sits on a 150,095 sqm area, with 433 lots for sale.

*25. Palm Coast Marina Bayside*

Palm Coast Marina Bayside is a commercial property located on Roxas Blvd., Manila. It sits on a 2,571 sqm area, with 2 lots for sale.

*26. Greenwoods Pasig*

Greenwoods Pasig is a commercial property located in Pasig City. It sits on a 6,665 sqm area, with 6 lots for sale.

*27. Greenwoods Executive Ph9E*

Greenwoods Executive Ph9E is a residential property located in Caloocan City, Manila. It has 14 residential lots for sale, which sits on a 4,951 sqm area. The project was launched in 2015 and completed in 2018.

*28. Greenwoods Executive Ph8A1*

Greenwoods Executive Ph8A1 is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier. The aggregate area is 5,745 sqm with 42 lots for sale.

### *29. Greenwoods Executive Ph8A2*

Greenwoods Executive Ph8A2 is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier. The aggregate area is 5,300 sqm with 33 lots for sale.

### *30. Greenwoods Executive Ph8A3*

Greenwoods Executive Ph8A3 is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier. The aggregate area is 3,778 sqm with 22 lots for sale.

### *31. Greenwoods Executive Ph8F3*

Greenwoods Executive Ph8F3 is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier. The aggregate area is 2,127 sqm with 15 lots for sale.

### *32. Nottingham Villas Townhouse*

Nottingham Villas Townhouse is a residential townhouse located in Taytay, Rizal. It has 80 townhouse for sale with saleable area of 15,610 sqm. The project was launched in 2013 and completed in 2016.

### *33. Greenmeadows Iloilo Ph1*

Greenmeadows is the first master-planned lake community in Iloilo. The project features a 5-hectare man-made lake ideal for boating, fishing, kayaking, and jet ski. The Lake Victoria Paradise Island which will be located at the middle of the lake will also provide an avenue for relaxation and recreation. The project covers an area of 172.8 h.a., with 621 lots developed selling at an average price of P 5,275 per sqm. The total project development cost is estimated at ₱864 million. The project was launched in 2011 and completed in 2014.

### *34. La Mirada Tower 1*

La Mirada Tower is a 15-storey Spanish Mediterranean-inspired residential condominium with a beachfront view located in Lapu-Lapu City, Cebu. It occupies 8,727 sqm and is comprised of 170 units which were sold at an average price of ₱72,000 per sqm. The total project development cost amounted to approximately ₱359 million.

### *35. La Breza Tower*

La Breza Tower is a 22-storey residential condotel located in Mother Ignacia Street, Quezon City which has 271 units available for sale. It caters to middle class employees and business owners. The total project development cost is estimated at ₱557 million. The project was launched in 2008 and was completed in 2011. The condotel units were sold at an average price of ₱90,000 per sqm

### *36. Greenland Antipolo*

Greenland Antipolo is a residential community located in Antipolo City, Rizal. The project covers an area of 3.3 h.a. and is approximately 8 km from Metro Manila. The total project development cost was approximately ₱22 million. The project was launched in 2008 and was completed in 2010. Over 58 lots were sold at an average price of ₱5,850 per sqm

### *37. GreenmeadowsTarlac*

GreenmeadowsTarlac is a residential and commercial project located in Paniqui, Tarlac. It covers an area of 24.7 hectares, residential lots comprising 95% and commercial lots comprising 5%. The total project development cost was approximately ₱158 million. The project was launched in 2009 and completed in 2012. The project offered 466 residential and 25 commercial units at an average selling price of ₱4,300 per sqm

### *38. Sta. Lucia Residenze – Monte Carlo*

Sta. Lucia Residenze - Monte Carlo is a 20-storey residential condominium located in Cainta, Rizal. It is an Italian inspired-tower purposely outlined in equilateral shape to preserve the scenic view of the city. It is located inside the SLEGM and has 301 units available for sale. The total project development cost is estimated at ₱350 million and approximately 75% of construction has been completed. The project was launched in 2011 and was completed in 2015.

### *39. Sugarland Estates*

Sugarland Estates is a residential community located in Trece Martirez, Cavite surrounded by lush and verdant greenery. It covers an area of 15.5 hectares, with 7.24 hectares available for sale. The total project development cost was approximately ₱75 million. The project is comprised of a total of 301 lots of which 93.69% have been sold at a selling price of ₱4,000 per sqm since the project was launched in 2009.

### *40. Greenland Newton Ph2B*

Greenland Newton Ph2B is a residential property located in San Mateo, Rizal. It has 62 residential lots for sale, which sits on a 19,098 sqm area. The project was launched in 2011 and completed in 2013.

### *41. Glenrose Taytay*

Glenrose Taytay is a residential property located in Taytay, Rizal. It has 47 residential lots for sale, which sits on a 14,059 sqm area. The project was launched in 2013 and completed in 2015.

### *42. Alta Vista Residential Estate*

Alta Vista Residential Estate is a residential property located in Cebu City. It sits on a 25,450 sqm area, with 36 lots for sale.

#### *43. Costa Verde Cavite*

Costa Verde Cavite is a residential property with housing projects located in Rosario, Cavite. It sits on a 16,670 sqm area, with 99 lots for sale.

#### *44. Eagle Ridge Golf and Residential Estate*

Eagle Ridge Golf and Residential Estate is a commercial property located in Cavite. It sits on a 69,042 sqm area, with 87 lots for sale.

#### *45. Greenwoods South*

Greenwoods South is a residential property with housing projects located in Batangas City. It sits on a 25,181 sqm area, with 125 lots for sale.

#### *46. Metropolis Greens*

Metropolis Greens is a residential property with housing projects located in General Trias, Cavite. It sits on a 19,785 sqm area, with 176 lots for sale.

#### *47. Manville Royale Subdivision*

Manville Royale Subdivision is a residential and commercial property located in Bacolod. It has 387 residential lots for sale, which sits on a 72,922 sqm area.

#### *48. Pinewoods*

Pinewoods is a residential property located in Baguio City. It sits on a 112,210 sqm area, with 68 lots for sale.

#### *49. Southfield Executive Village*

Southfield Executive Village is a residential property with housing projects located in Dasmarinas, Cavite. It sits on a 28,359 sqm area, with 192 lots for sale.

#### *50. Tagaytay Royale*

Tagaytay Royale is a commercial property located in Tagaytay City. It sits on a 22,907 sqm area, with 7 lots for sale.

#### *51. Summer Hills Ph4*

Summer Hills is a residential community located in Antipolo, Rizal. The community features a clubhouse, basketball court, and swimming pool. A total of 151 lots have been developed within the project area of 4.1 hectares. The average selling price per lot is ₱5,000 per sqm. The total project development cost was around ₱26 million. The project was launched in 2011 and completed in 2013.

### *52. Soto Grande Ph2*

Soto Grande is a Spanish-Mediterranean inspired community designed both as a vacation getaway and a permanent residence in Tagaytay. The community features a clubhouse, basketball court, and swimming pool. The Company has developed 38 lots within the project's 1.5 h.a. area, which is being offered at an average price of ₱9,000 per sqm. The total project development cost is estimated at ₱9 million. The project was launched in 2011 and completed in 2013.

### *53. Soto Grande Ph3*

Soto Grande is a residential subdivision with a 26 hectares Spanish-Mediterranean inspired community designed both as a vacation getaway and a permanent residence located at Barrio of Mendez, Tagaytay City. It sits on 6,860 sqm with 26 lots for sale.

### *54. Costa del Sol Iloilo*

Costa del Sol Iloilo is a residential property and commercial property located in Arevalo, Iloilo City. It has 96 lots for sale, which sits on a 24,320 sqm area. The project was launched in 2012 and completed in 2014.

### *55. Soto Grande Iloilo*

Sotogrande Iloilo is a condotel property located at the crossroads between Pavia and Jaro in Iloilo. It is ideally located for easy accessibility to business and leisure facilities. It offers a quiet retreat within the natural setting of a man-made lake and its lush green surroundings. It sits on 3,697.10 sqm and 135 lots for sale.

### *56. Sta. Lucia Residenza – Santorini*

Santorini is a condotel and residential property located in Cainta, Rizal, ideal for primary home, a vacation property or a place to retire. The 5<sup>th</sup> to 15<sup>th</sup> floor function as a hotel while the condominium units at the 16<sup>th</sup> to 25<sup>th</sup> floors offer premium choices – select between studio, 1-bedroom and 2-bedroom units. It sits on a 9,748 sqm area, with 279 lots for sale.

### *57. Arterra Residences at Discovery Bay*

Arterra Residences is a 20-storey residential and commercial condotel located in Lapu-Lapu City, Cebu. The project's concept focuses on harmony with nature and is centered on elements of air and water. It covers an area of 7,000 sqm and will have 339 units available for sale. The total project development cost is estimated at ₱575 million. The project was launched in 2012 and target completion is in 2015.

### *58. Aqua Mira Resort C-A, C-B and C-C*

Aquamira resort & residences (at Saddle & Clubs Leisure Park) is a site to behold in scale and grandeur located in Tanza, Cavite. Inside the 600-hectare saddle & club leisure park is the resort life. Aqua Mira C-A, C-B and C-C sits on a 845 sqm, 845 sqm and 854 sqm, respectively, with 24 lots each.



### 59. Orchard Tower 1 (The Olive)

Orchard tower features 4 residential buildings surrounded by lush greenery that call to mind the wonders of nature. Tower 1 was launched in 2015 and completed in 2018.

### Ongoing Projects

The table below summarizes the Company's ongoing development projects as of 30 June 2019:

PROJECT NAME	LOCATION	SALEABLE AREA (SQM)	% SOLD	% COMPLETION
Almeria Verde	Dagupan City, Pangasinan	46,034	72.83%	96.42%
Acropolis Loyola	Quezon City and Marikina	199,017	18.34%	50.45%
Altea Ciudades	Mandug, Davao City	46,229	76.34%	99.00%
Blue Mountains Ph.2	Antipolo, Rizal	13,598	58.33%	95.62%
Cambridge Place Ph.1A	Tanauan, Batangas	115	100.00%	15.71%
Catalina Lake Residences	Bauan, Batangas	320,918	9.90%	45.43%
Colinas Verde Ph.3,3A&3B	San Jose Del Monte, Bulacan	149,136	89.94%	99.68%
Colinas Verdes Estate Lots	San Jose Del Monte, Bulacan	194,284	17.69%	14.51%
Costa Verde Alangilan	Batangas City, Batangas	20,537	86.21%	77.83%
Crown Residence at Harbor Springs Resort	Puerto Princesa	5,487	83.67%	98.32%
East Bel-Air 3	Cainta, Rizal	1,866	92.19%	94.22%
El Pueblo Verde	Gerona, Tarlac	61,393	59.13%	96.71%
Golden Meadows Binan Ph.2C	Sta Rosa, Laguna	33,383	94.80%	98.48%
Golden Meadows Binan Ph.2D	Sta Rosa, Laguna	8,525	96.61%	92.67%
Greenland Newtown Ph.2C	San Mateo, Rizal	8,164	77.78%	98.48%
Greenmeadows Ph.2 at the Orchard	Dasmarias, Cavite	53,526	93.75%	99.93%
Greenmeadows Ph.2A at the Orchard	Imus, Cavite	6,676	100.00%	99.93%
Greenmeadows Iloilo Ph.2	Jaro, Iloilo City	47,752	99.13%	88.68%
Greenridge Rizal Ph.4A	Binangonan, Rizal	18,311	81.45%	77.00%
Greenwoods Executive Ph.2K1	Cainta, Rizal	7,882	91.30%	99.45%
Greenwoods Executive Ph.540	Cainta, Rizal	1,000	100.00%	88.00%
Greenwoods Executive Ph.6 Sec.9-10	Taytay, Rizal	5,130	86.84%	98.02%
Greenwood Executive Ph.8F5	Taytay, Rizal	6,461	29.55%	94.52%
Greenwoods Executive Ph.8G1	Cainta, Rizal	1,731	100.00%	99.00%
Greenwoods Executive Ph.9D1	Cainta, Rizal	1,454	60.00%	92.82%
Greenwoods Executive Ph.9F	Taytay, Rizal	2,251	100.00%	90.54%
Greenwoods North Ph.2	Gapan, Nueva Ecija	12,274	23.33%	90.13%
Greenwoods North Ph.3	Gapan, Nueva Ecija	32,652	76.81%	97.81%

Greenwoods South Ph.4A	Batangas City, Batangas	31,950	3.46%	40.66%
Green Peak Heights Ph.1	Teresa, Rizal	58,578	80.00%	95.47%
Green Peak Heights Ph.2	Teresa, Rizal	40,490	86.47%	75.89%
Green Peak Heights Ph.3	Teresa, Rizal	81,085	8.02%	43.58%
Green Peak Heights Palawan	Sta. Lourdes, Puerto Princesa	36,422	92.40%	93.00%
Hacienda Verde Iloilo	Iloilo City, Iloilo	259,428	8.43%	53.00%
Hamptons Residences	Angono, Rizal	16,228	48.31%	85.94%
La Alegria Residential Estates	Silay City, Negros Occidental	232,437	38.72%	52.14%
La Huerta	Calamba, Laguna	221,437	22.71%	98.39%
Las Colinas Davao	Eden Toril, Davao City	511,351	32.26%	33.00%
Lakewood Los Banos Ph.4	Los Banos, Laguna	122,876	77.57%	55.10%
Los Rayos	Tagum City, Davao Del Norte	106,238	73.58%	52.00%
Marbella Davao		13,685	98.77%	19.00%
Metropolis East Ph.1B	Binangonan, Rizal	3,042	100.00%	97.17%
Metropolis East Ph.1C	Binangonan, Rizal	3,618	87.50%	96.15%
Metropolis East Ph.2	Binangonan, Rizal	8,217	87.04%	95.05%
Metropolis Iloilo Ph.2	Jaro, Iloilo	28,764	7.29%	30.87%
Monte Verde Royale Ph.4C	Taytay, Rizal	7,727.00	96.49%	72.00%
Nasa Costa Cove	Nasugbu, Batangas	86,627	71.65%	85.54%
Nottingham Villas Iloilo Cluster 1 to 10	Jaro, Iloilo City	22,732	76.83%	97.27%
Nottingham Villas Palawan Clusters 3A-3D, 5A-5H and 7A-7C	San Pedro, Puerto Princesa	20,502	70.00%	97.00%
Orchard Residential Estates Ph.1A2	Dasmarias, Cavite	8,173	11.76%	71.41
Palo Alto Ph.2	Teresa, Rizal	102,753	97.77%	94.46%
Ponte Verde Davao	Panacan, Davao City	126,446	77.24%	99.00%
Ponte Verde Davao – Sandoval	Panacan. Davao City	20,334	76.19%	61.00%
Rizal Techno Park Ph.2D1	Taytay, Rizal	7,544	86.36%	81.36%
Rizal Techno Park Ph.2H	Taytay, Rizal	2,263	100.00%	81.36%
Soller Davao	Mandug, Davao City	243,696	38.99%	83.00%
Soto Grande Katipunan	Katipunan, Quezon City	9,183	44.12%	96.43%
Soto Grande Neopolitan (Neopolitan Tower 2)	Fairview, Quezon City	6,258	69.35%	89.58%
Soto Grande Davao	Davao City, Davao	7,088	94.68%	93.00%
South Coast	Lian, Batangas	294,127	38.66%	12.32%
South Spring Ph.1E	Binan, Laguna	4,871	86.21%	79.53%
South Spring Ph.1D	Binan, Laguna	7,367	80.85%	96.17%
South Spring Ph.1F	Binan, Laguna	13,062	43.02%	62.26%
South Spring Ph.1G	Binan, Laguna	4,118	31.82%	40.34%
Summer Hills Ph.4A and 4B	Antipolo, Rizal	21,822	81.75%	99.75%
Summit Point Ph.3A	Sto. Tomas, Batangas	121,450	62.63%	88.13%

Summit Point Ph.3B	Sto. Tomas, Batangas	23,405	10.07%	88.13%
Summit Point Ph.3C	Sto. Tomas, Batangas	7,948	16.67%	88.13%
Summit Point Ph.3D	Sto. Tomas, Batangas	27,564	68.18%	88.13%
Summit Point Ph.3E	Sto. Tomas, Batangas	26,207	10.00%	88.13%
Valle Verde Davao	Panacan, Davao City	64,764	95.36%	99.00%
Vermont Park Ph.4I	Antipolo, Rizal	11,010	80.52%	99.61%
Vermont Park Ph.1E	Antipolo, Rizal	4,689	100.00%	95.12%
Woodridge Iloilo	Jaro, Iloilo	12,994	100.00%	49.54%
Woodside Garden Ville Ph.2C	Urdaneta, Pangasinan	27,985	12.98%	99.74%
Aldea at Monterosa	Oton, Iloilo	35,331	29.63%	9.07%
Blueridge at Monterosa	Oton, Iloilo	12,206	60.00%	12.31%
Monterey Residence	Panabo City, Davao	12,336	97.59%	14.00%
<b>TOTAL</b>		<b>4,489,911</b>		

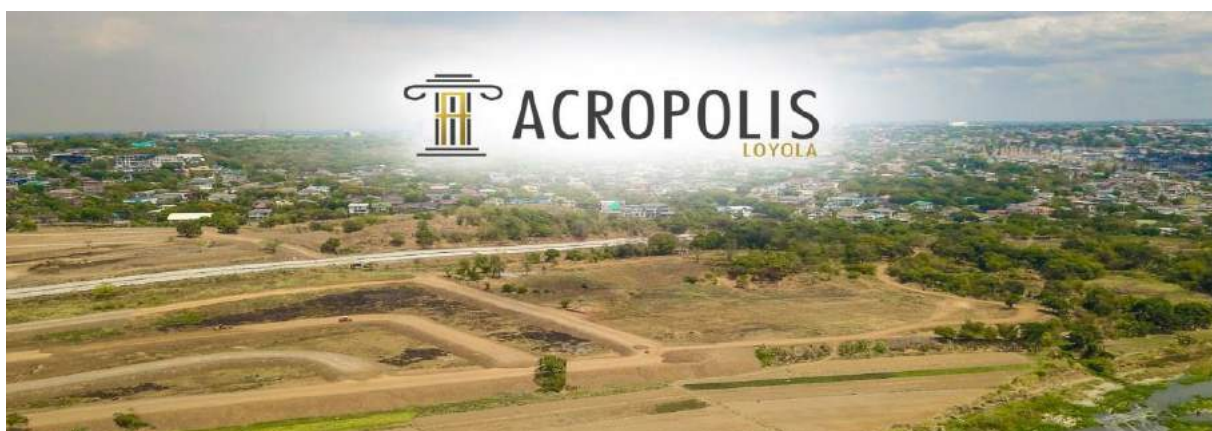
## Selected Ongoing Development Projects

### 1. *Almeria Verde*

Named after the resort town of Almeria in Spain, Almeria Verde exemplifies the idyllic suburban lifestyle of a river side community. With spacious lots and elegant home designs to choose from, it offers high-end living in a secure, conveniently-located, self contained neighbourhood in the heart of Pangasinan. Almeria Verde is cut for growing families who wish to own an elegant home within a spacious lot. It is perfect for families who love the great outdoors as this community is well-equipped with a basketball court, clubhouse, swimming pool, playground, and landscaped open spaces. It paints a picture of serenity framed by the Agno River and beaches along the Lingayen Gulf.

### 2. *Acropolis Loyola*

Nestled at the rolling hills of Quezon City and bordering the panoramic view of Marikina Valley, Acropolis Loyola offer unprecedented Metro Manila living. Average size of lots is 300 sqm selling at an average price of ₱ 70,000 per sqm.



### *3. Altea Ciudades*

Altea is a proud fusion of the traditional and the modern with accents of elegance and luxury located in Mandug, Davao City. The greatest pleasures of life are a privilege in this 8-hectare residential haven with affordable 100sqm lots ensuring value of money yet owning a promising property. Altea offers an improved quality of life in an exciting variety with the development of adjoining complementary features. Ciudades introduces El Centro, a 12-hectare luxuriant natural splendor complemented by areas for education, sports, wellness and retail.

### *4. Blue Mountains Ph.2*

Blue Mountains come in an excellent integration of residential and commercial development features located in Antipolo City.

