



Vista Land & Lifescapes, Inc.

3rd Level Starmall Las Pinas, C.V. Starr Avenue, Philamlife Village, Pamplona,
Las Piñas City, Philippines
Telephone Number: (632) 226-3552
www.vistaland.com.ph

Shelf Registration in the Philippines of Fixed Rate Bonds in the aggregate principal amount of up to ₱20,000,000,000

to be offered within a period of three (3) years

at an Issue Price of 100% of Face Value

**to be listed and traded through the
Philippine Dealing & Exchange Corp.**

with an initial tranche of

₱3,000,000,000.00 with an Oversubscription Option of up to

₱2,000,000,000.00 Fixed Rate

Seven Year Bonds due 8 August 2024

Ten Year Bonds due 8 August 2027

Interest Rate of

5.7512% p.a. for the Seven Year Bonds

6.2255% p.a. for the Ten Year Bonds



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**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 Prospectus is 14 July 2017.

Vista Land & Lifescapes, Inc.

Las Piñas Business Center, National Road

Talon, Las Piñas City, Philippines

Telephone Number: (632) 226-3552

www.vistaland.com.ph

This Prospectus (the “**Prospectus**” and, as the context may require, the term includes the relevant offer supplement) relates to the shelf registration and each offer and sale in the Philippines (each an “**Offer**”) within the Shelf Period (as hereafter defined) of fixed rate bonds (the “**Bonds**”) with an aggregate principal amount of up to ₱20,000,000,000 by Vista Land & Lifescapes, Inc. (“**Vista Land**”, “**VLL**”, the “**Company**”, or the “**Issuer**”), a corporation duly organized and existing under Philippine law. The Bonds will be issued at face value (“**Issue Price**”) and listed and traded through the Philippine Dealing & Exchange Corp. (“**PDEX**”).

The Bonds shall be issued in tranches within a period of three (3) years from the effective date of the Registration Statement of the Bonds, subject to applicable regulations (the “**Shelf Period**”). The offer and sale of the Bonds, including the terms and conditions for each tranche shall be at the sole discretion of the Company. The specific terms of the initial tranche of the Bonds are set forth in this Prospectus. The specific terms for each subsequent tranche of the Bonds will be determined by the Company considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (the “**Offer Supplement**”).

The first tranche of the Bonds (the “**Offer Bonds**”) to be offered and issued out of the shelf registration (the “**Offer**”) will have an aggregate principal amount of ₱3,000,000,000 (the “**Firm Bonds**”), and in the event of an oversubscription, China Bank Capital Corporation, in its capacity as the Issue Manager, Underwriter and Bookrunner, in consultation with the Issuer, reserve the right to increase the size of the Offer Bonds by up to ₱2,000,000,000 (the “**Oversubscription Option**”, the Offer Bonds pertaining to such option, the “**Oversubscription Option Bonds**”). The Offer Bonds actually taken up after the Offer Period shall be referred to as the “**Bonds**”. The Oversubscription Option once exercised during the Offer Period, shall be deemed firmly underwritten by the Issue Manager, Underwriter, and Bookrunner.

The remaining balance of the Bonds in the aggregate principal amount of ₱15,000,000,000 will be issued in tranches within the Shelf Period. However, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the bonds under shelf registration will be automatically increased by such principal amount of Oversubscription Option Bonds that will not be taken up. Hence, after the Offer, the remaining Bonds under shelf registration may potentially increase to an aggregate principal amount of up to ₱17,000,000,000, which may be issued in tranches within the Shelf Period.

The Offer Bonds will be issued on 8 August 2017 or such other date as may be agreed upon in writing by the Issuer and the Issue Manager, Underwriter and Bookrunner (the “**Issue Date**”), and will comprise of fixed rate bonds due in 2024 (the “**Seven Year Bonds**”) and in 2027 (the “**Ten Year Bonds**”). The Issuer has the discretion to allocate the principal amount between the Seven Year Bonds and the Ten Year Bonds based on the book building process.