### *5. Catalina Lake Residences*

Catalina Lake Residences is a bold collection of contemporary and Spanish Mediterranean residences and archetypal lake houses. Situated at the heart of Bauan Batangas, Catalina Lake Residences is a series of relaxing lakeside homes designed to take the mind off the city hustles. Each residence is fashioned from modishly intricate interiors and tailor fitted style topped with breathtaking views.

### *6. Catalina Lake Residences Palawan*

Lake Catalina is a 35-minute drive from Puerto Princesa International Airport. It has a clubhouse, basketball court, resort-style swimming pool and picture-perfect lighthouse. Commercial lots are also available for those who wish to set-up shops for new business ventures.

### *7. Colinas Verdes Estate*

Colinas Verde is a master-planned community located in San Jose Del Monte, Bulacan with first-class amenities such as the Colinas Verdes Country Club, which is the first country club in the area. The community is designed with a clubhouse, basketball court and swimming pool. It covers an area of 48.4 hectares, with 1,850 lots developed selling at an average price of P8,000 per sqm. The total project development cost was around P311 million.

### *8. Costa Verde Alangilan*

Costa Verde is a master-planned residential and commercial estates strategically located in Bgy. Bolbok and Alanganin, Batangas City and will rise as the new center of growth and haven of profitable stability. A heightened living standard of perfection with community perks and amenities reserved for top class residents.

### *9. Crown Residence at Harbor Springs*

Harbor Spring is a luxury property development that is conceptualized and master planned located at Puerto Princesa, Palawan. It is conveniently located at the center of Sta. Lourdes hot springs and gateway to Honda Bay.

#### 10.El Pueblo Verde

El Pueblo Verde is located in the sugar central of Luzon, Gerona Tarlac with urban and agro-industrial zones. In the urban area, portions have been set aside as an agro-industrial zone and another as a light industrial zone. The town has schools, churches, clinics, parks and commercial centers. El Pueblo Verde is situated near the Gerona Municipal Hall and town center.

#### 11.Golden Meadows Binan

Golden Meadow Binan is one of Sta. Lucia quality projects with a community that exudes the warmth, joy and love of family located at Sta. Rosa, Laguna. Golden Meadow Binan is crested with recreational facilities, tall pine trees, and lush vegetation.

#### 12.Greenland Cainta

A prime residential community nestled at the bustling area of eastern Metro Manila. Cainta Greenland Executive Village is complete with the facilities of a modern community that caters to basic and recreational needs.

#### 13.Greenmeadows at the Orchard

Located in the progressive city of Dasmariñas in Cavite, Green Meadows brings the best of natures as well as modern comforts within the reach. As a first class city, Dasmariñas is both a center for commerce and an industrial hub. Residents of Green Meadows can find all the essentials and conveniences, of city living just a few minutes' drive from home. Green Meadows Residential Estates is nestled within the rolling terrain of the Orchard Golf and Country Club. This scenic and serene haven has been designated as a bird and wildlife sanctuary, with its teeming foliage and various species of birds.

#### 14.Greenmeadows Iloilo

Green Meadows is Iloilo's first lake community. Located within the outskirts towns of Pavia and Jaro, Green Meadows is designed around Lake Victoria, a 5-hectare man-made lake whose tranquil setting is the inspiration for gatherings, celebrations, and good old family fun.

#### 15.Greenwoods Executive

Greenwoods Executive is a residential estate located in Pasig City. It provides the modern convenience of a modern community with great facilities to make life easier.

#### 16.Greenwoods North

An affordable and quality residential subdivision lot located at Bayanihan, Gapan City, Nueva Ecija. Greenwoods North is a prime subdivision neighbor to Gapan City's modern City Hall right along the "commercial district" of Gapan City, the "Trading Center" of the south western and south eastern towns of Nueva Ecija and the northern town of Bulacan.

With its landscaped entrance gate opening right along the bustling Maharlika Highway, the principal arterial network connecting Nueva Ecija to Pampanga, Zambales and the Cagayan Valley, Greenwoods North is accessible from many economic points of Central Luzon. Moreover, the construction of the Olongapo San Fernando-Gapan Road links Gapan and Greenwoods North to the Clark Special Economic Zone and the Subic Bay Freeport Zone.

#### 17.Green Peak Heights

Be at home with nature at Green Peak Heights. Nestled in the town of Baras in Rizal, the 29-hectare Green Peak Heights is 30 minutes away from the Greater Manila Area.

#### 18.Green Peak Heights Palawan

Green Peak Heights is located at Sta. Lourdes, Puerto Princesa, with a calming view of the sea and easy access to many kinds of tropical getaways.

#### 19.Hacienda Verde Iloilo

Hacienda Verde is a premiere township development set on 125 hectares of land that is lush and lively, progressive, while remaining rich in history. It captures beautifully the past and present to create a picture of a future that can only be found within our township.

#### 20.Hamptons Residences

The Hamptons place location for both work and play and a laid back sanctuary for relaxation located at Angono, Rizal.

#### 21.La Alegria Residential Estates

La Alegria is at the heart of Silay City, Negros Occidental. In the humble city of Silay, Negros Occidental, La Alegria prides itself as the only lake residential community.



#### 22. Las Colinas Davao

Las Colinas is located just off the Bayabas-Eden Road in Toril, Davao City. With the property's scenic mountain views, cooler climate and fresh air, future residents are guaranteed to enjoy a rejuvenating and calming ambience, that will allow them to enjoy with ease some quality time with their loved ones.

### 23. Lakewood Los Baños

Lakewood resort residential estates Los Baños is a 42-hectare master-planned community located in Los Baños, Laguna, a town known for its mountain views and hot springs. Designed as a resort cum residential subdivision lakewood provides a breathtaking view of Mt. Makiling on the other side and an enchanted lake view on the other side. Beyond its walls are an abundant array of resorts, restaurants, fresh fruit stands, garden landscaping and other specialty shops.

### 24. Los Rayos Lake Residences

Los Rayos Lake Residences is an exquisite residential retreat, with a lush mangrove forest, Philippine hardwood trees, plus a 4-km stretch of white sand beach all within reach in Los Rayos. Los Rayos Lake Residences located in Tagum City, Davao Del Norte. The 37-ha residential development is accessible to numerous key establishments such as shopping malls, schools, restaurants, plantations and eco parks. It is built around a central lake surrounded by the lush greenery of Davao. The 4-ha lake area is the centerpiece of Los Rayos.

### 25. Metropolis Iloilo

Metropolis Iloilo is a residential and commercial estate. It is strategically located in Brgy. Tagbac, between the McArthur National Hi-way, Jaro, Iloilo City and the Coastal Hi-way, Bitoon, Jaro, Iloilo City. It is considered as one of the premiere residential and commercial estates of Iloilo. Metropolis Iloilo is a unique modern complex blending modern conveniences such as a commercial complex, a bus terminal, a school, and a world of recreation, with the enchanting countryside setting.

### 26. Nasa Costa Cove

A beachside resort-residential development located in Brgy. Natipuan, Nasugbu, Batangas along a strip of carved beachfront adjacent to high-end developments. Approximately 102 km south of Metro Manila. All lots at Phase 1 are within walking distance to the beach.

### 27. Nottingham Villas Iloilo

Nottingham Villas at Metropolis Iloilo is a collection of townhouse units designed and fitted with features, fixtures and amenities for start-up families and go-getter urban professionals who dream of getting the best of country living with a modern twist.

### 28. Nottingham Villas Palawan

Nottingham Villas Palawan is a collection of townhouse units designed and fitted with features, fixtures, and amenities for start-up families and go-getter urban professionals who dream of getting the best nature-inspired living with a modern twist. It is located in the exceptionally beautiful Puerto Princesa, Palawan, home to the famed world wonder, Subterranean River National Park (Underground River).

### 29. Rizal Techno Park

A commercial and industrial site that will grow steadily, the Rizal Technopark 2000 is an idea ahead of its time located at Taytay, Rizal. As Rizal's words sparked a revolution, today in the new millennium, it encourages Sta. Lucia onwards to contribute in making Calabarzon the destination of the future. Growth for small to medium scale enterprise, such as garments, furniture, and food processing. Lot sizes are vast to accommodate mass production facilities, and roads, electricity, water and security systems are all in place - key ingredients to an area's progress.

### 30. Soller Davao

Down South in Davao, the idyllic Soller Residences is the place to be. Davao City, being among the safest cities in the country, is also home to the finest eco-adventure facilities and a hearty environment. It serves as the perfect backdrop for startup families who are starting small but betting on big dreams. The Soller Residences is located within Ciudades, Davao's first mixed-use and self-sufficient community. Soller Residences offer top-notch amenities such as a community clubhouse, multipurpose function hall, children's playground, swimming pool, bike trails and basketball court.

### 31. Soto Grande Katipunan

SotoGrande's residential units - hugging the sky from the 17th to the 22nd floors - will be created to become among the finest places to live or stay within the confluence of the three cities that make up Metro Manila's most dynamic and progressive hubs - Quezon City, Pasig and Marikina. In twenty-three of its exquisite and very select units, Sotogrande has created its "Condotel Suites" - a line of studio and 2 bedroom serviced residences that allow long-staying guests to enjoy the space, breadth, and privacy of their own home, while being gifted with the care, service, and luxury of a hotel. The Condotel Suites are perfect second homes or sanctuaries from the stresses of long travel and work, where the comfort and refuge of home are coupled with first class hotel pampering and amenities.

### 32. Soto Grande Neopolitan

SotoGrande is a six-storey condotel poised to rise within the Neopolitan Business Park, a master-planned complex by Sta. Lucia Land in Quezon City. Located along Mindanao Avenue and Regalado Highway in Fairview, the Neopolitan Business Park is conveniently at the center of promising developments in this side of the country's capital.

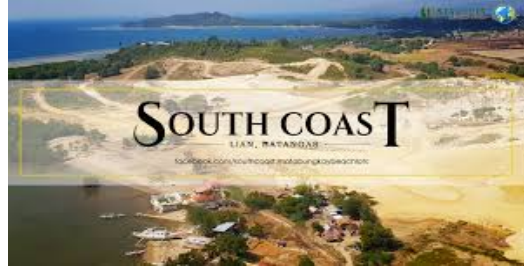
### 33. Soto Grande Davao

Sotogrande Hotel offers both the wealth of natural wonders within a thriving metropolis and the priceless convenience of luxurious living. The name Sotogrande is derived from two Spanish words: "Soto" means riverside grove or thicket and "Grande" means luxurious and majestic. With the refreshing sight of the Davao river nearby and a sprawling mountain view of greeneries everywhere. Sotogrande is true to its name in combining the beauty of nature and the luxury of modern convenience. Sotogrande is conveniently 5 minutes away from Davao international airport, while recreational facilities, malls, health facilities and other commercial establishments are nearby.



### 34.South Coast

South Coast is an integrated recreational, sports, residential community with ecological nature at its best. It is located at Lian, Batangas.



### 35.South Spring

South Spring is the only first class residential subdivision along Biñan National Highway. The 50-hectare residential estate is a welcome respite from busy lives.

### 36.Sta Lucia Residenze - Santorini

Santorini is a condotel and residential property located in Cainta, Rizal, ideal for primary home, a vacation property or a place to retire. The 5th to 15th floor function as a hotel while the condominium units at the 16th to 25th floors offer premium choices - select between studio , 1-bedroom and 2-bedroom units. It sits on a 18,258.98 sqm area, with 536 lots for sale.

### 37.Valle Verde Davao

Experience the southern getaway every day at Valle Verde. Valle Verde Residential Estates is located at Panacan, Davao City.

### 38.Woodridge Iloilo

Woodridge Iloilo is located at Metropolis Drive, Bitoon, Jaro, Iloilo. It is accessible in coastal road and National Road.

### 39.Woodside Garden Ville

The Woodside Garden Ville is located at Urdaneta, Pangasinan. The Woodside Garden Village is designed to be a blend of nature's color and texture. The landscape and tree-lined roads complement its American-Californian theme, natural and picturesque in character. Form and function is combined to achieve appealing pocket parks for the family to enjoy. The Woodside Garden Village takes pride in having the finest clubhouse development in Pangasinan. It boasts of a fully-airconditioned multi-purpose hall, a junior Olympic-sized pool, a kiddie pool, tennis and basketball courts, kiosks and trellises, parks and playgrounds.

### Future Projects

The Company plans to expand, should the market conditions permit, in the following projects, but not limited to;

1. Orchard Towers
2. Splendido Towers
3. Sta. Lucia Residences
4. East-bel Air Residences
5. Neopolitan Condominiums
6. Monte Verde Digos Expansion
7. Ponte Verde Davao Expansion

## 8. Nasacosta Batangas Expansion

### **Government Approvals and Permits**

The Company has obtained and will obtain all such necessary and desirable government permits, consents, and authorizations that may be required for the conduct and continuance of its business.

These permits and approvals include but are not limited to the environmental compliance certificates or certificates of non-coverage, development permits, department of agrarian reform conversions, and licenses to sell. In addition, the Company and its subsidiaries intend to continue to comply, in all material respects, with applicable regulations and law which govern its various businesses.

At present, the licenses and permits of the Company and its ongoing projects are:

- 1. Securities and Exchange Commission (SEC)**  
SEC Registration No. 0000031050
- 2. Bureau of Internal Revenue (BIR)**  
BIR Tax Identification No. 000-152-291-000.  
Under its Certificate of Registration, SLI is registered with BIR for the following tax types: (a) income tax, (b) value-added tax, (c) expanded withholding tax, (d) withholding tax on compensation, and (e) registration fee.
- 3. Cainta, Rizal Local Government**  
SLI was issued a Mayor's Permit No. 2019-0006185 by the Office of the Mayor of the Cainta, Rizal on 18 March 2019.
- 4. Social Security System (SSS)**  
SLI is registered with the SSS with Employer ID No. 03-9217072-9 as indicated in the Employer Registration issued on 2 May 2008.
- 5. Philippine Health Insurance Corporation (PhilHealth)**  
SLI is registered with the Philhealth as Employer No. 003000011976 as indicated in its Certificate of Registration dated 26 June 2008.
- 6. Home Development Mutual Fund (HDMF)**  
SLI is registered with the HDMF with Employer No. 800166932018 as indicated in the Certificate of Employer's Registration dated 15 June 2007.
- 7. National Privacy Commission (NPC)**  
SLI is registered with the NPC with registration No. PIC-001-295-2019 as indicated in the Certificate of Registration effective until 8 March 2020.
- 8. Housing and Land Use Regulatory Board (HLURB)**  
Please refer below to the list of completed and ongoing projects with their corresponding License to Sell (LTS) permit from the HLURB:

COMPLETED HORIZONTAL PROJECTS					
Project Name	Location	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued
Sugarland Estates	Trece Martires, Cavite	25550	May 25, 2012	23673	May 25, 2012
Villa Chiara	Tagaytay City, Cavite	21250	November 20, 2008	19985	November 20, 2008
Greenland Antipolo	Antipolo City, Rizal	24133	January 20, 2011	22837	January 20, 2011
Bauan Grand Villas	Bauan, Batangas	23392, 23391	March 11, 2010	22124, 22123	March 11, 2010
Greenmeadows Tarlac	Paniqui, Tarlac	23034, 23035	February 3, 2010	21773, 21774	December 22, 2009
Luxurre Residences	Alfonso, Cavite	26116	November 13, 2012	24351	November 13, 2012
South Grove Davao	Davao City, Davao	24070	January 17, 2012	23254	January 17, 2012
Neopolitan Business Park	Fairview, Quezon City	89-12-1345	December 15, 1989	89-12-1242	December 15, 1989
Pueblo del Sol Ph. 1	Tagaytay, Cavite	6213-R4A-06-06	June 26, 2006	15431-R4A-06-06	June 26, 2006
Mesilo Nueva Vida	Dasmaringas, Cavite	26115	November 13, 2012	24350	November 13, 2012
Vistamar Residential Estate	Lapu Lapu City, Cebu	5605	February 23, 1995	5609	February 23, 1995
Alta Vista De Subic	Subic, Zambales	747	August 25, 1997	770	August 25, 1997
Davao Riverfront	Davao City, Davao			11344	November 15, 2005
Glenrose Park Carcar	Carcar, Cebu	7873	August 13, 2003	7401	August 13, 2003
Lakewood City	Cabanatuan, Nueva Ecija			00355-B	October 4, 1996
Metropoli Residenze de Libis	Libis, Quezon City	13543	October 21, 2005	13555	October 21, 2005
Monteverde Executive	Taytay, Rizal	89-06-1141	June 5, 1989	89-06-1101	June 5, 1989
Palo Alto Ph.1	Tanay, Rizal	15558	September 20, 2006	16668	October 20, 2006
Rizal Technopark	Taytay, Rizal	98-011-3065	January 31, 1998	98-01-3234	January 27, 1998
Rizal Technopark	Taytay, Rizal	99-05-121	May 31, 1999	99-05-155	May 31, 1999
South Pacific Golf & Leisure Estate	Davao City, Davao	22229	April 25, 2010	23496	April 5, 2010

Palm Coast Marina Bayside	Roxas Blvd, Pasay City	13625	April 5, 2006	14638	April 5, 2006
Nottingham Villas Townhouse	Taytay, Rizal	28027	December 29, 2016	32318	December 29, 2016
Greenmeadows Iloilo Ph.1	Jaro, Iloilo City	R6-009-21048	April 21, 2009	22317	April 21, 2009
Greenland Newtown Ph.2B	San Mateo, Rizal	26795	December 10, 2015	30777	December 10, 2015
Glenrose Taytay	Taytay, Rizal	26801	January 11, 2016	30937	January 11, 2016
Alta Vista Residential Estate	Cebu City, Cebu	770	August 25, 1997	747	August 25, 1997
Costa Verde Cavite (Commercial)	Rosario, Cavite	12163-R4A-05-10	October 17, 2005	12559-R4A-05-10	October 17, 2005
Costa Verde Cavite (Residential)	Rosario, Cavite	12129-R4A-05-08	August 15, 2005	12559-R4A-05-08	August 15, 2005
Eagle Ridge Golf Villas	General Trias, Cavite	14578-R4A-06-03	March 23, 2006	15226-R4A-06-03	March 23, 2006
Eagle Ridge Residential Estates	General Trias, Cavite	R4-97-04-0051	July 10, 1997	R4-97-04-0056	July 01, 1997
Greenwoods South	Batangas City, Batangas	R4-96-12-0199	January 10, 1997	R4-96-12-0226	January 10, 1997
Metropolis Greens (Phase 1)	General Trias, Cavite	R4-98-08-0103	August 12, 1998	R4-98-08-0129	August 12, 1998
Metropolis Greens (Phase 2)	General Trias, Cavite	R4-98-12-0157	January 4, 1999	01826-R4-00-04	April 18, 2000
Metropolis Greens (Phase 3)	General Trias, Cavite	R4-98-12-0157	January 4, 1999	R4-08-12-0201	January 4, 1999
Manville Royale Subdivision	Bacolod City, Bacolod	06-94-36	November 3, 1994	06-94-36	November 3, 1994
Pinewoods Residential Golf and Country Club Estate	Benguet, Baguio City	CR-CAR-01-98-001	January 15, 1998	LS-CAR-01-98-001	January 15, 1998
Southfield Executive Village	Dasmaringas, Cavite	R4-96-07-0119	January 17, 2012	R4-96-07-0134	July 13, 1996
Tagaytay Royale Ph 1A & 1B	Tagaytay City, Cavite	R4-98-07-0100	August 12, 1998	R4-98-07-0125	August 12, 1998
Beverly Place Ph.9H	Mexico, Pampanga	19987	July 21, 2008	13466	July 21, 2008
Summer Hills Ph.4	Antipolo, Rizal	28025	December 29, 2016	32315	December 29, 2016
Soto Grande Ph.2	Tagaytay City, Cavite	25562	December 9, 2013	28790	December 9, 2013
Costa Del Sol Iloilo	Arevalo, Iloilo City	23572	March 11, 2013	25829	March 11, 2013

<b>COMPLETED VERTICAL PROJECTS</b>					
<b>Project Name</b>	<b>Location</b>	<b>License to Sell</b>		<b>Certificate of Registration</b>	
		<b>No.</b>	<b>Date Issued</b>	<b>No.</b>	<b>Date Issued</b>
Splendido Taal Tower 1	Laurel, Batangas	22502	May 12, 2009	21318	May 12, 2009
Splendido Taal Tower 2	Laurel, Batangas	29115	December 19, 2014	25906	December 19, 2014
La Breza Tower	Mother Ignacia Street, Quezon City	21940	December 18, 2008	20127	December 18, 2008
La Mirada Tower	Lapu-Lapu City, Cebu	21656	January 30, 2009	20627	January 30, 2009
East Bel-Air Residences	Cainta, Rizal	26984	July 26, 2013	24716	July 26, 2013
Neopolitan Condominium 1	Fairview, Quezon City	29251	September 30, 2014	26037	September 20, 2014
Sta. Lucia Residence - Monte Carlo (Tower 1)	Cainta, Rizal	25762	11-Apr-14	28609	11-Apr-14
Sta Lucia Residence - Santorini (Tower 2)	Cainta, Rizal	25762	11-Apr-14	28609	11-Apr-14
Arterra Residences at Discovery Bay	Lapu-Lapu City, Cabu	27046	26-Aug-15	30337	26-Aug-15

<b>ONGOING HORIZONTAL PROJECTS</b>					
<b>PROJECT NAME</b>	<b>LOCATION</b>	<b>License to Sell</b>		<b>Certificate of Registration</b>	
		<b>No.</b>	<b>Date Issued</b>	<b>No.</b>	<b>Date Issued</b>
Acropolis Loyola Residential Quezon City	Quezon City and Marikina	35105	July 26, 2019	29544	July 26, 2019
Acropolis Loyola Commercial Quezon City	Quezon City and Marikina	35104	July 26, 2019	29543	July 26, 2019
Acropolis Loyola Residential Marikina	Quezon City and Marikina	34612	June 14, 2019	29515	June 14, 2019
Colinas Verde Ph.3,3A&3B	San Jose Del Monte, Bulacan	26804	April 18, 2013	25010	April 18, 2013
Costa Verde Alangilan	Batangas City, Batangas	32064	December 28, 2016	27839	December 28, 2016
El Pueblo Verde	Gerona, Tarlac	31154	March 15, 2016	27216	March 15, 2016
Golden Meadows Binan Ph.2C	Sta Rosa, Laguna	32063	December 28, 2016	27838	December 28, 2016
Greenland Newtown Ph.2C	San Mateo, Rizal	30718	September 30, 2015	26756	September 30, 2015
Greenmeadows Ph.2 at the Orchard	Dasmarinas, Cavite	30497	October 21, 2015	26846	October 21, 2015

Greenwoods Executive Ph.2K1	Cainta, Rizal	30705	September 23, 2015	26747	September 23, 2015
Greenwoods Executive Ph.6 Sec.9-10	Taytay, Rizal	30714	September 30, 2015	26752	September 30, 2015
Greenwoods Executive Ph.8G1	Cainta, Rizal	30713	September 30, 2010	26751	September 30, 2010
Greenwoods Executive Ph.9F	Taytay, Rizal	30717	September 30, 2015	26755	September 30, 2015
Greenwoods North Ph.2	Gapan, Nueva Ecija	26872	October 14, 2013	25062	October 14, 2013
Greenwoods North Ph.3	Gapan, Nueva Ecija	26873	October 14, 2013	25063	October 14, 2013
Green Peak Heights Ph.1	Teresa, Rizal	30691	September 3, 2015	26737	September 3, 2015
Green Peak Heights Palawan	Sta. Lourdes, Puerto Princesa	31256	May 16, 2016	26934	May 16, 2016
La Huerta Ph. 1	Calamba, Laguna	24938	October 19, 2011	23336	October 19, 2011
La Huerta Ph. 2	Calamba, Laguna	24939	October 19, 2011	23337	October 19, 2011
Nasa Costa Cove	Nasugbu, Batangas	32028	December 14, 2016	27816	December 14, 2016
Palo Alto Ph.2	Teresa, Rizal	33322	December 28, 2017	28153	December 28, 2017
Ponte Verde Davao Residential	Panacan, Davao City	24053	April 26, 2011	21586	April 27, 2011
Ponte Verde Davao Commercial	Panacan, Davao City	24054	April 26, 2011	22253	April 27, 2011
Valle Verde Davao	Panacan, Davao City	24043	January 31, 2011	19179	January 31, 2011
Vermont Park Ph.4I	Antipolo, Rizal	32316	December 29, 2016	28024	December 29, 2016

ONGOING VERTICAL PROJECTS					
PROJECT NAME	LOCATION	License to Sell		Certificate of Registration	
		No.	Date Issued	No.	Date Issued
Crown Residence at Harbor Springs Resort	Puerto Princesa	31410	August 24, 2016	27730	August 24, 2016
Nottingham Villas Palawan Residential	San Pedro, Puerto Princesa	31280	June 29, 2016	26946	June 29, 2016
Nottingham Villas Palawan Commercial	San Pedro, Puerto Princesa	31255	May 16, 2016	26933	May 16, 2016
Soto Grande Davao	Davao City, Davao	30913	March 7, 2016	26698	March 7, 2016

In addition to the foregoing, permits for the following projects of the Company are currently in different stages of processing and applications are pending with the different government agencies involved in the process:

PROJECT NAME	LOCATION
Almeria Verde	Dagupan City, Pangasinan
Altea Ciudades	Mandug, Davao City
Blue Mountains Ph.2	Antipolo, Rizal
Cambridge Place Ph.1A	Tanauan, Batangas
Catalina Lake Residences	Bauan, Batangas
Colinas Verdes Estate Lots	San Jose Del Monte, Bulacan
East Bel-Air 3	Cainta, Rizal
Golden Meadows Binan Ph.2D	Sta Rosa, Laguna
Greenmeadows Ph.2A at the Orchard	Imus, Cavite
Greenmeadows Iloilo Ph.2	Jaro, Iloilo City
Greenridge Rizal Ph.4A	Binangonan, Rizal
Greenwoods Executive Ph.540	Cainta, Rizal
Greenwood Executive Ph.8F5	Taytay, Rizal
Greenwoods Executive Ph.9D1	Cainta, Rizal
Greenwoods South Ph.4A	Batangas City, Batangas
Green Peak Heights Ph.2	Teresa, Rizal
Green Peak Heights Ph.3	Teresa, Rizal
Hacienda Verde Iloilo	Iloilo City, Iloilo
Hamptons Residences	Angono, Rizal
La Alegria Residential Estates	Silay City, Negros Occidental
Las Colinas Davao	Eden Toril, Davao City
Lakewood Los Banos Ph.4	Los Banos, Laguna
Los Rayos	Tagum City, Davao Del Norte
Marbella Davao	Davao
Metropolis East Ph.1B	Binangonan, Rizal
Metropolis East Ph.1C	Binangonan, Rizal
Metropolis East Ph.2	Binangonan, Rizal
Metropolis Iloilo Ph.2	Jaro, Iloilo
Monte Verde Royale Ph.4C	Taytay, Rizal
Nottingham Villas Iloilo Cluster 1 to 10	Jaro, Iloilo City
Orchard Residential Estates Ph.1A2	Dasmaringas, Cavite
Ponte Verde Davao – Sandoval	Panacan. Davao City
Rizal Techno Park Ph.2D1	Taytay, Rizal
Rizal Techno Park Ph.2H	Taytay, Rizal
Soller Davao	Mandug, Davao City

Soto Grande Katipunan	Katipunan, Quezon City
Soto Grande Neopolitan (Neopolitan Tower 2)	Fairview, Quezon City
South Coast	Lian, Batangas
South Spring Ph.1E	Binan, Laguna
South Spring Ph.1D	Binan, Laguna
South Spring Ph.1F	Binan, Laguna
South Spring Ph.1G	Binan, Laguna
Summer Hills Ph.4A and 4B	Antipolo, Rizal
Summit Point Ph.3A	Sto. Tomas, Batangas
Summit Point Ph.3B	Sto. Tomas, Batangas
Summit Point Ph.3C	Sto. Tomas, Batangas
Summit Point Ph.3D	Sto. Tomas, Batangas
Summit Point Ph.3E	Sto. Tomas, Batangas
Vermont Park Ph.1E	Antipolo, Rizal
Woodridge Iloilo	Jaro, Iloilo
Woodside Garden Ville Ph.2C	Urdaneta, Pangasinan
Aldea at Monterosa	Oton, Iloilo
Blueridge at Monterosa	Oton, Iloilo
Monterey Residence	Panabo City, Davao

## Insurance

The Company obtains and maintains appropriate insurance coverage on SLEGM from UCPB General Insurance Company, Inc., Fortune General, covering the following risks: fire/lightning, earthquake fire/shock, typhoon, flood, riot, strike, full earthquake, explosion, falling aircraft, impact by road vehicles, smoke damage, board water damage, sprinkler leakage.

## Market / Clients

The Company has a broad market base including local and foreign individuals and does not have a customer who/which accounts for twenty percent (20%) or more of the Company's sales.

### *Market Segments by Customer Profile*

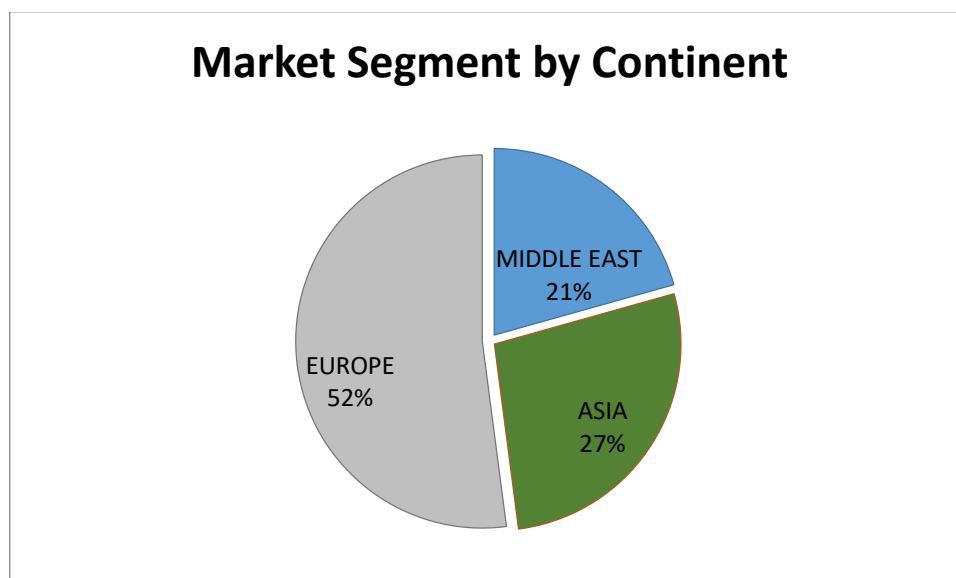
The Company's main target markets are the OFWs and middle class. A major percentage of the Company's number of units sold come from OFWs and their families, [15%] come from SME business owners, and [15%] come from middle class employees.

### *Market Segments by Continent*

OFW revenues are distributed almost evenly between the Middle East, Asia, and the U.S. Approximately [52%] of total OFW revenues come from the Europe, [27%] from the Asia, [21%] from Middle East and less than 1% came from OFWs based in U.S.A.



The table below shows the breakdown of foreign sales to total real estate sales for the years ended December 31, 2018, 2017 and 2016:



CONTINENT	2016		2017		2018	
	Sales	% to Sales	Sales	% to Sales	Sales	% to Sales
MIDDLE EAST	48,882,485	9.38%	287,758,190	28.63%	190,817,417	18.55%
ASIA	97,368,720	18.69%	285,110,644	28.37%	314,532,692	30.58%
EUROPE	374,819,620	71.93%	432,224,361	43.00%	523,154,148	50.87%
<b>TOTAL</b>	<b>521,070,825</b>	<b>100%</b>	<b>1,005,093,195</b>	<b>100%</b>	<b>1,028,504,257</b>	<b>100%</b>

## Mall Operations

The Sta. Lucia East Grand Mall is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a gross floor area (GFA) of 180,000 sqm and is located at Marcos Highway cor. Felix Ave., Cainta, Rizal. Currently, the mall has a 88,489.68 sqm gross leasable space of which 84,046.77 sqm or 94.98% is leased. This business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

In 2014, the Company opened the expansion mall called Il Centro, which is comprised of a three-storey building with a GFA of 50,000 sqm and a net leasable area of 12,600 sqm. The mall has a 20,000 sqm parking to cater to residential tenants and mall clients.

### *Principal Tenants*

The Company's diverse mix of tenants includes those engaged in the business of services, retail, leisure, food, apparel, and novelty. The Company's significant tenants include the following:

- Services: BDO Unibank, David's Salon, Bench Fix Salon, Ricky Reyes
- Retail: Abenson, CD-R King, National Bookstore
- Leisure: Worlds of Fun, Sta. Lucia Cinema, Sta Lucia Bowling
- Food: Bonchon, Dunkin Donuts, Jollibee, Mang Inasal, Starbucks
- Apparel: Bench, Folded and Hung, Giordano, Regatta, Vans
- Novelty: Comic Alley, Blue Magic

Aside from the tenants mentioned above, the SLEGM also has major tenants controlled by or in which one or more of the Company's shareholders have a significant interest. These include Home Gallery, Planet Toys, SLE Cinema, and SLE Bowling.

The top three business activities taking up the Company's leasable area are services, leisure, and retail. In terms of contribution to rental income, retail activities contribute the majority to the Company's rental income, followed by service and food activities. The table below summarizes the breakdown of the major business activities of the SLEGM in terms of leasable area and rental contribution:

	<b>By Leasable Area</b>	<b>By Rental Contribution</b>
Service	36%	16%
Retail	29%	29%
Leisure	21%	13%
Food	7%	16%
Apparel	4%	12%
Novelty	2%	7%
Small Business Units	1%	7%
	100%	100%

### *Lease Terms*

The lease payments that the Company receives from its retail tenants are usually based on a combination of fixed and/or variable payments. Rents are typically based on basic rental fee per sqm in addition to a turnover component of 1.5% to 8% of gross sales, subject to a monthly minimum rental fee per sqm and annual escalation rates. Tenants are also usually charged air conditioning, common use service areas, pest control, electricity, and marketing support fees. Lease terms range from one month to five years with renewal clauses.

### *Management of the Mall*

Management and operation of the malls, including planning, development, tenant mix preparation, budgeting, maintenance, engineering, security, leasing, marketing, promotions, billing, and collections are handled by Sta. Lucia East Commercial Corporation ("SLECC"), a related company owned by the

shareholders of the Company. While all lease payments are paid to and in the name of the Company, SLECC continues to provide management and operations services for the SLEGM. As consideration, SLECC receives management fees equivalent to a fixed percentage of revenues.

## **COMPETITION**

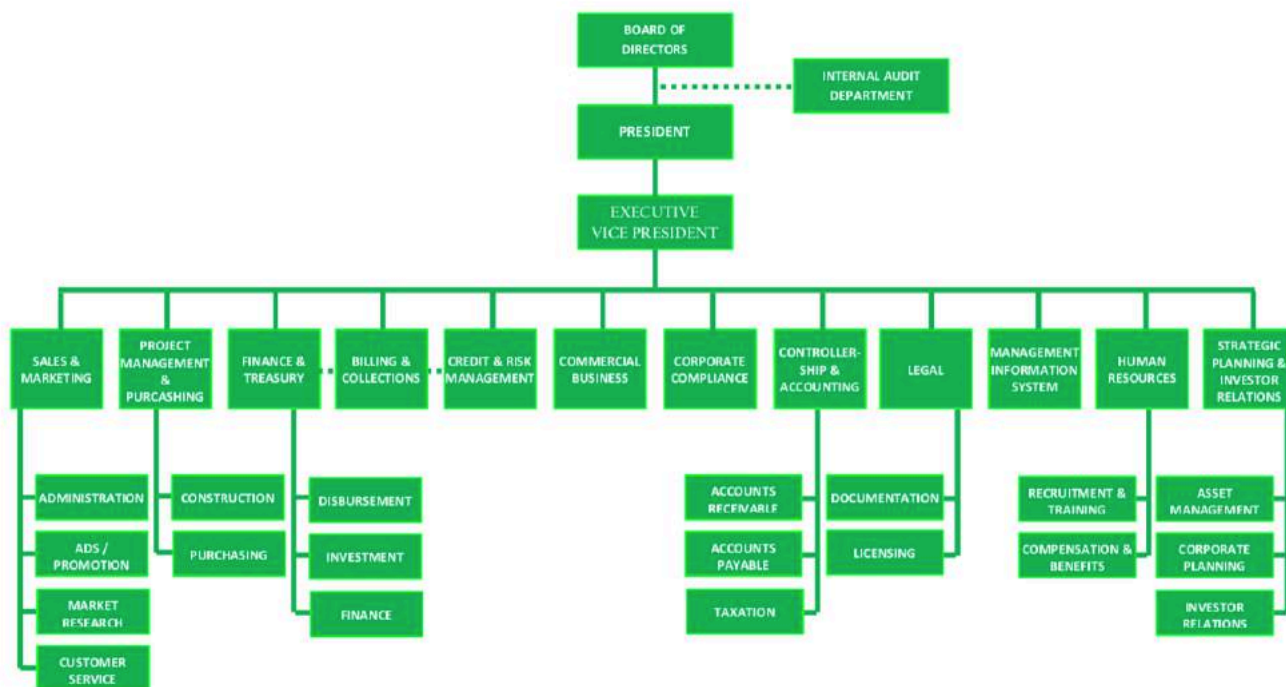
The residential market is still a highly under-served market with the housing backlog projected to reach 5.6 million by 2030 (myproperty.ph). In this segment, the Company considers Vista Land and Filinvest Land, Inc. as its competitors. The Company believes that the strengths of these competitors lie in their larger land bank holdings and historically, their ability to access funding through the capital markets.

In order to effectively compete, the Company has long adopted the strategy of focusing on the provincial areas that are largely ignored and under-served by its bigger competitors whose projects have, until recently, been concentrated in the Metro Manila which is already congested and near saturation. SLI is present in ten regions across the country. The Company believes that sustained growth will come from the provinces and major cities outside of Metro Manila and have therefore prioritized establishing its presence there. The Company believes that its expertise and knowledge in these areas will prove significant as it continues to expand its property footprint in these largely under-served areas. The Company will continue using its sales force, targets a specific customer segment in specific geographic locations. Once identified, potential clients are reached through aggressive advertising and personalized sales services, including after sales support. Such services include assistance in documentation and facilitating access to credit. Its capability to reach out to different locations is made possible through its vast marketing channels, which, by sheer number of sales agents, was able to capture a good portion of the market. The international offices of its marketing arms also made it possible to move closer to markets it serves offshore. Open houses, discounts and promotion are some of the marketing tools the Company employs as part of its sales and marketing strategy.

With respect to the mall business, SM Prime and Robinsons Retail are considered as the main competitors of the Company. Although SLEGM was one of the first malls in the Cainta area, competition has emerged in recent years as new malls were developed by its peers. Despite this however, the Company continued to generate healthy cash flows, retain tenants and even engage newer ones. Its prime location, being located in a major intersection along a major thoroughfare, along with the variety of its affiliated and independent retailers which afford its customers more varied choices and the continuous improvements in both facilities and services have enabled SLEGM to hold its own in this highly competitive retail market.

## **EMPLOYEES AND LABOR**

The following diagram presents the organizational structure of the Company:



As of 30 June 2019, the Company and its subsidiaries have a total of 126 employees grouped by business segment as follows:

NO.	DEPARTMENT	REGULAR EMPLOYEES
1	Office of the EVP/CFO	1
2	Administration	3
3	Accounting	15
4	Internal Audit	8
5	Sales and Marketing	17
6	Project Development	23
7	Purchasing	4
8	Construction	1
9	Credit & Risk Management	3
10	Management Information System	4
11	Treasury	6
12	Asset Management	31
13	Corporate Planning	2
14	Human Resources	2
15	Commercial Business	1
16	Special Projects	2
17	Hotels	1
18	Homes	2

	TOTAL	126
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The Company foresees an increase in its manpower complement by 10 in the ensuing 12 months.