The Seven Year Bonds bear interest on its principal amount from and including the Issue Date at the rate of 5.7512% p.a. in each year and the Ten Year Bonds bear interest on its principal amount from and including the Issue Date at the rate of 6.2255% p.a. in each year. Interest on the Bonds shall be payable quarterly in arrears starting on 8 November 2017 for the first Interest Payment Date and on 8 February, 8 May, 8 August, and 8 November each year for each subsequent Interest Payment Date at which the Bonds are outstanding or the subsequent Business Day if such date falls on a non-Business Day, without adjustment if such Interest Payment Date is not a Business Day. Should the Issue Date fall on a date other than 8 August 2017, the Interest Payment Dates shall be adjusted accordingly.

The Bonds shall be repaid at maturity at par (or 100% of face value), plus any outstanding interest, on the respective maturity date or on 8 August 2024 for the Seven Year Bonds and on 8 August 2027 for the Ten Year Bonds, unless the Company exercises its early redemption option according to the conditions therefore (see “*Description of the Bonds*” – “*Redemption and Purchase*”).

The Bonds have been **rated AAA by the Credit Rating** and Investors Services Philippines, Inc. (“**CRISP**”) on 26 May 2017.

Upon issuance, the Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of Vista Land, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Vista Land's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines (see "*Description of the Bonds*").

The Bonds are offered to the public at face value through the Issue Manager, Underwriter and Bookrunner with the Philippine Depository and Trust Corp. ("PDTC") as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in **scripless** form, with PDTC maintaining the scripless Electronic Registry of the Bondholders. The Bonds are intended to be listed on the Philippine Dealing & Exchange Corp. ("PDEX"). The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱2,952,017,375 (assuming the Oversubscription Option is not exercised), after fees, commissions and expenses. Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from the Offer shall amount to approximately ₱4,932,017,375, after deducting fees, commissions and expenses. The net proceeds of the Offer shall be used to partially pay for the development, construction, and completion of the Evia Lifestyle Center Expansion and Vistamall Malolos, as well as for general corporate purposes. If the Oversubscription Option is exercised, the additional net proceeds from the Oversubscription Option shall be used to fund the construction and completion of Vistamall Iloilo, Vistamall Naga and Vistamall CDO, and any excess will be used for general corporate purposes. For a more detailed discussion on the use of proceeds, see "*Use of Proceeds*" of this Prospectus.

The Issue Manager, Underwriter and Bookrunner will receive a fee equivalent to 0.50% on the final aggregate nominal principal amount of the Offer Bonds issued, which is inclusive of the fee to be ceded to any Co-Lead Underwriters, Participating Underwriters or Selling Agent and in accordance with the terms of the Underwriting Agreement. For a more detailed discussion on the fees to be received by the Issue Manager, Underwriter and Bookrunner, see "*Plan of Distribution*" of this Prospectus.

The Company reserves the right to withdraw the offer and sale of the Offer Bonds at any time, and the Company and the Issue Manager, Underwriter and Bookrunner reserve the right to reject any application to purchase the Offer Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEX. The Issue Manager, Underwriter and Bookrunner, or any of the Co-Lead Underwriters, Participating Underwriters and Selling Agent, as the case may be, may acquire for their own account a portion of the Offer Bonds.

Subsequent tranches of the Bonds will be offered to the public through underwriters that may be engaged by the Company for each Offer (the "**Underwriters**"). The Company reserves the right to withdraw any offer and sale of the Bonds at any time, and the Underwriters reserve the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If an offer of the Bonds is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEX. The Underwriters, any participating underwriter, co-manager and selling agent for any offer of the Bonds may acquire for their own account all or a portion of the Bonds.

For the subsequent tranches of the Bonds, the Company shall distribute an Offer Supplement along with this Prospectus. The relevant Offer Supplement will contain the final terms for an offer of the Bonds and must be read in conjunction with this Prospectus and other Bond Agreements (as hereafter defined). Full information on the Issuer and such offer of the Bonds is only available through this Prospectus, the relevant Offer Supplement, and the other Bond Agreements. All information contained in this Prospectus are deemed incorporated by reference in an Offer Supplement.

On 31 May 2017, the Company filed an application with the Philippine Securities and Exchange Commission

(“SEC”) to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799). The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the initial offer of the Bonds, and any subsequent offering under the relevant rules requires the submission by the Company of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, Vista Land regularly disseminates such updates and information in its disclosures to the SEC and the Philippine Stock Exchange (“PSE”).