The Company's employees are not unionized or party to collective bargaining agreements with the Company.

There has been no strike or threat of strike of the Company's employees over that last 5 years.

Vacation leaves, sick leaves, 13<sup>th</sup> month pay and retirement benefits are provided to employees, among others, subject to company policies and procedures. In addition, the Company contracted Health Maintenance, Inc., a health maintenance organization, to provide health support services to its officers, employees and their dependents, if any. The contract has a term of 1 year, from 1 July 2019 to 30 June 2020, which is deemed automatically renewed for another year unless a written notice was served by either party at least 30 days prior to the expiry date.

## DESCRIPTION OF PROPERTIES

Historically, the Company has been acquiring interests in lands mainly by entering into JVs to develop land with existing owners. Over the years, the Company has accumulated land interests in areas which the Company believes are prime locations throughout the entire Luzon, Visayas, and Mindanao regions. Potential land acquisitions and participation in JV projects are evaluated using certain criteria such as the attractiveness of the acquisition cost relative to the market price, topographical feasibility of the planned development, accessibility to major infrastructure utilities and thoroughfares, and proximity to commercial areas.

The Company also acquired raw land for future development. Details on the raw land inventory owned by the Company as of the date of this Prospectus are set out in the table below. This list excludes properties that have already been launched or completed as development properties, specifically residential projects, as the title to the property in these projects were already sold or are intended to be sold to unit buyers.

Location	Area in sqm	Land Use
Baguio	19,644	Residential/ Commercial
Batangas	899,104	Residential/ Commercial
Cavite	65,799	Residential/ Commercial
Davao	1,163,955	Residential/ Commercial
Iloilo	331,636	Residential/ Commercial
Laguna	732,485	Residential/ Commercial
Metro Manila	408,443	Residential/ Commercial
Palawan	490,613	Residential/ Commercial
Rizal	77,573	Residential/ Commercial
Tarlac	20,000	Residential/Commercial
Zamboanga	287,377	Residential/ Commercial

<b>Total</b>	<b>4,496,629</b>
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In view of the Company's expansion plans, the Company continues to selectively explore land acquisitions, focusing on key emerging areas where the Company has successfully developed and sold projects. The following table summarizes the various sites that the Company has identified for acquisition in the next 5 years:

<b>REGION</b>	<b>Percentage Concentration of Land banking</b>
Region 4A – CALABARZON	47%
Region 11 - Davao Region	21%
Region 6 - Western Visayas	10%
Region 12 – SOCCSKSARGEN	9%
Region 4B MIMAROPA	5%
Region 16 – NCR	3%
Region 3 - Central Luzon	2%
Region 7 - Central Visayas	2%
Region 1 - Ilocos Region	1%
<b>TOTAL</b>	<b>100%</b>

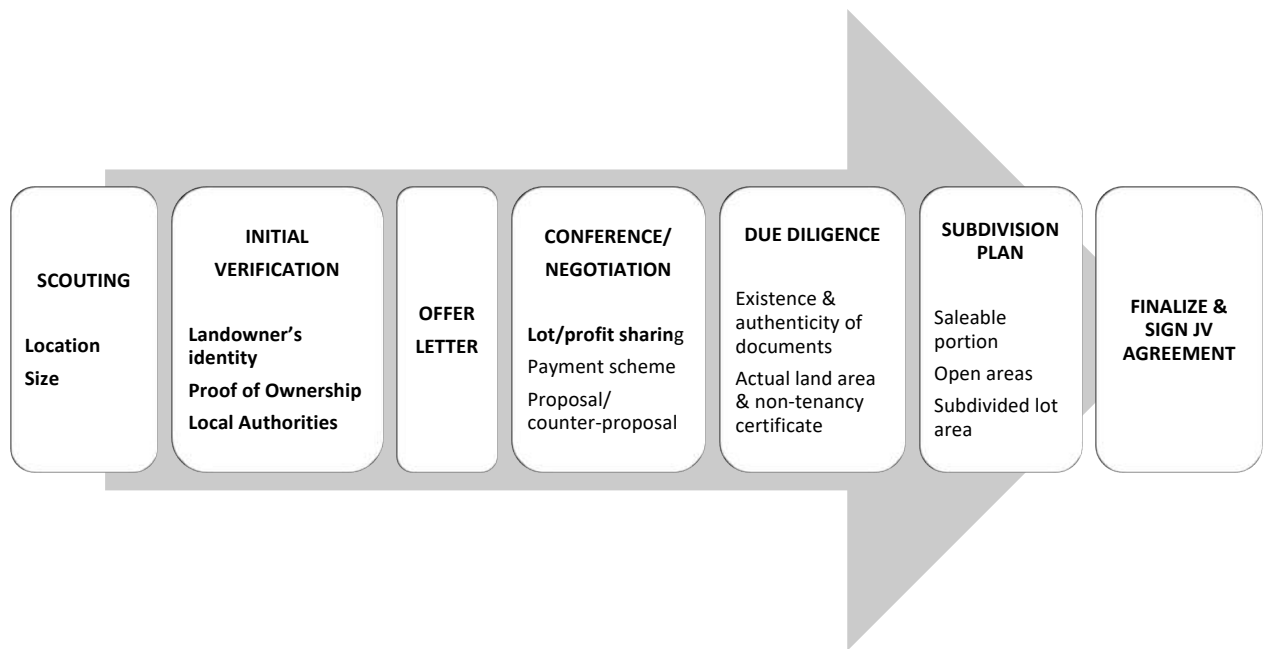
The Company intends to take advantage of its local knowledge, development expertise, track record and local connections to successfully implement its land banking strategy.

## **JOINT VENTURE BUSINESS MODEL**

### **Process**

The Company has historically adopted a JV business model where the Company enters into joint venture arrangements with land owners for the development of raw land into future project sites in order to reduce land capital expenditures and substantial financial holding costs from owning land for development.

The diagram below illustrates how the Company implements its JV business model:



The Company initially identifies suitable properties for developments by evaluating against certain criteria, with the top considerations being location and size. Once the properties are identified, initial verification is then conducted on the following:

- landowner's identity
- proof of ownership
- relevant local authority approvals

Once the property has passed initial verification, an offer letter is sent to the landowner and the negotiation process begins. The following are the main terms to be negotiated under the JV agreements:

- lot/profit sharing mechanism
- payment scheme
- cost sharing mechanism
- responsibilities on securing relevant approvals and authorizations

Due diligence activities are also conducted with a focus on confirming the authenticity of documents, actual land area, and existence of non-tenancy certificates. The Company then formulates a subdivision plan and proceeds to finalize and execute the JV agreement.

The JV business model has provided the organization immediate exposure to new areas for project expansion, established familiarity with local demographics, allowed more efficient use of cashflow, spread the risk with the landowners, provided access to more land/projects owned by JV partners. Also, this track record of success is expected by the Company to attract other new prospective JV partners as future land bank partners or source of land bank.

## JV Profit Sharing Business Model

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development of the project. The joint venture partner is allocated either the developed lots or the proceeds from the sale of the units based on pre-agreed distribution ratio. The percentages of profits allocated to the Company as a developer for their JV Projects range from [40% to 85%]. With regard to the sharing of costs, various structures are currently in place. In some agreements, the Company nets the incurred marketing and advertising costs from the gross sale of real estate products sold. The Company then recognizes revenues based on the netted amount depending on its prorated ownership of the JV Project. The Company however shoulders all of the costs to develop the land. There are also cases where the Company nets all incurred marketing, advertising, and development costs from the gross sale of real estate products sold, after which the remaining income is shared between the Company and the JV partner.

## JV Expansion

The Company is looking at acquiring an interest in several new areas through JV agreements for the next 5 years. The table below summarizes these target locations and land areas:

REGION	Percentage Concentration of Land banking
Region 4A - CALABARZON	51%
Region 11 - Davao Region	21%
Region 6 - Western Visayas	7%
Region 7 - Central Visayas	7%
Region 4B MIMAROPA	6%
Region 3 - Central Luzon	5%
Region 1 - Ilocos Region	3%
Region 16 - NCR	1%
<b>TOTAL</b>	<b>100%</b>

The new JVs being targeted in Cavite, Iloilo, and Davao are expansions of existing projects and can be found in contiguous lots.

## PROJECT DEVELOPMENT AND CONSTRUCTION

Once the Company has acquired an interest in land for development, it will begin the project development process. In addition to obtaining the required government regulatory approvals, this process involves the planning of the potential project, including master planning and design. Site development and construction work for the Company's projects is contracted out to qualified and accredited independent contractors. Terms with contractors usually include a 10%-40% downpayment, provision of construction materials by accredited suppliers, and payment scheme which includes a 10% retention.



Development timetables vary from project to project, as each project differs in scale and design. Typically, the Company undergoes the following project development process for the Company's horizontal projects:

- Step 1: Earthworks (Excavation, Road Tracing, Fill or Backfill, Grading, Base Preparation)
- Step 2: Underground Works (Drainage, Waterline, Sewer System)
- Step 3: Concrete Works (Pavement, Curbs & Gutter, Sidewalk, Perimeter Fencing)
- Step 4: Electrical Works (Electrical Facility Distribution Lines, Street Lights)
- Step 5: Amenities (Entry Signage, Guardhouse, Community Clubhouse and Recreational Facilities)

After these properties have been developed, these residential lots become ready for house construction. The project development processes for vertical and housing construction projects are basically the same in terms of land selection and acquisition, procuring government regulatory approvals, project planning, and appointment of contractors for the site development and construction works.

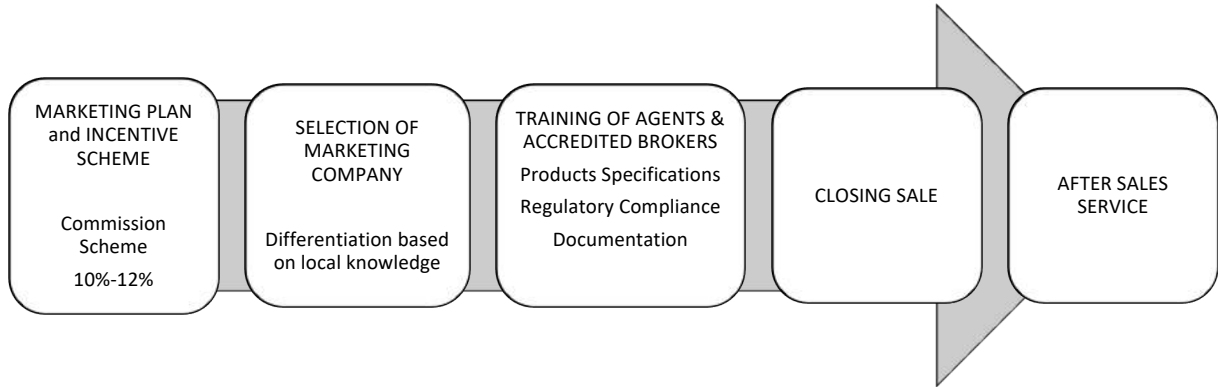
**DISTRIBUTION METHODS**

**Sales Process**

The Company's main selling strategy is the utilization of a wide network of marketing companies, which are selected based on the following criteria:

- core competencies
- familiarity with target markets
- location

The following diagram illustrates the Company's sales process:



**Marketing and Distribution**

The Company has at its disposal the expertise of eight (8) different marketing arms, four (4) of whom work exclusively with the Company, namely: Royale Homes Marketing Corp., Orchard Property

Marketing Corp., Mega East Properties, Inc., Fil-Estate, Asian Pacific, Sta. Lucia Global Inc., 1Premierland Marketing Co., and Santalucia Ventures, Inc., which is a wholly-owned subsidiary of the Company. These marketing firms have a combined local and international sales force of over 120,000 brokers agents ensuring wide geographic coverage and presence and extensive knowledge of the demographics. These marketing companies are tasked to promote the Company and its projects through various media such as print advertisements and online marketing (such as Facebook, Instagram, Youtube, Twitter). To further enhance the public’s awareness of the brand, the Company has, since 2008 began engaging celebrity endorsers, and brokers to promote the brand and the projects.

The table below enumerates these marketing companies, of which only Santalucia Ventures is a subsidiary of the Company.

								
	<ul style="list-style-type: none"> <li>Established in 1994</li> <li>30,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1996</li> <li>35,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2005</li> <li>2,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1981</li> <li>30,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1974</li> <li>20,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2013</li> <li>3,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2016</li> <li>300 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2011</li> </ul>
DOMESTIC	✓	✓	✓	✓	✓	✓	✓	✓
INTERNATIONAL	✓	✓	✓	✓	✓	✓	✓	✓
EXCLUSIVE	✓	✓	✓			✓	✓	✓
AFFILIATED	✓	✓				✓	✓	

The location of international and local sales force is summarized in the following diagram:

*International Sales Force*



## *Local Sales Force*



### *Royale Homes Marketing Corporation*

*Website: <http://www.royalehomes.ph/>*

Envisioned to become the leading real estate marketing organization in the country, Royale Homes Marketing Corporation was founded in 8 September 1994 by three lady entrepreneurs: Matilde P. Robles, President of the company, Carmina A. Sotto, Executive Vice-President of Sales and Marketing, and Ma. Melinda A. Bernardino, Executive Vice-President for Finance and Administration.

Royale Homes having shown its strength in real estate marketing was tapped by SLRDI to exclusively market a number of its premier residential and resort projects nationwide. It has also marketed the real estate properties of the JV partners of the Company.

### *Orchard Property Marketing Corporation*

*Website: <http://www.opmc.ph/>*

Orchard Property Marketing Corporation is a subsidiary of SLRDI. A solid, professional network backed by a good name in the real estate industry. The company was organized in 1995 to exclusively market the Company's projects. With offices in Metro Manila, Metro Cebu, Metro Davao, Lucena City and Bulacan, OPMC is taking larger steps towards servicing its growing clientele for its diverse products all over the Philippines.

OPMC takes pride in its highly trained service-oriented workforce and continues to develop the best manpower to attain maximum customer satisfaction.

*Mega East Properties, Inc.*

*Website: <http://www.megaeast.com.ph/>*

Mega East Properties, Inc. is the youngest and most dynamic marketing arm of the Company. Entrusted with a limited but strategic set of inventories by the Company, MPI carries dream-lots located in the residential, business and tourism corridors of Quezon City, Marikina, Caloocan, Provinces of Rizal, Tagaytay and Paniqui, Tarlac.

*Fil-Estate Group of Marketing Companies*

*Website: <http://fegc.brinkster.net/FEChistory.htm>*

Fil-Estate Realty Corporation was founded in January 15, 1981 by Messrs Robert John Sobrepeña, Atty. Ferdinand T. Santos and Noel Cariño. These men combined their marketing and management skills and expertise to build and develop an organization that would bring about the realization of their common dream; to put up the best marketing company in the real estate industry, a model company that the real estate industry can follow.

From its initial years, a close relationship has been developed between SLRDI as the developer and Fil-Estate as the exclusive marketing arm for select projects. This relationship has continued to prosper over the succeeding years resulting in many successful launches and sales of a host of first class subdivision and golf course developments.

*Asian Pacific Group of Companies*

*Website: <http://www.apgc.com.ph>*

With 29 years of experience and leadership in the Philippines real estate industry, Asian Pacific Group of Companies is a global network of companies that specializes in real estate marketing and property development. Composed of five (5) member companies, APGC has presently a total of 7 branches nationwide, namely Lipa City, Batangas City, Nueva Ecija, Tarlac, Cebu, Bacolod and Iloilo, and boasts of over 50,000 sales forces worldwide. Its nationwide inventory of real estate properties amounts to a total of P5.4 Billion.

*Santalucia Ventures*

*Website: <http://stalucialand-intl.com/index>.*

Santalucia Ventures was incorporated in 2013 to handle the marketing and distribution of the Company's products. Santalucia Ventures requires all real estate brokers directly involved in selling activities to have the necessary licenses.

Other marketing companies of SLI includes Sta. Lucia Global Inc. and 1Premier Land Marketing Company.

## INDUSTRY

The information set out in this section has been extracted from a report commissioned by the Company and prepared by [●] relating to the Philippine real estate industry (the “Industry Report”). The information below has been taken from the Industry Report and has not been independently verified by any of the Company and the Issue Manager, Underwriter and Bookrunner, or any of their respective directors, officers, representatives, affiliates or advisors, and no representation is given as to its accuracy. The information provided by [●] has been derived in part from [●]

The Philippines remains one of the brightest spots in Asia and the world, with its economy expanding a sustained a rate of over 6% in GDP growth over the past five years. The Philippine economy grew 6.7% in 2017 outpacing the aggregate growth of emerging markets (at 4.8%), and global growth (at 3.8%). Moreover, the Philippines looks to sustain this robust economic growth – having posted a 6.8% growth in Q1 '18 – on the back of continuing strong domestic consumption, and increasing government spending related to its ambitious multi-year ₱8.6 trillion infrastructure program. The government is currently targeting 7-8% growth in GDP for 2018, while the ADB, IMF and World Bank forecast a relatively more modest growth of 6.7-6.8% growth over the same period.

BPO industry remains strong despite moderated growth outlook moving forward. Within the robust Philippine economy lies some key industries that continue to outperform the general economy. One such example is the business process outsourcing (BPO) industry, which, according to the latest available data from International Labour Organization (ILO), employed about 1.3 million people in 2016. Underpinning this growth is the strength of foreign direct investments (FDIs), which typically foreshadow growth in the IT-BPO sector, which reached US\$ 5.7 billion, or about 1.9% of GDP in 2015. More recent projections from the Bangko Sentral ng Pilipinas (BSP) showed that FDI in 2017 reached US\$ 10 billion which may provide further tailwinds to the BPO industry's future revenues which was projected to have reached US\$ 22 billion in 2017. Moving forward, the Information Technology and Business Process Association of the Philippines (IBPAP) sees a moderated pace of annual growth in the industry of 9% until 2024 on the back of a variety of factors, which include technology and human capital; while slower than the historical pace of the industry of high single to double-digit annual growth, the Contact Center Association of the Philippines (CCAP) still sees about 100,000 high-value jobs to be added annually.

Office space leasing. Demand for office space in Metro Manila remains robust, with take-up projected to grow through 2020, according to Colliers International (“Colliers”). Furthermore, while aggregate Metro Manila office supply will far exceed the projected demand through 2020, consequentially leading to an aggregate vacancy rate of 10.3% by 2020 (before dropping in 2021-2022 due to the reduction in new supply. Ortigas and Alabang also stand to experience better take-up in 2018, as compared to Makati and BGC. Moving forward, Colliers expects Metro Manila office leasing rates to grow at a CAGR of 5% through 2022, before slowing to 4.3% thereafter on the back of a reduction of new supply and vacancy rates.

Commercial retail leasing. Data from Colliers estimates the total gross leasable area (GLA) for retail lessees in Metro Manila to have been at 6.8 million sqm at end-2017, with expectations of a 3.7% growth in 2018 with more supply coming from district centers and neighborhood malls. Vacancy rates

for retail space is seen to have fallen to 8.5% in 2017 (compared to 11.5% in 2016), despite the addition of over 450,000 sqm in supply over the same period.

Residential development. The Philippine residential sector remains brisk, with permits to sell (a leading indicator of future supply) continues to be on the rise, buoyed by the increase in housing backlogs, with Colliers expecting an aggregate backlog of 492,881 units in Metro Manila for 2019; however, it is important to note that only 5% of this backlog is attributable to the mid-income and high-end residential projects (which includes high-rise condominiums).

## REGULATORY AND ENVIRONMENTAL MATTERS

Presidential Decree No. 957, otherwise known as The Subdivision and Condominium Buyer's Protective Decree ("P.D. 957"), and Batas Pambansa Blg. 220 ("B.P. 220"), as amended, are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision.

P.D. 957 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees 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 subject to approval by the pertinent LGU of the area in which the project is situated. The development of subdivision and condominium projects can commence only after the LGU has issued the development permit.

The issuance of a development permit is dependent on, among others (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 HLURB locational clearance, DENR permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the HLURB and the written conformity or consent of the duly organized homeowners association, or in the absence of the latter, by the majority of the lot buyers in the subdivision.

Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects to the public. Dealers, brokers and salesmen are also required to register with the HLURB pursuant to Republic Act No. 9646 or the Real Estate Service Act of the Philippines.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party for reasons such as insolvency or violation of any of the provisions of P.D. 957. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage,

sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

### **Subdivision Projects**

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at Economic and Socialized Housing, must comply with B.P. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision with an area of one hectare or more and covered by P.D. 957 is required to reserve at least 30% of the gross land area of such subdivision, which shall be non-saleable, for open space for common uses, which include roads and recreational facilities. A developer of a subdivision project with an area of at least one hectare is required to reserve at least 3.5% of the gross project area for parks and playgrounds. The said area must not be less than 100 square meters.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, by Republic Act No. 10884, further requires developers of proposed residential subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost at the option of the developer in accordance with the standards set by the HLURB and other existing laws. While this is the preferred manner of compliance, the developer may resort to other manner of compliance such as (i) choosing to develop for socialized housing an area equal to 15% of the total area of the main subdivision project or allocate and invest an amount equal to 15% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, or they may engage in development of socialized housing in a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance, (ii) entering into joint-venture projects for socialized housing with local government units, housing agencies, other private socialized housing developers, or non-government organizations engaged in the provision of socialized housing in accordance with the regulations, or (iii) participating in a new project under the community mortgage program (CMP) through land development in a CMP project.

Republic Act No. 6552, otherwise known as the Realty Installment Buyer Act (the "Maceda Law"), applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installment are granted a grace period of one month for every year of paid installment to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given at least a 60-day grace period to pay all unpaid installment before the



sale can be cancelled, but without right of refund. Downpayments, deposits, or options on the contract shall be included in the computation of the total number of installment payments made.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended by Republic Act No. 10884, and its implementing rules and regulations, also require developers of proposed residential condominium projects to develop an area for socialized housing equivalent to at least 5% of the condominium area or project cost at the option of the developer in accordance with the standards set by the HLURB and other existing laws. The developer may resort to other manners of compliance as discussed under the section on Subdivision Projects.

### **Condominium Projects**

Republic Act No. 4726, otherwise known as The Condominium Act ("R.A. No. 4726"), as amended, likewise regulates the development and sale of condominium projects. R.A No. 4726 requires the annotation of the master deed on the title of the land on which the condominium project shall be located. The master deed contains, among other things, the description of the land, building/s, common areas and facilities of the condominium project. A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restrictions of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

### **Local Government Code**

The Local Government Code establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The Local Government Code general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

### **ZONING AND LAND USE**

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. 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 DAR, land classified for agricultural purposes as of or after 15 June 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

## ENVIRONMENTAL LAWS

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the 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 while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office. In 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 scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as 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 the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects’ 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 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 before or during the operations of the project and in some cases, during the project’s abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a 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. 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 EIS and IEE, engineering, geological, and geo-hazard assessments are also required for ECC applications covering subdivisions, housing, and other development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

## **PROPERTY REGISTRATION**

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and 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 the applicant by the DENR by 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 such as homestead, sales and free patents, 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 of 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.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

## **NATIONALITY RESTRICTIONS**

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments structured as condominium corporations, the foreign ownership of condominium units is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Tenth Regular Foreign Investment Negative List, provides that certain activities are nationalized or

partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

On 20 May 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided the Guidelines on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities. The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The continuing validity of this Memorandum Circular was affirmed by the Supreme Court in the 2016 case of *Roy v. Herbosa*.

## **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. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

## **OTHERS**

### **Securities and Exchange Commission**

Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. It regularly issues regulations on incorporation, reportorial requirements applicable to all corporations, and corporate governance, among others. As the government agency regulating the Philippine securities market, the Philippine SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Corporation Code, and certain other statutes.

### **Department of Trade and Industry**

The DTI is the primary government agency with the dual mission of facilitating the creation of a business environment wherein participants could compete, flourish, and succeed and, at the same time, ensuring consumer welfare. It is also charged with the enforcement of laws to protect and educate consumers; consumer awareness becomes the driving factor in the relationship of DTI and real estate developers, such as the Company.

## Department of Labor and Employment

Department of Labor and Employment stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive Branch of the Government in the field of labor and employment. The Department has exclusive authority in the administration and enforcement of labor and employment laws and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

## Social Security System and PhilHealth

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Securities Act of 1997 (Republic Act No. 8282) to ensure coverage of employees following procedures set out by the law and the Social Security System of the Philippines (“SSS”). The 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.

PhilHealth is a government corporation attached to the Department of Health of the Philippines (“DOH”) that ensures sustainable, affordable and progressive social health insurance pursuant to the provisions of RA 7875 or the National Health Insurance Act of 1995. Employers are required to ensure enrollment of their employees in a National Health Program being administered by the PhilHealth.

## Philippine Competition Commission

The Philippine Competition Commission’s (“PCC”) Guidelines on Notification of Joint Ventures (“JV Guidelines”) require a contractual joint venture<sup>1</sup> to file a notification with the PCC under the Philippine Competition Act within 30 days from the execution of the definitive agreement, if the transaction meets the following notification thresholds:

### A. Size of Person Test

A joint venture will meet the Size of Person Test if the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity (“UPE”) of at least one of the joint venture parties, including that of all entities that the UPE controls, directly or indirectly, exceeds ₱ 5.6 Billion.

### B. Size of Transaction Test

A joint venture transaction shall be subject to notification if either:

1. the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱ 2.2 Billion; or

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<sup>1</sup> A contractual joint venture is one where the parties enter into a legal and binding agreement under which the contributing entities shall perform the primary functions and obligations under the joint venture agreement without forming a joint venture company.

2. the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱ 2.2 Billion.

## BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's current Articles of Incorporation as amended on 16 June 2016, the Board consists of nine members. As of the date of this Prospectus, two members of the Board are independent directors. All of the directors were re-elected at the Company's annual shareholders meeting on 28 June 2019 and will hold office for a period of one (1) year from their election and until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board and Executive Officers as of the date of this Prospectus.

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Position</u>
Vicente R. Santos.....	62	Filipino	Chairman of the Board
Exequiel D. Robles.....	64	Filipino	Director and President
Mariza Santos- Tan.....	60	Filipino	Director and Treasurer
Aurora D. Robles.....	52	Filipino	Director and Assistant Treasurer
Antonio D. Robles.....	55	Filipino	Director
Simeon S. Cua.....	62	Filipino	Director
Orestes R. Santos.....	57	Filipino	Director
Jose Ferdinand R. Guiang.....	54	Filipino	Independent Director
Osmundo C. De Guzman, Jr.....	63	Filipino	Independent Director
David M. Dela Cruz.....	52	Filipino	Executive Vice President / Chief Financial Officer and Chief Risk Officer
Patricia A. O. Bunye.....	50	Filipino	Corporate Secretary
Pancho G. Umali.....	43	Filipino	Assistant Corporate Secretary
Crystal I. Prado.....	38	Filipino	Assistant Corporate Secretary
Jeremiah T. Pampolina.....	42	Filipino	Chief Compliance Officer
Ace Franziz D. Cuntapay.....	25	Filipino	Internal Auditor and Data Protection Officer

The business experience of each of the directors and advisors in the last five years or more is set forth below.

**VICENTE R. SANTOS**, Chairman of the Company. He is also Executive Vice President of the following companies: Sta. Lucia Realty & Development, Inc., Sta. Lucia Waterworks Corp., Sta. Lucia East Commercial Corp., RS Night Hawk Security & Investigation Agency, and Sta. Lucia East Department Store, Inc. He is the President of Acropolis North subdivision and serves as Corporate Secretary of Lakewood Cabanatuan, RS Maintenance & Services Corp., Sta. Lucia East Cinema Corp. He is the Chairman and a director of Orchard Golf & Country Club. Mr. Santos holds a Bachelor's degree in Management from San Sebastian College.

**EXEQUIEL D. ROBLES**, President and Director of the Company. He is also the President of Sta. Lucia Realty & Development, Inc., Club Morocco, Eagle Ridge Golf and Country Club, Caliraya Golf and Country Club and Rancho Palos Verde. He is also a Director of Sta. Lucia Health Care, Orchard Golf and Country Club, Lakewood Golf and Country Club, Summit Point Golf and Country Club and Tagaytay Royale Golf and Country Club. Mr. Robles holds a Bachelor's degree in Business Administration/Accounting from San Sebastian College.

**MARIZA R. SANTOS-TAN**, Director and Treasurer of the Company. She is Vice President for Sales of Sta. Lucia Realty & Development, Inc.; Executive Vice President of Sta. Lucia East Department Store; Corporate Secretary of RS Maintenance & Services Corporation, Sta. Lucia East Cinema Corporation; Sta. Lucia Waterworks Corporation; Sta. Lucia East Commercial Corporation; RS Night Hawk Security & Investigation Agency; and Sta. Lucia East Bowling Center, Inc. Ms. Santos-Tan holds a Bachelor's degree in Management from San Sebastian College. She also completed the Strategic Business Economics Program from the University of Asia and the Pacific.

**AURORA D. ROBLES**, Director and Assistant Treasurer of the Company. She is also the Purchasing Manager of Sta. Lucia Realty & Development, Inc.; Chief Administrative Officer of Sta. Lucia East Cinema Corp., Sta. Lucia Waterworks Corp. and Rob-San East Trading Corp. Ms. Robles holds a Bachelor's degree in Management from St. Paul College.

**ANTONIO D. ROBLES**, Director of the Company. He serves as President of the Figaro Coffee and Cabalen franchise, and Corporate Secretary of Orchard Marketing Corporation. Mr. Robles holds a Bachelor's degree in Psychology from the University of Sto. Tomas.

**SIMEON S. CUA**, Director of the Company. He serves as the President of the Philippine Racing Club, Inc., Cualoping Securities Corporation, Philippine Newtown Global Solutions, Inc., Palm Integrated Commodities, Inc.; Vice President and Treasurer of Greater Buhangin Housing Development Inc., Chief Financial Officer of Davao Newtown Development, Inc.; and sits in the Board of PRCI Circuit Market, Inc., Davao Samal Golden Village, Inc. and AREIT, Inc. Mr. Cua obtained his Bachelor of Law degree from Ateneo de Manila University.

**ORESTES R. SANTOS**, Director of the Company. He serves as the Project Manager of Sta. Lucia Realty & Development, Inc. Mr. Santos holds a Bachelor's degree in Marketing from San Sebastian College.

**JOSE FERDINAND R. GUIANG**, Independent Director of the Company. Mr. Guiang is an owner of Pharmazel Inc. and holds a Bachelor's degree in Economics from Far Eastern University.

**OSMUNDO C. DE GUZMAN, JR.**, Independent Director of the Company. He serves as President of Almafi Realty Investment Corp. and Treasurer of Sunflower Circle Corp. Mr. De Guzman holds a Bachelor's degree in Commerce from San Beda College.

**DAVID M. DE LA CRUZ, CPA**, Executive Vice President & CFO of the Company. He served as Vice President and Chief Financial Officer of Atlas Consolidated Mining and Development Corp., SAVP of Corporate Credit Risk Management – BDO – AC&D Corporate Partners; Vice President / Head of Sales of Amsteel Securities Philippines Inc; Senior Manager – Investment Banking for Deutsche Morgan



Grenfell Hong Kong Limited; Acting General Manager & Marketing Head for UBP Securities / Manager – Investment Banking for UBP Capital Corporation; and Senior Auditor for SGV & Co. Mr. Dela Cruz holds a Bachelor's Degree in Economics and BSC Accounting, and Masters in Business Administration, from De La Salle University.

**ATTY. PATRICIA A. O. BUNYE**, Corporate Secretary of the Company. She is a Senior Partner, Cruz Marcelo & Tenefrancia; Past President, Integrated Bar of the Philippines (Pasay, Parañaque, Las Piñas & Muntinlupa Chapter) and Licensing Executives Society Philippines; and Secretary, 15<sup>th</sup> House of Delegates National Convention, IBP. She currently holds directorships in Baskerville Trading Corporation; Belmont Equities, Inc.; Westminster Trading Corporation; Winchester Trading Corporation; Windermere Marketing Corporation, Quaestor Holdings, Inc., DineEquity Philippines Holdings, Inc., TDF Holdings, Inc., CVCLAW Center Condominium Corporation and Lawphil Investments, Inc. She is also the Corporate Secretary of PTFC Redevelopment Corporation, Belmont Equities, Inc., J.F. Santos realty Holdings Corporation, L'Hirondelle Holdings, Inc., Le Rossignol, Inc., Okayan River Corporation, Windermere Marketing Corporation, TDF Holdings, Inc. and AGP Group Holdings Pte. Ltd. Atty. Bunye holds a Bachelor's degree in Legal Management from Ateneo de Manila University, and obtained her Juris Doctor degree from Ateneo de Manila University School of Law.

**ATTY. PANCHE G. UMALI**, Assistant Corporate Secretary of the Company. He is a Partner in Cruz Marcelo & Tenefrancia. He has served as First Vice President of The Law Foundation of Makati, Inc.; Treasurer of Taguig Lawyers League and Junabejo Food Corporation; Corporate Secretary of Philippine Equity Partners, Inc., Haw Par Tiger Balm (Philippines), Inc., China Systems Technology Corporation, Junabejo Trading Corporation, Junabejo Food Corporation, IAMSPA, Inc., Sincere Façade Philippines, Inc., Sincere Façade Innovations, Inc. and Vicar Mining Corporation; Assistant Corporate Secretary of La Golondrina, Inc., Lawphil Investments, Inc., Baesa Redevelopment Corporation, PTFC Redevelopment Corporation, and CVCLAW Center Condominium Corporation. He has held directorship roles at China Systems Technology Corporation, Haw Par Tiger Balm (Philippines), Inc., Catania Property Holdings, Inc., Cosmo System Corporation; Junabejo Trading Corporation, Junabejo Food Corporation, Loscano Holdings, Inc.; IAMSPA, Inc., Sun East Asia Corporation, Sincere Façade Philippines, Inc., Sincere Façade Innovations, Inc., Synchrogenix Philippines, Inc., Union Earn Holdings, Inc., Woolloomooloo Steakhouse Philippines, Inc., and Mantaray Resorts, Inc. Atty. Umali Bunye holds a Bachelor's degree in Philosophy, and obtained his Bachelor of Laws degree, from the University of the Philippines.

**ATTY. CRYSTAL I. PRADO**, Assistant Corporate Secretary of the Company. She serves as Assistant Corporate Secretary of Sta. Lucia Land, Inc. She was appointed on June 20, 2014. Legal Counsel, Sta. Lucia Land, Inc.; College Instructor, St. Joseph's College of Quezon City; Legal Officer/Executive Assistant/Marketing Head, Principalia Management and Personnel Consultants, Inc.; Court Interpreter III, Supreme Court; English Teacher, Call `n Talk; English Teacher, Top English Center; English Teacher, CNN Language Center; English. Atty. Prado holds a Bachelor's degree in Secondary Education from the Univeristy of Santo Tomas, and Bachelor of Laws degree from the University of the East.

**JEREMIAH T. PAMPOLINA**, Compliance Officer of the Company. He serves as the Compliance Officer and Vice President of Corporate Planning & Investor Relations of Sta. Lucia Land Inc since 2013. He previously served as Junior Bank Officer of Union Bank of the Philippines, Business Development Manager of P. J. Lhuillier Group of Companies, Supply Chain and Operations Manager of Technomarine

Philippines and Business Development & Operations Manager of Aboitiz-Jepsen. He was also an Associate Lecturer at De La Salle University teaching Strategic Management. Graduate of AB Management Economics at the Ateneo De Manila University and MBA Graduate with Distinction at the De La Salle Graduate School of Business.

**ACE FRANZIZ D. CUNTAPAY**, Internal Auditor and Data Protection Officer of the Company. Mr. Cuntapay previously worked with SGV and Co. where he gained 2 years of meaningful experience in audit of banking and specialized industries. Mr. Cuntapay holds a Bachelor of Science degree in Accountancy from University of Saint Louis Tuguegarao.

## **INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS**

In the past five (5) years, the following proceedings were filed against the directors and executive officers of the Company in the course of the performance of their duties as directors and officers of other companies:

- 1) **DOMINADOR TAN VS. EXEQUIEL D. ROBLES AND SLRDI**, Civil Case No. B-9022. Instituted last 26 March 2013 involving a portion of the property South Spring which pertains to the recovery of ownership and possession with application for the issuance of a temporary order and/or preliminary injunction. As of date, the case is pending for dismissal with ongoing joint venture negotiations between Tan and SLRDI since only one hectare of land is involved.
- 2) **BAYBREEZE EXECUTIVE VILLAGE HOMEOWNERS ASS. VS. EXEQUIEL D. ROBLES AND VICENTE R. SANTOS AND SLRDI**, HLURB CASE NO. NCRHOA-112613-1932. Instituted last November 26, 2013 involving issues on the development (i.e. on facilities, electricity, basic services) of Baybreeze property. As of date, case is still pending. SLRDI filed its appeal memorandum with HLURB
- 3) **GRACE PENDON ET., AL.. VS. EXEQUIEL D. ROBLES ET., AL., CHR NO. 2015-0217**. Summons received last 1 July 2015 arising from a complaint filed in relation to the violence that broke out in Rizal Technopark caused by a syndicate which was constructing structures in Rizal Technopark. Complainants filed with the Commission on Human Rights, alleging violations of human rights. Robles and SLRDI were only impleaded because of their mere ownership of Rizal Techno Park; there were no mention of specific acts by Robles or Sta. Lucia Realty in the complaint. Further, all titles are all in the name of SLRDI. As developers and registered owners, they were only exercising their right to secure the subdivision from illegal settlers and "professional squatters" (as defined by RA 7279) On the issue of the security guards, they were only doing their duty in preventing the mob from committing further violence and damage to property and handling the riots inside SLI property. SLI filed its counter affidavit on 30 July 2015 and, as of date, case is still pending
- 4) **VISTA VERDE COUNTRY HOMES VS. EXEQUIEL D. ROBLES, JOHNIELLE KEITH NIETO, OMB-L-C-15-0169**. Summons issued by the Ombudsman was received last July 30, 2015 in the complaint for alleged lack of development and the developer's obligations. (SLI donated to the Local Government of Cainta, Rizal the areas reserved for roads and open spaces in its development

plans) in relation to violation of RA 3019 (Anti-Graft and Corruption Practices Act), Sec. 3 (a) grave misconduct oppression and conduct prejudicial to the best interest of the service. PD 957 allows developers to donate open spaces and roads. SLI was only impleaded because of its standing as developer of Vista Verde, Further, SLI alleges that it should have been filed in HLURB. Accused SLI alleged to be in conspiracy with Nieto. SLI only exercised its legal option to donate the lots allocated for roads and open spaces within Vista Verde. Comment by SLI was filed on 11 April 2018 and case is dismissed but Vista Verde has yet to file an appeal. No information if they have filed such an appeal.