The Company will likewise apply for the listing of the Bonds in the PDEX. However, there is no assurance that such a listing will actually be achieved either before or after the relevant issue date of the Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company’s execution of a listing agreement with PDEX that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction. The Company and the Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase or subsequent offer and sale of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject. None of the Company or the Underwriters will have any responsibility therefor.

There can be no assurance in respect of: (i) whether Vista Land would issue any debt securities at all; (ii) the size or timing of any individual issuance or the total issuance of such debt securities; or (iii) the specific terms and conditions of any such issuance. Any decision by Vista Land to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within Vista Land’s control, including but not limited to: prevailing interest rates, the financing requirements of Vista Land’s business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The price of securities can and does fluctuate. Any individual security may experience upward or downward movements, and may lose all or part of its value over time. The future performance of a security may defy the trends of its past performance, and there may be a significant difference between the buying price and the selling price of any security. As such, there is an inherent risk that losses may be incurred, rather than profit made, as a result of buying and selling securities. Thus, an investment in the Bonds described in this Prospectus involves a certain degree of risk. In deciding whether to invest in the Bonds, a prospective purchaser of the Bonds (“**Prospective Bondholder**”) should carefully consider several factors both internal and external to the Company, in addition to the other information provided in this Prospectus.

Vista Land confirms that this Prospectus contains all material information relating to the Company, its affiliates and subsidiaries, as well as all material information on the issue and offering of the Bonds as may be required by the applicable laws of the Republic of the Philippines. To the best of the Company’s knowledge, no facts have been omitted that would make any statement in this Prospectus misleading in any material respect. Vista Land confirms that it has made all reasonable inquiries with respect to any information, data and analysis(es) provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Vista Land, however, has not independently verified any or all such publicly available information, data or analysis(es).

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters have exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect. The Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each Prospective Bondholder receiving a copy of this Prospectus acknowledges that he has not relied on the Company or the Underwriters in his investigation of the accuracy of any information found in this Prospectus or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds, among others. It bears emphasis that investing in the Bonds involves certain risks. Please refer to the section on “*Risk Factors and Other Considerations*” for a discussion of the risks associated and certain considerations with respect to an investment in the Bonds.

No dealer, salesman or other person has been authorized by Vista Land or the Underwriters to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Vista Land or the Underwriters.

Vista Land is organized under the laws of the Philippines. Its registered business office is at the Las Piñas Business Center, National Road, Talon, Las Piñas City, Philippines with telephone number: (+632) 226 3552. The Company has been listed on the Philippine Stock Exchange (“PSE”) since 2007 under ticker symbol “VLL.” Its corporate website is <http://www.vistaland.com.ph>. The information in the website is not incorporated by reference into this Prospectus.

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

VISTA LAND AND LIFESCAPES, INC.

By:



MANUEL PAOLO A. VILLAR
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
CITY OF Makati) S.S.

Before me, a notary public for and in the city named above, personally appeared Manuel Paolo A. Villar, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 14th day of July 2017 at Makati City.

Doc No. 26 ;
Page No. 7 ;
Book No. 4 ;
Series of 2017.



KEITH ELBERT C. RING
Appointment No. M-244
Notary Public for Makati City
Until December 31, 2018
Penthouse, Liberty Center
104 H.V. Dela Costa Street, Makati City
Roll No. 66583
PTR No. 5913738/ Makati City/ 01-04-2017
JBP No. LRN-015100/ Quezon 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 have been based largely on the Company's current expectations and projections about future events and financial trends affecting its business, and that are, by their nature, subject to significant risks and uncertainties. Words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees," or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe Vista Land's objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

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

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

- risks relating to the Company's business;
- the Company's ability to successfully implement its strategy;
- the Company's ability to successfully manage aggressive growth;
- changes in the Philippine real estate market and the demand for the Company's housing and land development and mass market retail mall and BPO commercial center development;
- the Company's ability to maintain its reputation for on-time project completion;
- the condition and changes in the Philippine, Asian or global economies;
- future political instability in the Philippines;
- changes in interest rates, inflation rates and the value of the Philippine peso against the U.S. dollar and other currencies;
- changes in Government regulations, including tax laws, or licensing in the Philippines; and
- competition in the property investment and development industries in the Philippines.