- 5) PEOPLE OF THE PHILIPPINES VS. EXEQUIEL D. ROBLES, ET., AL, CRIM CASE NO. 486294-CR. Summons were made last Oct. 12, 2015 as the complainant alleges that a deed of absolute sale executed by her father (Kasulatan) was falsified. SLI is developer of Valley View Realty where the property subject of the deed of absolute sale is located. The Court agrees that there is no proof that the Kasulatan was falsified. Complainant admitted herself that the signature in the Kasulatan looks like her father's signature. She also admits that there was a General Power of Attorney. Thus, it was possible that her father sold the property and signed the document when he was alive. Demurrer to evidence filed May 2018 and granted as the case is dismissed on 23 July 2018 by MTC Branch 21 Manila
- 6) SPS. MARTIN ERICSON CRUEL AND CZARINA CRUEL VS. MARIZA SANTOS-TAN, SLRDI, REM-122315-15873. Instituted last December 23, 2015 pertaining to specific performance praying for delivery of title or swap the property the complainant purchased (Valley View Executive Ph 1C Bl. 2 Lot 12) with another lot. Comment Opposition filed by SLI on 27 March 2018. Case is still pending with HLURB.
- 7) CLOVIS RANCHO, AMADO JOSE GARCIA ET., AL. VS. EXEQUIEL D. ROBLES, MARIZA SANTOS-TAN, VICENTE R. SANTOS ET.AL., I.S. NO. VII-INV-16G-0925. Instituted last 8 July 2016, pertaining to the Violation of PD 957 And Art. 318 of Revised Penal Code involving Royale Cebu Estate. SLI has filed its Counter Affidavit. As of date, Petitioner filed petition for review in DOJ which remains pending.
- 8) TIMOTHY JASON PERALEJO VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS, MARIZA SANTOS-TAN, EXALTACION R. JOSEPH, LIBERATO D. ROBLES, FELIZARDO R. SANTOS, IGMIDIO D. ROBLES, LEODEGARIO R. SANTOS, AURORA D. ROBLES, ORESTES R. SANTOS, ROBERTO D. ROBLES, DOMINGA R. ROBLES, ANTONIO D. ROBLES, and ANDREA R. ANDRES, NPS XV-03-INV-17K-11187 (ALLEGATION OF VIOLATION OF PD 957) Petitioner bought a lot (Vista Real Classica) in Quezon City, which was developed by SLI. SLI supposedly assured that petitioners would have unimpeded access and possession of property once they purchase it. However, despite having clear title to the property, petitioner saw that another structure was being built over the lot. They claim that there was no agreement between SLI and Mr. Ramos (the person building the house over the lot petitioner bought). The case was instituted last November 27, 2017. The Quezon City Prosecution Office dismissed the complaint against SLI- related party respondents. Petitioners pray that such resolution be reversed and a new resolution be issued finding probable cause to indict respondents for violation of PD 957. DISMISSED JUNE 2018 by the Quezon City Office of the City Prosecutor. A motion for reconsideration was filed by petitioner and denied on 28 August 2018. Thus, complainant filed petition for review with the Department of Justice on 16

October 2018. The case is still pending. Complainant Peralejo signified his interest to settle. His request for lot replacement had been approved anew and both parties (complainant and SLI are currently coordinating the settlement and/or compromise Agreement.)

- 9) JERRY GALOPE VS. EXEQUIEL D. ROBLES, SLRDI, ET., AL., BSC-2016-04. Instituted last 20 April 2016 as the petitioner filed an action for quieting of title in a land in Meadowood Cavite, wherein SLRDI was developer. Petitioner filed a motion to set the case for pre-trial on 31 January 2019. Motion received by SLRDI on 11 February 2019.
- 10) DEPARTMENT OF AGRARIAN REFORM ("DAR") /PROVINCIAL TASK FORCE VS. EXEQUIEL D. ROBLES, IGMIDIO D. ROBLES, ET., AL. XV-01-INV-18F-00688. The complaint was instituted last 20 June 2018 by Bluemountain Antipolo as the Complainant before the Office of the City Prosecutor of Antipolo City against respondents for violation of the Section 73, R.As 6657 as Amended by Section 25 of RA 9700. Under this provision, there is a penalty for conversion by any landowner of his agricultural land into non-agricultural purposes without any order of conversion issued by the DAR. Case dismissed on 05 October 2018 by OCP of Antipolo City. MR was filed by DAR on 17 December 2018 in Rizal. Case is still pending. No further orders/notices yet.
- 11) RUSSEL MIRAFLORES VS. EXEQUIEL D. ROBLES, ET., AL., NPS-IV-16-INV-12E-00232 involving Estafa for alleged non-development of a lot in Vista Verde Quezon. Case was instituted last 13 June 2018. SLI's defense is that there can be no case for estafa since the subdivision and the lot that was sold to complainant is in existence. Complainant was found to be delinquent in his payment of dues. Respondents filed its counter affidavit last August 2018. As of date, case is still pending
- 12) MANUEL MORATO ET., AL. VS. EXEQUIEL D. ROBLES, STA. LUCIA LAND INC. AND LIBERATO D. ROBLES, ET., AL. (CIVIL CASE) R-QZN-18-04305-CV. Case was filed last April 2018 for an injunction against the development of condominium project in Quezon City. Property in dispute (The Tribute, a 21 story condominium unit) was owned by Manuel Morato's parent. There was a Deed of donation in favor of the siblings but excluding Manuel Morato. Manuel Morato alleges that all the documents that the siblings have are spurious. JLM is the registered owner of the property, while SLI, the mere developer, was implicated in the complaint. There was a JV between JLM and SLI, but title is retained by and registered in the name of JLM. Preliminary injunction denied by the court (In June 2018) Morato moved for Judge to be inhibited on ground of alleged impartiality. Raffle ongoing now on who it will be assigned to. Case had been re-raffled to RTC Quezon City, Branch 92. Motion to dismiss filed by defendants is pending for resolution
- 13) MANUEL MORATO ET., AL. VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS AND LIBERATO D. ROBLES, ET., AL. (CRIMINAL CASE) XV-03-INV-18F-05949 involving syndicated Estafa. Case was dismissed. Complainant filed petition for review with DOJ which is still pending
- 14) NELSON ZAPEDA VS. EXEQUIEL D. ROBLES NBI-CCN-C-18-06295 involving alleged estafa in Green Meadows Taytay. SLI implicated because it was developer of the property. The person who supposedly signed the document authorizing sale of the property says the owner of property was deceased at the time when special power of attorney was signed. The case is still under investigation with a possibility of settling amicably.

- 15) Samahang Magbubukid ng Kapdula (SAMAKA), Inc. vs. South Cavite Land Co., Inc., SLRDI, et. Al, HLURB Case No. R-IV-02031203569. Cease and Desist order was issued against SLRDI for selling lots in Mesilo Nueva Ecija, Dasmariñas Cavite without certificate of registration and license to sell. SAMAKA are registered owners of the property involved. South Cavite and SLRDI argued that HLURB has no jurisdiction. Complaint by SAMAKA was dismissed. SAMAKA appealed the case and same is pending with HLURB Commission *en banc*.
- 16) Spouses Tatlonghari vs. First Batangas Industrial Park (First Batangas), SLI, et. al. vs. Heirs of Sandoval Civil Case No. 9246. Spouses filed an action for reconveyance since Sandoval caused the sale of their property in Bauan, Batangas through a falsified deed of sale. Court decision on 07 Jan 2019 stating that deed of absolute sale ("DOAS") is valid and found defendants liable to pay spouses ₱ 289,225.80. Spouses move that DOAS is invalid since it failed to comply with formalities of notarial law. SLI impleaded as developers of the property. A hearing was set on 15 February 2019. Case is still pending.
- 17) Conrado D. Aseo vs. Sta Lucia Land Inc HLURB REM 092013-15197. Aseo filed a complaint against SLI for replacement of lot in Greenland Antipolo or refund because of misrepresentation of SLI that said lot is habitable. Complaint was dismissed based on stipulation in contract that Aseo inspected the property and should have been appraised of the situation. No order /notice from the HLURB yet if complainants appealed.
- 18) Petition for issuance of new TCT No. 143702 of Registry of Deeds Morong, Rizal for Rowena De Guzman RTC – Morong, Rizal (SLI copy furnished only as developer). Complainant De Guzman, however, lost his owner's duplicate copy of the title.
- 19) Honrado vs. Robles, HLURB Case No. RIV-081214-4114, Calamba, Laguna. Complaint against SLRDI since lot purchased in Orchard Residential Estate Gold and Club, Dasmariñas Cavite is 100sqm smaller than indicated in title. SLRDI filed answer stating no seller-buyer relationship and refund has been made to original owner. Case is still pending with HLURB arbiter level.
- 20) Honrado vs. Robles, NPS Docket No. IV-28-INV-14H-0707 Estafa & Falsification and/or Estafa through falsification. Complainant filed a criminal case for estafa and falsification or estafa through falsification by allowing sale of a property in Orchard Residential Estate Gold and Club, Dasmariñas Cavite with an area that is 100sqm more than actual lot. Robles stated that complainant was not a buyer of SLRDI since the property was purchased by the spouses from Philippine Savings Bank (PSB). Resolution stated that refund was already made by SLRDI to Pacifico spouses (whom SLRDI sold the property to), thus the difference in the size of the property should not be faulted to SLRDI. Robles filed counter affidavit on 17 November 2014 stating that property has been surveyed and refund has been made. Case was dismissed in 2015.
- 21) Khoo vs. SLRDI, HLURB Case No. RIV-060611-3461 Calamba, Laguna involving complaint for immediate delivery of title over her property in Royal Tagaytay Estate or refund of payments, and damages. SLRDI filed position paper on 30 Sept 2014 (filed by registered mail). Case was dismissed on December 19, 2016.
- 22) SSS vs. Sta. Lucia Waterworks Corporation, CA G.R. SP No. 138064 (SSS Case No. 1-16266-06) involving failure to remit monthly contributions and unpaid salary/calamity loan (₱ 843,198.54,

with penalty). The Social Security System directed the company to pay ₱901,469.28. Respondent company filed petition for annulment with the Court of Appeals. The petition was dismissed, attaining finality on 06 January 2015. Only Sta. Lucia Waterworks was made liable to pay ₱ 901,469.28. Robles no longer appeared as party to the case.

- 23) Ptolyme Dimensions Inc. and Siapore Micro Inc. vs. SLRDI, HLURB Case No. RIV-041315-0741 pertaining to fraudulent machination, unsound business practice, election of homeowners' association officers, annulment of property management contract, quo warranto with prayer for the issuance of a cease and desist order/application for temporary restraining order and writ of preliminary injunction (instituted on 13 April, 2015) involving the project Eagle Ridge Residential Estate, General Trias, Cavite. SLRDI Filed Appeal Memorandum. Case is still pending.
- 24) La Mirada Royale Homeowners' Association vs La Mirada Homeowners involving cancellation of certificates of registration and complaint against homeowners' association praying for the revocation of its certificate of registration since incorporators/members are not owners of a lot nor residents of La Mirada. Mr. Vicente Santos was the initially the president of the Homeowners' Association. On 30 April 2014, HLURB ruled in favor of Complainant and ordered the revocation of respondents' Certificate of Registration. Respondent's appeal was denied on 08 January 2015. On 1 April 2015, Respondents' filed their Appeal Memorandum with the Office of the President. The case is still pending
- 25) RENATO CABILZO VS. EXEQUIEL D. ROBLES, VICENTE R. SANTOS, MARIZA SANTOS-TAN, EXALTACION R. JOSEPH, FELIZARDO R. SANTOS, ANTONIO D. ROBLES and LIBERATO D. ROBLES. (Other deceits, Syndicated estafa, Large scale estafa). Case was instituted last September 18, 2015 as complainants allege that Respondents duped them into purchasing lands in Acropolis by misrepresentation. Thus they signed a reservation application with SLI for the purchase of a 217 sq.m. lot in Acropolis. The Reservation Application did not contain the registered owner and TCT of the property. Complainants further allege that respondents misrepresented for the second and third time, this time showing a CTS by SLI and other documents. Thus they parted with a total of ₱1.3m. Then they discovered that the JV with SLI and respondents were cancelled already. Respondents failed to return the money despite demand. Venue was improperly laid (since complainants failed to prove transaction was in Pasig City). Resolution from Office of the City Prosecutor Pasig dated 10 December 2015 dismissing complaint for lack of jurisdiction over the persons of Robles, Santos, et. al. but complainant filed an appeal with DOJ.
- 26) LORENZO E. VELOSO VS. EXEQUIEL D. ROBLES, MARIZA SANTOS-TAN, VICENTE R. SANTOS ET.AL. involving violation of P.D. 957 and Art. 318 of the Revised Penal Code and Art. 318 of RPC. Complaint for failure of SLI to deliver title to the property. Office of the City Prosecutor found that HLURB has primary jurisdiction. Petition for review was also denied for failure to comply with technical and procedural requirements. Dismissed on December 20, 2017 as complaint filed petition for review in DOJ which remains pending.

The Company believes that the pending proceedings disclosed above arose out of the ordinary course of business. As such, the Company is of the opinion that they are not material to an evaluation of the ability or integrity of any of the directors or executive officers involved.

Apart from the pending criminal proceedings disclosed above, to the best of the Company's knowledge and belief, none of the Company's directors, nominees for election as director, or executive officers 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) have been 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) have been the subject of 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) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the 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, such judgment having not been reversed, suspended, or vacated.

## **CORPORATE GOVERNANCE**

The Company submitted its Manual on Corporate Governance (the "Manual") to the SEC on 31 May 2017 in compliance with SEC Memorandum Circular No. 19, series of 2016. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and management with its Manual of Corporate Governance.

### **Independent Directors**

The Manual requires the Company to have two independent directors in the Board of Directors. An independent director is defined as a person who –

- 1) is not or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership;
- 2) is not and has not been in the past three years a director of the Corporation; a director, officer or employee of the Company's Subsidiaries, affiliates, related companies, or of the Company's substantial shareholders and its related companies;
- 3) has not been appointed as Chairman "Emeritus", "Ex-Officio" directors/officers or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities in the past three years;
- 4) is not an owner of more than two percent (2%) of the outstanding shares of the Company, its Subsidiaries, affiliates or related companies;
- 5) is not a relative of a director, officer or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders;

- 6) is not acting as a nominee or representative of any director of the Company or any of its related companies;
- 7) is not a securities broker-dealer of listed companies and registered issuers of securities;
- 8) is not retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of management and free from any business or other relationship within the past three years;
- 9) does not engage or has not engaged, whether by himself/herself or with other persons or through a firm of which he/she is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment;
- 10) is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- 11) is not employed as an executive officer of another company where any of the Company's executives serve as directors.

An independent director may serve for a maximum cumulative term of nine years. An independent director who has served for nine years may be retained if the Board provides meritorious justification(s) and seeks shareholders' approval during the annual meeting.

## **COMMITTEES OF THE BOARD**

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

### **Audit Committee**

The Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of which, including the Chairman, shall be independent directors and all of whom must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance.

The Audit Committee has the following functions:

- (a) Assists 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 applicable laws, rules and regulations;
- (b) Provides oversight over the management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include receiving from management of information on risk exposures and risk management activities;



- (c) Provides oversight of the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (d) Reviews and approves audit scope and frequency and the annual internal audit plan. The plan shall include the audit scope, resources and budget, necessary to implement it;
- (e) Discusses with the external auditor before the audit commences the nature, scope and expenses of the audit, and ensure proper coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (f) Establishes an internal audit department, and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- (g) Receives and reviews reports of internal and external auditors and regulatory agencies, where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- (h) Reviews and approves the quarterly, half-year and annual financial statements before submission to the Board, with particular focus on the following matters:
  - (i) Any change(s) in accounting policies and practices;
  - (ii) Areas where a significant amount of judgment has been exercised;
  - (iii) Significant adjustments resulting from the audit;
  - (iv) Going concern assumptions;
  - (v) Compliance with accounting standards; and
  - (vi) Compliance with tax, legal and regulatory requirements.
- (i) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- (j) Establishes and identifies the reporting line of the Chief Audit Executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The Chief Audit Executive shall report directly to the Audit Committee. The Audit Committee shall ensure that the internal auditors shall have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan;

- (k) Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit (IA) and the audit plan as well as oversee the implementation of the IA Charter;
- (l) Through the IA Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financing reporting, and security of physical and information assets;
- (m) Oversees the IA Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- (n) Establishes and identifies the reporting line of the IA to enable him/her to properly fulfill his/her duties and responsibilities;
- (o) Reviews and monitors management's responsiveness to the IA's findings and recommendations;
- (p) Evaluates and determines the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report and annual corporate governance report;
- (q) Reviews the disposition of the recommendations of the external auditor's management letter;
- (r) Performs oversight functions over the Company's internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (s) Coordinates, monitors and facilitates compliance with laws, rules and regulations; and
- (t) Recommends to the Board the appointment, reappointment, removal and fees of the external audit, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

As of the date of this Prospectus, the Audit Committee is chaired by Mr. Osmundo C. De Guzman, Jr., while Mr. Jose Ferdinand R. Guiang and Mr. Vicente R. Santos serve as its members.

### **Corporate Governance Committee**

The Corporate Governance Committee is composed of at least 3 members the majority of whom shall be independent directors, including the Chairman. The Corporate Governance Committee has the following functions:

- (a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of the material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- (b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts annual self-evaluation of its performance;
- (c) Ensures that the results of the Board evaluation are shared, discussed, and that the concrete action plans are developed and implemented to address the identified areas for improvement;
- (d) Recommends continuing education programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- (e) Proposes and plans relevant trainings for the members of the Board;
- (f) Determines the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensure appropriate knowledge, competences and expertise that complement the existing skills of the Board;
- (g) Establishes a formal and transparent procedure to develop a policy of determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates; and
- (h) Performs the functions previously performed by the Nomination Committee, which are:
  - i. Accepts nominations from all shareholders to encourage shareholders' participation, pre-screen and prepare a short list of all candidates nominated to become members of the Board;
  - ii. In consultation with the executive or management committee, re-defines the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;
  - iii. Considers, among others, the following guidelines in the determination of the number of directorships for the Board: (i) the nature of the business of the Company of which he/she is a director; (ii) age of the director; (iii) number of directorships/active memberships and officerships in other corporations or organizations; and (iv) possible conflict of interest;
  - iv. Develops a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming directors, which among others, compel all directors to declare under the penalty of perjury all their existing business interests or shareholdings

that may directly or indirectly conflict with the performance of their duties as directors once elected.

As of the date of this Prospectus, the Corporate Governance Committee is chaired by Mr. Jose Ferdinand R. Guiang, while Mr. Osmundo C. De Guzman, Jr. and Mr. Vicente R. Santos as its members.

### **Executive Committee**

The Executive Committee is composed of not less than 3 directors who may act, by majority vote of all its members, on such specific matters within the competence of the Board of Directors except with respect to the following: (i) approval of any action for which stockholders' approval is also required; (ii) the filing of vacancies in the Board; (iii) the amendment or repeal of by-laws or the adoption of new by-laws; (iv) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (v) a distribution of cash dividends to the stockholders; and (vi) such other matters as may be specifically excluded or limited by the Board of Directors.

As of the date of this Prospectus, the Executive Committee is chaired by Mr. Exequiel D. Robles, while Mr. Vicente R. Santos, Ms. Mariza Santos-Tan, Ms. Aurora D. Robles and Mr. Antonio D. Robles as its members.

### **Board Risk Oversight Committee**

The Board Risks Committee analyses and, where appropriate, authorizes the risk proposals whose volume may compromise the Company's solvency and capital adequacy or the recurrence of its earnings. It does the same for other risk proposals that might present potential operational risks or reputational risks in the terms established by the Executive Committee.

As of the date of this Prospectus, the Board Risk Oversight Committee is chaired by Mr. Osmundo C. De Guzman Jr., while Mr. Jose Fernando R. Guiang and Mr. Vicente R. Santos as its members.

### **Related Party Transactions Committee**

The Related Party Transactions Committee shall assist the Board in ensuring that transactions with related party transactions are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interests of its stakeholders. It also ensures that the related party transactions are conducted in an arms-length basis and no stakeholder is unduly disadvantaged.

As of the date of this Prospectus, the Related Party Transactions Committee is chaired by Mr. Jose Ferdinand R. Guiang, while Mr. Osmundo C. De Guzman Jr. and Mr. Vicente R. Santos as its members.

## **EVALUATION SYSTEM AND COMPLIANCE**

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review, unless the Board decides otherwise. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of

Corporate Governance. Any violation of the Company's Manual shall subject the responsible officer or employee to such penalties that will be provided in the rules and regulations that will be adopted by the Board.

## SUSTAINABILITY REPORTING

Under the SEC's Memorandum Circular No. 4, Series of 2019 on the Sustainability Reporting Guidelines for Publicly-Listed Companies ("PLCs"), PLCs are mandated to submit their Sustainability Report together with their Annual Report. These guidelines took effect on 8 March 2019 and will apply to the 2019 Annual Reports that are to be submitted in 2020.

The SEC guidelines define sustainability as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Relative to this definition, "Sustainability Reporting" is an organization's practice of reporting publicly on its significant economic, environmental and social impacts in accordance with globally accepted standards.

The Sustainability Reporting requirement focuses on the economic, environmental and social disclosures that contribute to describing and measuring the company's sustainability performance, which are in addition to the governance disclosures that are embodied in the PLC's Integrated Annual Corporate Governance Reports.