Important factors that could prevent forward-looking events and circumstances from occurring or could cause actual results to differ materially from the expectations of Vista Land include, among others:

General Economic and Political Conditions

- changes in Philippine and international interest rates;
- changes in political, economic and social conditions in the Philippines;
- changes in foreign exchange control regulations in the Philippines; and
- changes in the value of the Peso.

Conditions of the Real Estate Industry

- increasing competition in the Philippine real estate industry;
- changes in laws and regulations that apply to the Philippine real estate industry; and
- low interest rates, expansion in overall liquidity, extensive construction of condominium and housing units and other factors could lead to the risk of formation of asset bubbles in real estate.

Factors Affecting Vista Land's Operations

- Vista Land's ability to maintain and further improve its market share in the various segments of the Philippine real estate market;
- demand for Vista Land's projects in the Philippines;
- operational and implementation issues that Vista Land may encounter in its projects; and
- Vista Land's ability to manage changes in costs attendant to its operations.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those disclosed under "*Risk Factors and Other Considerations*." Prospective Bondholders are urged to consider these factors carefully in evaluating the forward-looking statements. These forward-looking statements speak only as of the date of this Prospectus. The Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based. 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.

The Underwriters do not take any responsibility for, or give any representation, warranty or undertaking in relation to, any such forward-looking statement.

DEFINITION OF TERMS

As used in this Prospectus, the following terms shall have the meanings ascribed to them:

“Application to Purchase” shall mean the document to be executed by any Person or entity qualified to become a Bondholder.

“Banking Day” or **“Business Day”** shall be used interchangeably to refer to any day when commercial banks are open for business in Metro Manila, Philippines.

“Beneficial Owner” shall mean any person (and **“Beneficial Ownership”** shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that a person shall be deemed to have an indirect beneficial ownership interest in any security which is held by:

- i. members of his immediate family sharing the same household;
- ii. a partnership in which he is a general partner;
- iii. a corporation of which he is a controlling shareholder; or
- iv. subject to any contract, arrangement or understanding, which gives him voting power investment power with respect to such securities; provided, however, that the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:
 - a. A broker dealer;
 - b. An investment house registered under the Investment Houses Law;
 - c. A bank authorized to operate as such by the Bangko Sentral ng Pilipinas;
 - d. An insurance company subject to the supervision of the Office of the Insurance Commission;
 - e. An investment company registered under the Investment Company Act;
 - f. A pension plan subject to regulation and supervision by the Bureau of Internal Revenue and/or the Securities and Exchange Commission or relevant authority; and
 - g. A group in which all of the members are persons specified above.

“BIR” shall mean the Bureau of Internal Revenue.

“Bonds” shall collectively refer to the fixed rate bonds of up to an aggregate principal amount of ₱20,000,000,000, inclusive of the Offer Bonds, to be issued in one or more tranches within the Shelf Period.

“Bond Agreements” shall mean the Trust Indenture between the Issuer and the Trustee, the Registry and Paying Agency Agreement between the Issuer and the Registrar and Paying Agent, and the Underwriting Agreement between the Issuer and the Underwriters, or any document, certificate or writing contemplated thereby.

“Bondholder” shall mean a Person whose name appears, at any time, as a holder of the Bonds in the Registry of Bondholders.

“BSP” shall mean Bangko Sentral ng Pilipinas.

“China Bank Capital” shall mean China Bank Capital Corporation.

“CRISP” shall mean the Credit Rating and Investors Services Philippines, Inc.

“Communicity” shall mean Vista Land Group’s development model, or fully integrated developments with residential, retail and office/BPO components along with additional components such as utilities and township infrastructure, hotels, healthcare facilities or educational institutions.

“Electronic Registry of Bondholders” shall mean the electronic registry book of the Registrar and Paying Agent containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon.

“Fine” shall refer to Fine Properties, Inc.

“GFA” shall mean gross floor area.

“Government” shall refer to the Government of the Republic of the Philippines.

“HLURB” shall refer to Housing and Land Use Regulatory Board.