For the first three years of the submission of the required Sustainability Reports, the SEC is adopting a "comply or explain" approach. This means that PLCs will be required to attach the prescribed reporting template, but the SEC will allow explanations for the items where the company cannot supply an answer because there is no available data yet.

## EXECUTIVE COMPENSATION SUMMARY

For each of the years ended December 31, 2016, 2017 and 2018, the total salaries and allowances and bonuses paid to the five most highly compensated executive officers are as follows:

<b>SUMMARY ANNUAL COMPENSATION TABLE</b>			
<b>Name and Principal Position</b>	<b>Period</b>	<b>Salary (in thousands)</b>	<b>Bonus (in thousands)</b>
Five most highly compensated executive officers (Chairman, President, Treasurer, Assistant Treasurer, Executive Vice President, Corporate Secretary)	2019 (estimated)	7,450	2,580
	2018	7,450	2,580
	2017	7,450	2,580
	2016	7,450	2,580

For each of the years ended December 31, 2016, 2017 and 2018, the total salaries and allowances and bonuses paid to all other officers as a Company unnamed are as follows:

<b>SUMMARY ANNUAL COMPENSATION TABLE</b>			
<b>Name and Principal Position</b>	<b>Period</b>	<b>Salary</b>	<b>Bonus</b>

		(in thousands)	(in thousands)
All other officers and directors as a Company unnamed	2019 (estimated)	2,130	365
	2018	2,130	365
	2017	2,130	365
	2016	2,130	365

### Compensation of Directors

The directors do not receive any form of compensation except for a per diem of ₱15,000.00 each per meeting of the Board of Directors. Apart from the per diem, the directors did not receive other allowances for the past and ensuing year in their capacity as directors. There are no standard arrangements or other arrangements between the Company and the directors.

### SIGNIFICANT EMPLOYEES

The entire workforce of the Company is considered significant as each of its employees has his own responsibilities which are supposed to achieve the Company's goals and objectives,

### FAMILY RELATIONSHIPS

As of the date of this Prospectus, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's senior management are as follows:

Exequiel D. Robles, Antonio D. Robles and Aurora D. Robles are siblings. They are first cousins Vicente R. Santos, Mariza R. Santos-Tan and Orestes R. Santos, who are also siblings.

Other than as disclosed above, there are no other family relationships between Directors and members of the Company's senior management known to the Company.

### EMPLOYMENT CONTRACTS

The Company and its Subsidiaries have executed pro-forma employment contracts with its staff and officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

### WARRANTS AND OPTIONS OUTSTANDING

On 18 April 2013, the Board of Directors approved the grant of up to One Hundred Million (100,000,000) shares of stocks as stock options in favor of the Company's employees and consultants, and list the same with the PSE, subject to such further terms and conditions as may be subsequently approved by the Company's Board of Directors. The approval was ratified by the shareholders during its annual meeting held on 21 June 2013.

The grant of stock options is subject to the approval of the SEC and PSE. As of the date of this Prospectus, there are no outstanding options or warrants held by any of the Company's directors and executive officers.

## PRINCIPAL SHAREHOLDERS

The following table sets forth the 20 largest shareholders of the Company's outstanding capital stock as of 30 June 2019.

Shareholder	Number of Shares Subscribed	% of Ownership
Sta. Lucia Realty & Development, Inc.....	6,701,005,767	81.7550%
PCD Nominee Corporation.....	2,317,135,607	28.2700%
Bernad D. Lugod.....	10,000,000	0.1220%
Thomas Edwin M. Dela Cruz.....	10,000,000	0.1220%
Citisecurities, Inc. ....	3,250,000	0.0397%
Ebe Capital Holdings, Inc.....	1,535,000	0.0187%
Exequiel D. Robles.....	712,500	0.0187%
Vicente R. Santos.....	712,494	0.0187%
Julie H. Limtong.....	400,000	0.0049%
Francisco Ortigas Sec, Inc.....	365,000	0.0045%
Pedro O. Tan.....	278,050	0.0034%
ASA Color & Chemical Industries, Inc.....	182,774	0.0022%
G & L Securities Co., Inc. ....	70,000	0.0009%
Ambrosio Valdez &/or Felisa Valdez.....	50,000	0.0006%
Anthony Francis H. Limtong.....	40,000	0.0005%
Gail Maureen H. Limtong.....	40,000	0.0005%
Harry James H. Limtong.....	40,000	0.0005%
John Patrick H. Limtong.....	40,000	0.0005%
Julie Ann Krisha H. Limtong.....	40,000	0.0005%
Sun Hung Kai Securities (Phils.), Inc. ....	30,000	0.0004%

### SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of 30 June 2019

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Sta. Lucia Realty & Development, Inc. Bldg. II, Sta. Lucia East Grand Mall, Marcos Highway corner Felix Avenues, Cainta, Rizal	-same-	Filipino	6,701,005,767	81.7550



Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
PCD Nominee Corporation (Filipino) Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	-same-	Filipino / Others	2,317,135,607	28.2700

As of 30 June 2019, foreign shareholders owned 0.0319%, of the outstanding capital stock of the Company. Immediately after the completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

#### Security Ownership of Directors and Officers as of 30 June 2019

The following table sets forth security ownership of the Company's Directors, and Officers, as of 30 June 2019

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Exequiel D. Robles	Common	712,500	D	Filipino	0.008%
	Common	230,000	I	Filipino	0.003%
Vicente R. Santos	Common	712,494	D	Filipino	0.008%
	Common	230,000	I	Filipino	0.003%
Simeon S. Cua	Common	999	D	Filipino	-
Antonio D. Robles	Common	1	D	Filipino	-
Aurora D. Robles	Common	1	D	Filipino	-
Mariza Santos-Tan	Common	1	D	Filipino	-
Orestes R. Santos	Common	1	D	Filipino	-
Jose Ferdinand R. Guiang	Preferred	1	D	Filipino	-
Osmundo C. De Guzman	Common	1	D	Filipino	-
TOTAL	Common	1,424,994	D		0.017%
	Common	463,000	I		0.006%

Notes:

(D) refers to direct ownership and (I) refers to indirect ownership.

Except as disclosed above, there is no director or key officer of the Company that owns at least 10% of its issued and outstanding shares of common or preferred stock.

#### Voting Trust Holders of five percent or More

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

## **CHANGE IN CONTROL**

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

## RELATED PARTY TRANSACTIONS

The Company and its Subsidiaries, in their ordinary course of business, engage in transactions with related parties and affiliates. These transactions include advances and reimbursement of expenses. Except where indicated in the table below, settlement of outstanding balances of advances at year end occurs in cash. As of 31 December 2016, 2017, 2018 and 30 June 2019, the Company has not made any provision for impairment losses relating to amounts owed by related parties.

The summary of the Company's transactions with its related parties for the six months ended 30 June 2019 and the years ended 31 December 2018 and the related outstanding balances as of 30 June 2019 and 31 December 2018 are as follows:

	2019 (Unaudited)			
	Volume	Receivable	Terms	Conditions
<b>Trade receivables</b>				
<i>SLRDI</i>				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	P405,826,808	P518,555,664	Due and demandable; noninterest-bearing	Unsecured; no impairment
<i>Affiliate (SLECC)</i>				
Rental and management fee (d)	182,159,133	12,969,540	Due and demandable; noninterest-bearing	Secured; no impairment
<i>Affiliate (Mall Tenants)</i>				
Rental income (d)	100,286,621	35,322,065	Due and demandable; noninterest-bearing	Unsecured; no impairment
		<b>566,847,269</b>		
<b>Non-trade receivables</b>				
<i>Affiliate (Marketing Arm)</i>				
Advances (e)	–	16,682,795	Due and demandable; noninterest-bearing	Unsecured; no impairment
		<b>16,682,795</b>		
<i>Key officers and directors (f)</i>				
	8,870,320	69,798,172	Due and demandable; noninterest-bearing	Unsecured; no impairment
		<b>P653,328,236</b>		
<b>Trade payables</b>				
<i>SLRDI</i>				

2019 (Unaudited)				
	Volume	Receivable	Terms	Conditions
Advances <i>Advances to shareholders</i>	8,000,000	₱53,811,724	Payable on demand; noninterest bearing	Unsecured
Advances (g)	–	16,346,102	Payable on demand; noninterest-bearing	Unsecured
		<b>₱70,157,826</b>		
2018 (Audited)				
	Volume	Receivable	Terms	Conditions
<b>Trade receivables</b>				
<i>SLRDI</i>				
Sharing of expenses, collection from buyers collected by SLRDI, unremitted share of SLRDI, marketing fee	₱60,326,425	₱550,397,266	Due and demandable; noninterest-bearing	Unsecured; no impairment
<i>Affiliate (SLECC)</i>				
Rental and management fee (d)	390,588,883	16,183,229	Due and demandable; noninterest-bearing	Secured; no impairment
<i>Affiliate (Mall Tenants)</i>				
Rental income (d)	65,418,367	34,345,991	Due and demandable; noninterest-bearing	Unsecured; no impairment
		600,926,486		
<b>Non-trade receivables</b>				
<i>Affiliate (Marketing Arm)</i>				
Advances (e)	216	16,882,795	Due and demandable; noninterest-bearing	Unsecured; no impairment
		16,882,795		
<b>Key officers and directors</b> (f)	10,964,537	41,927,584	Due and demandable; noninterest-bearing	Unsecured; no impairment
		<b>₱659,736,865</b>		

	2018 (Audited)			
	Volume	Receivable	Terms	Conditions
<b>Trade payables</b>				
<i>SLRDI</i>				
Advances	–	₱45,811,724	Payable on demand; noninterest bearing	Unsecured
<i>Advances to shareholders</i>				
Advances (g)	–	16,346,102	Payable on demand; noninterest-bearing	Unsecured
		₱62,157,826		

The Company in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. These accounts are noninterest-bearing and are generally unsecured. The outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed-upon by the parties.

The significant transactions with related parties follow:

- a. SLI, in the normal course of business, has transactions with SLRDI consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms. These are transactions and related receivable arising from sale of lots to SLRDI. On December 27, 2018, pursuant to the Deed of Assignment, SLRDI and SLI executed the Second tranche. SLI acquired 750.00 million treasury shares at the price of ₱1.20 per share to cover the settlement of the ₱ 900.00 million advances made by SLI to SLRDI.
- b. Other transactions with SLRDI include noninterest-bearing cash advances for various charges for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs. This pertains to the monthly amortization payment from the buyers of SLI collected by SLRDI due to be remitted to SLI.
- c. In 2014, SLI and SLRDI entered into several memoranda of agreements wherein SLI undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by SLI, SLRDI has agreed to the following:
  - Colinas Verdes Bulacan Project - SLRDI has entered into a joint venture agreement with Araneta Properties, Inc. (API) for a proceeds sharing agreement of 60% SLRDI - 40% API share. SLI shall

be entitled to 75% of SLRDI's share in the joint venture agreement and 12% marketing fee on the gross selling price of all sales made from the project;

- Green Meadows Iloilo Project - SLRDI has entered into a joint venture agreement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project;
- Ponte Verde Davao Project - SLRDI has entered into a joint venture agreement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project; and
- Valle Verde Davao Project - SLRDI has entered into a joint venture agreement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. SLI shall be entitled to 75% of SLRDI's share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project.

Total proceeds share of SLRDI from the joint operations amounted to ₱113.15 million, and ₱169.51 million as of 30 June 2019 and 31 December 2018, respectively. The share amounting ₱18.91 million and ₱47.13 million are still to be remitted or offset against the receivable from SLRDI as of 30 June 2019 and 31 December 2018, respectively.

- d. Effective 1 October 2014, SLI directly entered into lease agreements with mall tenants. SLECC and SLI, on the other hand, entered into a management services agreement effective 1 October 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, SLI shall pay SLECC a management fee equivalent to 7% of the gross rental revenue for managing mall operations including, repairs and maintenance and collection of space rental from storeowners or tenants.

These are receivables from affiliates which are tenants of the mall.

- e. SLI made noninterest-bearing cash advances to officers and directors which will be liquidated upon completion of the business transaction.

These advances amounted to ₱6.87 million and ₱9.96 million as of 30 June 2019 and 2018, respectively.

- f. SLI made cash advances to SVI to be used for various administrative and operating expenses.

These advances amounted to ₱47.50 million and ₱59.00 million as of 30 June 2019 and 31 December 2018, respectively.

As of 30 June 2019 and 2018, the Company has not made any provision for Expected Credit Losses (ECL) relating to amounts owed by related parties. There have been no guarantees and collaterals

provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. This assessment of the Company is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

## MARKET PRICE

The table below sets out, for the periods indicated, the high and low sales prices for the Company's common shares, as reported on the PSE for the market prices of the common shares in 2016, 2017, 2018 and first half of 2019.

Quarter	2016		2017		2018		2019	
	High	Low	High	Low	High	Low	High	Low
First	0.93	0.74	1.14	0.96	1.06	0.98	1.65	1.24
Second	0.94	0.85	1.11	0.96	1.15	0.99	2.04	1.55
Third	1.21	0.81	1.08	0.99	1.20	1.05		
Fourth	1.26	0.95	1.08	1.00	1.26	1.09		

*In ₱ per share*

*Source: Bloomberg*

As of 30 June 2019, the closing price of the Company's common shares was [₱1.95] per share with a total market capitalization of [₱15.9] billion.



## DESCRIPTION OF THE SHARES

The shares to be offered shall be common shares of the Company.

Pursuant to its Articles of Incorporation as amended on 16 June 2016, the Company has authorized capital stock of ₱16,000,000,000, divided into 16,000,000,000 common shares with a par value of ₱1.00 per share, of which 8,196,450,000 common shares and 2,600,000,000 treasury shares are issued as of the date of this Prospectus. The Offer Shares are common shares of the Company.

The Offer Shares will be offered at a price of ₱[2.26] to ₱[2.80] per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page [•] of this Prospectus. Upon completion of the Offer, the total outstanding shares of the Company shall be [11,196,450,000] common shares, and the Offer Shares will comprise [26.79%] of the outstanding capital stock.

### Objects and Purposes

The Company has been organized primarily to deal, engage or otherwise acquire an interest in land or real estate development, whether in the Philippines or elsewhere, to acquire, purchase, sell, convey, encumber, lease, rent, erect, construct, alter, develop, hold, manage, operate, administer or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential, commercial, industrial, recreational, urban and other kinds of property such as:

- 1) horizontal developments, including but not limited to subdivisions, industrial parks, recreational farm lots, golf courses and memorial parks, and
- 2) vertical developments, including but not limited to housing projects of any kind, residential villas, townhouses, residential, office or mixed-use condominiums, commercial or office buildings, specialty or build-to-suit buildings, hotels, condotels, sports complexes, leisure or theme parks, eco-tourism complexes, retirement or nursing homes, shopping malls or arcades, warehouses and storage facilities

for such consideration and in such manner or form, and under such terms and conditions as the Corporation may determine or as the law permits; and to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Corporation or of other persons, to engage or act as real estate broker, on commission or for such fees as may be proper or legal and to exercise or undertake such other powers and purposes as may be required and necessarily implied from the purposes herein mentioned.

The Company's secondary purposes also include the following:

- 1) To deal, engage and transact, directly or indirectly, in all forms of business and mercantile acts and transactions including all kinds of real or personal property, goods, wares, chattels, choses in action, tangible and intangible properties, technical and industrial equipment, personal and real rights, commercial papers, evidence of indebtedness, or other forms of obligations, services and all other things including future ones, as may be reasonably necessary to enable the Corporation to carry out its business and which are not excluded from the commerce of man or which are not contrary to law or good morals;

- (2) To act as a financial, commercial, general agent or factor to undertake the general management or representation of any person, partnership, firm or corporation in carrying on, either in or outside the Philippines, any transaction or negotiation in any commercial, manufacturing or other business of any nature, and to perform all such transactions as shall tend to promote the best interest of the Corporation and those it represents;
- (3) To borrow or raise money or funds to meet the financial requirements of the Corporation, and in pursuance thereof, to issue promissory notes, mortgages, hypothecations, deeds of trust, bonds, liens or other obligations of the Corporation, either at par, premium or discount, secured by all or part of the revenues, rights, interests and properties of the Corporation, and to change or vary from time to time any such mortgages, obligations and securities;
- (4) To acquire for itself or in behalf of other parties, and to invest in, hold, sell or otherwise dispose of stocks, bonds, debentures, certificates or other securities of any corporation, domestic or foreign, or other persons, in the same manner and to the same extent as juridical persons might or could do, and while the owner or holder of such stocks, bonds or other securities, to exercise all rights, privileges and powers appurtenant thereto, without dealing in securities or engaging in stock brokerage business;
- (5) To aid in any manner any corporation, association or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;
- (6) To enter into any lawful arrangement for sharing profits, union of interest, reciprocal concession or cooperation, including joint venture arrangements, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in carrying of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation;
- (7) To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objectives of the Corporation;
- (8) To conduct and transact any and all lawful activities, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation, including but not limited to the formation and operation of branch offices within or without the Philippines; and
- (9) All the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the purpose for which it was organized when approved by a majority of the board of directors and ratified by the stockholders representing at least two-thirds of the outstanding capital stock, at a stockholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its purposes, the approval of the stockholders shall not be necessary.

### **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 the articles of incorporation and by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the common shares currently issued have a par value of ₱1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A stock corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of legitimate corporate purposes are eliminating fractional shares arising out of share dividends, paying dissenting or withdrawing stockholders who exercised their appraisal right (as discussed below), collecting or compromising an indebtedness to the corporation arising out of an unpaid subscription in a delinquency sale, and purchasing delinquent shares during the said sale. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

### **Voting Rights**

The Company's common shares have full voting rights. However, the Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

## **Dividend Rights**

Under the Company's By-laws, dividends may from time to time as determined by the Board of Directors, be declared and paid, but only from surplus profits of the Corporation or from any other source in whatever manner allowed by law. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

See "Dividends and Dividend Policy."

## **Pre-Emptive Rights**

The Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The Articles of Incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

## **Derivative Rights**

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances 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 as, for example, where the directors of the corporation themselves are the malefactors.

## **Appraisal Rights**

The Corporation Code grants a shareholder a right of appraisal and a right to demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the corporate property and assets of the corporation, as provided in the Corporation Code;

- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

### **Right of Inspection**

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand. Furthermore, the inspecting shareholder is bound by confidentiality rules under prevailing laws, such as the rules on trade secrets or processes under Republic Act No. 8293 ("Intellectual Property Code of the Philippines"), Republic Act No. 10173, ("Data Privacy Act of 2012"), the SRC, and the Rules of Court.

### **Right to Financial Statements**

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

### **Board of Directors**

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its Articles of Incorporation, as amended, the Company shall have seven Directors, two of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively; individual directors have no power as such. Four directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy created by the death, resignation or removal of a director prior to expiration of such director's term shall be filled by a 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 meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

### **Change in Control**

There are no existing provisions in the Articles of Incorporation or the By-laws of the Company which will delay, defer or in any manner prevent a change in control of the Company.

### **Shareholders' Meetings**

#### *Annual or Regular Shareholders' Meetings*

The Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings on the 3<sup>rd</sup> Friday of June of each year to be held at the principal office of the Company.

#### *Special Shareholders' Meeting*

Special meetings of shareholders, for any purpose or purposes, may at any time be called by the Chairman or any four members of the Board of Directors, or upon the written request of the registered holders of at least 40% of the entire issued and outstanding capital stock of the Company. Special meetings may be held at such places and at such times as may be designated by the Board of Directors in the call.

#### *Notice of Shareholders' Meeting*

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that notices of every meeting shall be in writing and shall specify the venue, date, hour and purpose or purposes for which it is called. The notice shall be given by courier, or otherwise sent by registered mail, postage prepaid, at the address of each such stockholder registered with the Corporate Secretary or the Stock Transfer Agent. Every notice of meeting must reach the stockholder at least five days before the date set for the meeting. Unless otherwise provided by law, failure to give notice of the meeting or a defect in giving thereof shall not invalidate a meeting or any action taken thereon, in respect of shareholders who were present or represented at such meeting.

### *Quorum*

In all regular or special meeting of shareholders, a majority of the outstanding capital shares entitled to vote must be present or represented in order to constitute a quorum, except in those cases where the Corporation Code provides a greater percentage vis-à-vis the total outstanding capital stock. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the chairman of the board, or in case of his absence or disability, the president, may then call to order any meeting of the stockholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy; but if there be no quorum present at any meeting, the meeting may be adjourned by the stockholders present from time to time until the quorum shall be obtained. However, if on the 3<sup>rd</sup> adjournment of a particular meeting no quorum is attained, no meeting shall thereafter be held except upon the giving of a new notice to the shareholders.

### *Voting*

At all meetings of shareholders, a holder of common shares may vote in person or by proxy, for each share held by such shareholder.

### *Matters Pertaining to Proxies*

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. The authority of a proxy shall be in writing, dated and executed by the shareholder of record or by his duly appointed attorney-in-fact whose authority must likewise be in writing. The proxy instrument shall be filed with the Corporate Secretary at least three days before the meeting at which the proxy proposes to vote is called to order.

Proxies should comply with the relevant provisions of the Corporation Code, the SRC, the IRRs, and regulations issued by the SEC.

### **Dividends**

The common shares have full dividend rights. Dividends on the Company's common shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding common shares held by them, each common share being entitled to the same unit of dividend as any other common share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of common shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

The Company's current dividend policy provides that up to 10% of the prior fiscal year's net income after tax, subject to (i) availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, (iv) working capital requirements, and (v) the approval of the Board

may be declared as dividends. There can be no guarantee that the Company will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future.

See "Dividends and Dividend Policy."

### **Transfer of Shares and Share Register**

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See "The Philippine Stock Market."

Philippine law does not require transfers of the common 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 share transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation." All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

### **Issues of Shares**

Subject to otherwise applicable limitations, the Company may issue additional common shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued common shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent common shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

### **Share Certificates**

Certificates representing the common shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Professional Stock Transfer, Inc., which will maintain the share register. Common shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market."

### **Mandatory Tender Offers**

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least (1) 35% of the outstanding voting shares or such outstanding voting shares that are



sufficient to gain control of the board of a public or listed corporation in a single transaction; or (2) 35% the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board of a public or listed corporation over a period of 12 months; or (3) even if less than 35% of such equity, if such acquisition would result in ownership by the acquiring party of over 51% of the total outstanding equity, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to 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 over 51% of the total outstanding equity, the acquirer shall be required to 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 a tender offer shall be required to accept any and all securities thus tendered.

Unless the acquisition of equity securities is intended to circumvent or defeat the objective of the tender offer rules, no Mandatory Tender Offer is required in the following instances: (i) purchases of shares from unissued capital shares unless it will result to a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the board; (ii) purchases from an increase in the authorized capital shares of the target company; (iii) purchases in connection with a foreclosure proceedings involving a pledge or security arrangement where the acquisition is made by the debtor or creditor; (iv) purchases in connection with privatization undertaken by the government of the Philippines; (v) purchases in connection with corporate rehabilitation under court supervision; (vi) purchases through an open market at the prevailing market price; or (vii) purchases resulting from a merger or consolidation. However, purchasers of securities in the following exempt transactions would still have to comply with the disclosure rules and the other obligations under the SRC and its IRR.

### **Fundamental Matters**

The Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale of all or substantially all of the corporation's properties and assets including its goodwill, subject to the provisions of the Philippine Competition Act (Republic Act No. 10667);
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;

- declaration or issuance of share dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a directors or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and
- entering into management contracts with related parties;

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.

#### **Accounting and Auditing Requirements**

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

## 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 the Company, the Issue Manager and Underwriter, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and 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-regulatory, 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. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

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 8 August 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. The PSE has an authorized capital stock of ₱120 million, of which ₱84,999,809.00 was subscribed and fully paid-up as of 4 May 2019. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 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, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds (“ETF”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PHISIX, which as of the date thereof reflects the price movements of 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 as of 3 April 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE’s new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE 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 based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index from 2005 to 2019 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 (₱ billions)	Combined Value of Turnover (₱ billions)
2005 .....	2,096.0	237	5,948.4	383.5
2006 .....	2,982.5	240	7,172.8	572.6
2007 .....	3,621.6	244	7,978.5	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	253	8,697.0	1,422.6
2012 .....	5,812.7	254	10,930.1	1,771.7
2013 .....	5,889.8	257	11,931.3	2,546.2
2014 .....	7,230.6	263	14,251.7	2,130.1
2015 .....	6,952.1	265	13,465.2	2,151.4
2016 .....	6,840.6	265	14,438.8	1,929.5
2017 .....	8,558.4	267	17,583.1	3,596.9
2018 .....	7,466.0	267	16,146.7	1,736.8
As of [23 August] 2019	7,747.38	272	16,616.0	4,709.3

Source: PSE and PSE Annual Reports.

## Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bid 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. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 p.m. for the morning session, and resumes at 1:30 pm and ends at 3:30 pm for the afternoon session, 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. Trading days are Monday to Friday, except legal and special holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for the Company's Shares is 10 shares. 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:

- 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.
- 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.

Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

## **NON-RESIDENT TRANSACTIONS**

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated with foreign exchange sourced from the Philippine banking system.

## **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: (1) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (2) guaranteeing the settlement of trades in the event of a PSE Trading Participant’s default through the implementation of its “Fails Management System” and administration of the Clearing and Trade Guaranty Fund, and; (3) 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 transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP which are Banco De Oro Unibank, Inc. (BDO Unibank), Rizal Commercial Banking Corporation (RCBC), Metropolitan Bank & Trust Company (Metrobank), Deutsche Bank (DB), Union Bank of the Philippines (Unionbank), The Hongkong and Shanghai Banking Corporation Limited (HSBC) and Maybank Philippines, Inc. (Maybank). 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 Central Clearing and Central Settlement (“CCCS”) system on 29 May 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.

## **SCRIPLESS TRADING**

In 1995, the PDTC, 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 including BDO Unibank, RCBC, Metrobank, DBP, Unionbank, HSBC (for existing clients only) and Maybank.

In order to benefit from the book-entry system, securities must be immobilized into 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 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 into 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 beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through 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 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) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. 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 and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute 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 (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and 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 shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of 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 generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/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 nominee's 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 agents' 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 from the broker its current "de facto" custodianship role.

#### **AMENDED RULE ON LODGMENT OF SECURITIES**

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 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 requirement, 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 PSE's Revised Listing Rules.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer 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 Commission 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 as follows:

"For new companies to be listed at the PSE as of 1 July 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. 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."

"On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer's registry as of 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 with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder 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 shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the 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.



Upon the issuance of stock certificates for the 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 the shares into 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 upliftment shall have been issued by the relevant company's transfer agent.

## PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based on the laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect as of the date of this Prospectus and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. The following discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Common Shares.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This 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 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. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF LOCAL AND NATIONAL TAX LAWS

As used herein, 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 thereof. 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 "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

This discussion incorporates the new tax rates provided under Republic Act No. 10693, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN") which took effect on 1 January 2018. TRAIN amended and repealed certain provisions of the Tax Code on individual income taxation, passive income taxation for both individuals and corporations, estate tax, donor's tax, value-added tax, excise tax and documentary stamp tax, among others.

### **Corporate Income Tax**

A domestic corporation is subject to a tax of 30% of its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except, among other things, (a) gross

interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation, which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

### **Tax on Dividends**

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax at 20% of the gross amount, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are subject to withholding tax at the rate of 30%.

The 30% final withholding tax rate for inter-corporate cash and/or property dividends paid by a domestic corporation to a non-resident foreign corporation may be reduced depending on the country of domicile of the non-resident foreign corporation if it has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate, generally 25% depending on the provisions of the corresponding tax treaties. On the other hand, a country without a tax treaty may be reduced to 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign-sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a credit equivalent to 15% for taxes deemed to have been paid in the Philippines.

Stock dividends distributed pro rata to any holder of shares of stock are not subject to Philippine income tax. However, if the proportionate interests of the stockholders are changed, dividends received are taxable as ordinary income in the year paid or accrued. The sale, exchange or disposition of shares received as stock dividends by the holder is subject to either the capital gains or stock transaction tax.

Philippine tax authorities have prescribed certain procedures, through an administrative issuance, for availment of tax treaty relief. The Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with the tax exemption certificate, ruling or opinion issued by the BIR confirming the tax treaty relief or preferential rate, an apostilled proof of the non-resident holder's legal domicile or residence in the relevant treaty state, individual or corporate status, following the rules of the Apostille Convention (if applicable), and such other supporting documents as may be required by the Company. Proof of legal domicile or residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the non-resident holder of Common Shares is a juridical entity, apostilled certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If the regular tax rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

#### Taxation on Sale, Exchange or Disposition of Shares

##### **Capital gains tax**

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a 15% final withholding tax.

Gains from the sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities in order to obtain such exemption under a tax treaty. A prospective investor should consult its own tax adviser with respect to whether or not it qualifies to avail of the provisions of a tax treaty, as well as the applicable rates under the relevant tax treaty.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

##### **Taxes on transfer of shares listed and traded at the local stock exchange**

A sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts

such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On 7 November 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 meet the Minimum Public Ownership requirement after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On 31 December 2012, the Philippine SEC began imposing a trading suspension for a period of not more than six months, on shares of a listed company that has not complied with the Rule on Minimum Public Ownership which requires listed companies to maintain a minimum percentage of listed securities held by the public at ten percent of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the Minimum Public Ownership requirement after the lapse of the trading suspension shall be automatically delisted. The sale of such listed company's shares during the trading suspension or such delisted company may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code, provided that a sale of property made in the ordinary course of business (a transaction which is bona fide and made on 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.

### **Documentary Stamp Tax**

The original issue of shares is subject to documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax for a period of five years from the effectiveness of Republic Act No. 9243 dated 17 February 2004. Please note that the said exemption expired on 20 March 2009. However, Republic Act No. 9648 was issued and that law permanently exempts the sale, barter or exchange of shares of stock listed and traded through the local stock exchange from the documentary stamp tax, retroactive to 20 March 2009.

The Company's issuance of primary shares is not subject to value added tax under Philippine Law.

### **Estate and Gift Taxes**

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to 6% Philippine estate tax.

Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay 6% Philippine donors' tax on such a transfer of shares during the year exceeding ₱250,000.00.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his 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 (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows 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.

### **Taxation outside the Philippines**

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes, each as described above.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

## PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

### Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in 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 is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160 or 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.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, commercial 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: (1) purchase invoice, subscription agreement and/or proof of listing on the PSE (for new/additional issues/stock rights); (2) original certificate of inward remittance of foreign exchange and its conversion into Pesos through an authorized agent bank in the prescribed format; and (3) Authority to Disclose in the prescribed format.

Upon registration of the investment with the BSP, proceeds of divestments, or dividends of registered investments may be repatriated or remitted or remittable immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Remittance is permitted upon presentation of: (1) the BSP registration document; (2) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (3) copy of the corporate secretary's sworn statement on the board resolution covering the dividend declaration; and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or registration, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. 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.

The foregoing is subject to the power of the BSP, through the Monetary Board and 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 when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in any Offer Shares shall be the responsibility of the foreign investor.

### **Foreign Ownership Controls**

The Philippine Constitution and related statutes set forth certain restrictions on foreign ownership of companies that own land in the Philippines.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of 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.

Republic Act No. 7042, as amended, or the Foreign Investments Act of 1991, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of said law defines a "Philippine National" as:

- A citizen of the Philippines;
- A domestic partnership or association wholly owned by citizens of the Philippines;
- 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;
- A corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- A corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of the Philippines of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a Philippine SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

On 20 May 2013, the Philippine SEC issued Memorandum Circular No. 8, Series of 2013 which provided the Guidelines on compliance with the Filipino-Foreign ownership requirements under the Philippine Constitution and other existing laws by corporations engaged in nationalized or partly nationalized activities. The Guidelines provide that for purposes of determining compliance with the foreign equity restrictions in Nationalized Corporations, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of



directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

The Company owns land and is engaged in property development and, as such, is subject to nationality restrictions found under the Philippine Constitution and other laws limiting such activities to Philippine Nationals.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock, whether fully paid or not.

## PLAN OF DISTRIBUTION

To ensure that all the Firm Shares will be fully subscribed, China Bank Capital as the Underwriter of the Offer, has committed to distribute up to [2,700,000,000] shares, or all other unsubscribed Firm Shares not taken up by prospective investors. The Underwriter will underwrite the Firm Offer on a firm basis and purchase any and all unsubscribed portion of the Firm Shares made available to the Selling Agents as of the last day of the Offer Period.

### THE UNDERWRITER

China Bank Capital is duly-licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. China Bank Capital may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for the Company or any of its subsidiaries.

China Bank Capital, a subsidiary of China Bank, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndication, bonds and notes issuances, securitization, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestures and joint ventures. It was established and licensed as an investment house on 2015 as the spin-off of China Bank's investment banking, which was organized in 2012.

Aside from its engagement as Issue Manager, Underwriter and Bookrunner for this Offer, China Bank Capital's parent, China Bank, is a Note Holder under the Facility Agreements. [None of the directors or officers of China Bank Capital sit in the Board of Directors of the Company.]

China Bank Capital will receive a fee of up to [2.50]% of the total issue size for its services as Issue Manager.

### Underwriting Agreement

The Underwriter will underwrite the Offer of the Firm Shares on a firm basis and purchase any and all unsubscribed portion of the Firm Shares made available to the Selling Agents as of the last day of the Offer Period pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Underwriter to be executed before the commencement of the Offer. The Underwriting Agreement to be entered into between the Company and the Underwriter is subject to certain conditions and may be terminated if certain conditions are not fulfilled or events, including *force majeure*, occur before the Offer Shares are listed on the PSE.

Any questions relating to the public offering may be addressed to the Underwriter or the Company.

### QUALIFIED INSTITUTIONAL BUYERS

Up to [2,160,000,000] Offer Shares or up to [80] percent of the Offer Shares shall be distributed by the Underwriter to qualified institutional buyers through a book-building program for the domestic

market. "Qualified Institutional Buyers" as defined in the [PSE Revised Listing Rules] are limited to the following: mutual funds, pension or retirement funds, commercial or universal banks; trust companies; investment houses; insurance companies; investment companies; finance companies; venture capital firms; government financial institutions; trust departments of commercial or universal banks, non-bank quasi-banking institutions, trading participants of the PSE; non-stock savings and loan associations; educational assistance funds; and other institutions of similar nature.

## **GENERAL PUBLIC**

The remaining [540,000,000] or twenty percent [20] percent of the Firm Shares shall be allocated to the general public through the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated up to [4,186,000] Offer Shares, computed by dividing the Offer Shares allocated to the PSE Trading Participants among the one hundred twenty-nine (129) PSE Trading Participants as of the date of this Prospectus and subject to reallocation as may be determined by the Underwriter. Based on the initial allocation for each trading participant, there will be a total of [6,000] residual Offer Shares to be allocated as may be determined by the Underwriter.

On or before [20 November 2019], the PSE Trading Participants shall submit to the designated representatives of the Issue Manager, Underwriter and Bookrunner or the Receiving Agent their respective firm orders and commitments to purchase Offer Shares. Offer Shares not taken up by the Selling Agents will be distributed by the Issue Manager, Underwriter and Bookrunner directly to their clients and the general public and whatever remains will be purchased by the Issue Manager, Underwriter and Bookrunner.

## **THE OVER-ALLOTMENT OPTION AND UNDERTAKING TO PURCHASE**

In connection with the Offer, subject to the approval of the Philippine SEC, the Company has granted the Stabilizing Agent an Over-allotment Option, exercisable in whole or in part to purchase up to an additional [300,000,000] common shares at the Offer Price and 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 Company has entered into a Greenshoe Agreement with the Stabilizing Agent to utilize up to an additional [300,000,000] new common shares to cover Over-allocations.

Any proceeds from the Stabilizing Agent's sale of the Option Shares (the "Stabilization Shares Proceeds") will be held by the Stabilizing Agent for a period of 30 days from the Listing Date (the "Stabilization Period") to enable the Stabilizing Agent to utilize such Stabilization Shares Proceeds for the conduct of stabilization activities described below.

Any common shares that may be delivered to the Stabilizing Agent under the Greenshoe Agreement will be re-delivered to the Company either through the purchase of common shares in the open market by the Stabilizing Agent in the conduct of stabilization activities or through the exercise of the Over-allotment Option by the Stabilizing Agent. The Optional Shares may be over-allotted and the Stabilizing Agent may effect price stabilization transactions for a period beginning on or after the Listing Date, but extending no later than 30 days from the Listing Date. The Stabilizing Agent may purchase common shares in the open market only if the market price of the common shares falls below

the Offer Price. Such activities may stabilize, maintain or otherwise affect the market price of the common shares, which may have the effect of preventing a decline in the market price of the common shares and may also cause the price of the common shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions. If the Stabilizing Agent commences any of these transactions, it may discontinue them at any time. Once the Over-allotment Option has been fully exercised by the Stabilizing Agent, it will no longer be allowed to purchase common shares in the open market for the conduct of stabilization activities. To the extent the Over-allotment Option is not fully exercised by the Stabilizing Agent, the same shall be deemed cancelled.

In connection with the Offer and the conduct of stabilization activities, [SLRDI] is undertaking to purchase from the Stabilizing Agent, at the Offer Price per Share any or all Undertaking to Purchase Shares required to be purchased by the Stabilizing Agent, from time to time, beginning on or after the Listing Date and ending on the date 30 days from the Listing Date. Once the Stabilization Share Proceeds have been fully utilized by the Stabilizing Agent, it will no longer purchase Shares in the open market for the conduct of stabilization activities.

The Stabilizing Agent will release the Stabilization Shares Proceeds to the Company after the expiration of the Stabilization Period and receipt of payment by the Stabilizing Agent from SLRDI for such number of Undertaking to Purchase Shares (as described below) required to be purchased by the Stabilizing Agent.

Assuming an Offer of [2,700,000,000] Offer Shares (assuming the Over-Allotment Option is not fully exercised), the Company expects to have a public float of 38.50% of our outstanding common shares immediately following the Offer if there is no utilization of the Undertaking to Purchase. Assuming an Offer of [3,000,000,000] Offer Shares (assuming the Over-Allotment Option is fully exercised), we expect to have a public float of 37.47% of our outstanding common shares immediately following the Offer if the Undertaking to Purchase is fully utilized.

## LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Martinez Vergara Gonzalez & Serrano, legal counsel to the Company, and Romulo Mabanta Buenaventura Sayoc and De Los Angeles, legal counsel to the Issue Manager, Underwriter and Bookrunner. Matters requiring the opinion of independent counsel will be passed upon by Cayetano Sebastian Ata Adao & Cruz.

Each of the foregoing legal counsel has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. None of the foregoing legal counsels is a promoter, underwriter, voting trustee, director, officer or employee of the Company.

## INDEPENDENT AUDITORS

Sycip Gorres Velayo & Co. ("SGV & Co.") has audited and rendered an unqualified audit report on the Company's consolidated financial statements as of and for the years ended 31 December 2018, 2017 and 2016.

SGV & Co. has acted as the Company's external auditor since 2007. Mr. Michael C. Sabado is the current audit partner for the Company and has served as such since 2017. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. SGV & Co. is not a promoter, underwriter, voting trustee, director, officer or employee of the Company. 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 years for professional services rendered by SGV & Co., excluding out of pocket expenses incidental to such service and excluding fees directly related to the Offer: (Vat inclusive)

	2017	2018
	(P)	
Audit and Audit-Related Fees <sup>(1)</sup> .....	1,558,480	2,340,000

Notes:

- (1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

In relation to the audit of the Company's annual financial statements, the Company's Manual on Corporate Governance, which was approved by the Board of Directors on 27 April 2017, provides that the audit committee shall, among other activities (i) ensure that the internal and external auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors.

## INDEX TO FINANCIAL STATEMENTS

**ISSUER**

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**China Bank Capital Corporation**

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*to the Issuer*

**Martinez Vergara Gonzalez & Serrano**

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*to the Issue Manager, Underwriter and  
Bookrunner*

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**INDEPENDENT AUDITORS**

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