“Interest Payment Date” shall mean, for the Offer Bonds, 8 November 2017 for the first Interest Payment Date, and on 8 February, 8 May, 8 August, and 8 November of each year, or the next Business Day if such date falls on a non-Business Day, for as long as the Offer Bonds remain outstanding. Should the Issue Date fall on a date other than 8 August 2017, the Interest Payment Dates shall be adjusted accordingly.

“Issue Date” shall mean 8 August 2017 or such other date as may be agreed upon in writing by the Issuer and the Issue Manager, Underwriter and Bookrunner on which the Offer Bonds shall be issued by Vista Land to the Bondholders.

“Issue Manager, Underwriter and Bookrunner” shall refer to China Bank Capital, the entity appointed as the Issue Manager, Underwriter and Bookrunner for the Offer Bonds pursuant to the Mandate Letter/ Issue Management and Underwriting Agreement dated 14 July 2017.

“Lead Underwriters” shall mean the sole lead underwriter or, collectively, the joint lead underwriters that may be engaged by the Issuer for a particular offer of the Bonds and as identified in the relevant Offer Supplement. As applicable and as may be provided in the relevant Offer Supplement, the term may also include “Issue Manager”, “Issue Managers”, “Bookrunner” and “Bookrunners.”

“Lien” shall mean any mortgage, pledge, lien, encumbrance or similar security interest constituted on any of the Issuer’s properties for the purpose of securing its or its Affiliate’s obligations.

“Maceda Law” shall refer to Republic Act No. 6552, a Philippine statute entitled “An Act to Provide Protection to Buyers of Real Estate on Instalment Payments.”

“Majority Bondholders” shall mean, at any time, the Bondholder or Bondholders who hold, represent or account for more than 50% of the aggregate outstanding principal amount of the Bonds, provided that, in respect of any matter pertaining to the interest rate or tenor of the Bonds and affecting only either the holders of the Seven Year Bonds or the holders of the Ten Year Bonds, exclusively, only the concerned Bondholders will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution.

“Master Bond Certificates” shall mean the certificates to be issued by Vista Land to the Trustee evidencing and covering the aggregate principal amount of the Bonds issued on Issue Date.

“Maturity Date” shall mean 8 August 2024 for the Seven Year Bonds and 8 August 2027 for the Ten Year Bonds.

“Mega Manila” shall mean Metro Manila and the neighbouring provinces of Cavite, Laguna, Rizal, Batangas and Bulacan.

“Offer” shall mean the issuance of Bonds by VLL under the conditions as herein contained.

“Offer Bonds” shall mean the SEC-registered Seven Year Bonds and Ten Year Bonds to be issued by the Issuer in the aggregate principal amount of up to ₱5,000,000,000, consisting of the firm offer of ₱3,000,000,000 and the Oversubscription Option of up to ₱2,000,000,000. As the context may require, the Bonds issued by Vista Land on the Issue Date pursuant to this Prospectus and the other Bond Agreements.

“Offer Period” shall refer to shall refer to the period, commencing within two Business Days from the date of issuance of the SEC Permit to Sell Securities, during which the Offer Bonds shall be offered to the public.

“Offer Supplement” shall mean the offer supplement to and which is issued along with this Prospectus setting out the terms and conditions of a particular offer of Bonds.

“OFW” shall refer to an overseas Filipino worker.

“Oversubscription Option” shall refer to the exclusive right and option that may be exercised by the Issue Manager, Underwriter and Bookrunner, in consultation with the Issuer, to offer up to an additional ₱2,000,000,000 Offer Bonds to the investing public, to cover oversubscriptions, if any. The Oversubscription Option once exercised during the Offer Period, shall be deemed firmly underwritten by the Issue Manager, Underwriter, and Bookrunner.

“Paying Agent” shall refer to the party that may be engaged by the Issuer for a particular offer of the Bonds as identified in the relevant Offer Supplement, which shall receive the funds from VLL for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Registry of Bondholders.

“Payment Account” means the account to be opened and maintained by the Paying Agent with such bank designated by the Issuer and solely managed by the Paying Agent, in trust and for the irrevocable benefit of Bondholders, into which the Issuer shall deposit the amount of the interest and/or principal payments due on the outstanding Bonds on a relevant date and exclusively used for that purpose, the beneficial ownership of which shall always remain with the Bondholders.

“PCD Nominee” shall refer to PCD Nominee Corporation, a corporation wholly owned by the PDTC.

“PDEX” shall refer to the Philippine Dealing & Exchange Corp.

“PDTC” shall refer to the Philippine Depository & Trust Corp., (formerly, the Philippine Central Depository, Inc.), which provides an infrastructure for post trade securities services through the operations of the central depository; and likewise provides registry services in relation to which it maintains the electronic official registry or records of title to the Bonds, in accordance with the PDTC Rules, and its successor-in-interest.

“PDTC Rules” shall mean the Securities and Exchange Commission-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time.

“Pesos”, “PhP”, “₱” and “Philippine currency” shall mean the legal currency of the Republic of the Philippines.

“Philippines” shall mean the Republic of the Philippines.

“Philippine Constitution” shall mean the 1987 Constitution of the Philippines.

“PFRS” shall mean Philippine Financial Reporting Standards.

“Prospectus” shall mean the prospectus dated 29 May 2017 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Offer Bonds. As the context may require, the term includes the relevant Offer Supplement for subsequent tranches of the Bonds.

“PSE” shall refer to the Philippine Stock Exchange.

“PSRC MANA 2” shall refer to Philippine Survey Research Center’s study on the Company conducted in May 2016.

“Registrar” shall refer to the registrar that may be engaged by the Issuer for a particular offer of the Bonds and as identified in the relevant Offer Supplement. For the Offer Bonds, the Registrar shall refer to PDTC, being the registrar appointed by VLL to maintain the Electronic Registry of Bondholders pursuant to the Registry and Paying Agency Agreement.

“Registration Statement” shall refer to the registration statement filed with the SEC in connection with the offer and sale to the public of the Bonds.

“SEC” means the Philippine Securities and Exchange Commission.

“SEC Permit” shall mean the Permit to Sell Securities issued by the SEC in connection with the Offer.

“Security Interest” means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer’s properties.

“Seven Year Bonds” shall refer to the Bonds which shall have a term of seven years from the Issue Date.

“Ten Year Bonds” shall refer to the Bonds which shall have a term of ten years from the Issue Date.

“Terms and Conditions” shall refer to the terms and conditions of the issuance of the Bonds as set forth in the Trust Indenture Agreement.

“Trustee” shall refer to China Banking Corporation – Trust and Asset Management Group.

“Shelf Period” means subject to applicable regulations, a period of three (3) years from the effective date of the Registration Statement within which the Bonds under shelf registration may be offered and sold in tranches.

“Starmalls” means Starmalls, Inc.

“SRC” shall mean the Securities Regulation Code of the Philippines.

“Subsidiary/ies” shall mean, with respect to Vista Land, Brittany Corporation, Crown Asia Properties, Inc. Camella Homes, Inc., Communities Philippines, Inc., Vista Residences, Inc., and Starmalls, Inc., and all other subsidiaries or companies that are identified as such in the consolidated financial statements of Vista Land.

“Tax Code” shall mean the Philippine National Internal Revenue Code of 1997, as amended.

“Taxes” shall refer to any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriters or of the Bondholders, value added tax, and taxes on any gains realized from the sale of the Bonds.

“VAT” shall refer to value-added tax.

“Villar Family” shall mean Mr. Manuel B. Villar, Jr., Ms. Cynthia A. Villar, and their children, Manuel Paolo, Mark and Camille Lydia.

“Vista Group” refers to Vista Land & Lifescapes, Inc., and its Subsidiaries.

“Vista Land” or **“VLL”** or the **“Company”** or the **“Issuer”** refers to Vista Land & Lifescapes, Inc.

“Vista Land Commercial Group” or **“Vista Commercial Group”** refers to the commercial property leasing business of Vista Land & Lifescapes, Inc. and Starmalls, Inc. which includes retail malls, commercial strips and BPO offices.

“VLLI” refers to VLL International, Inc.

“Vista Land Property” refers to any property in any subdivision or condominium projects being offered for sale by the Vista Group.

Titles of sections, subsections and clauses in this Prospectus are used for convenience of reference only and do not limit or affect the interpretation of the sections and subsections hereof. In case of conflict between the provisions of this Prospectus and the Bond Agreements, the provisions of the Bond Agreements shall prevail.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Prospectus. This summary is qualified in its entirety by more detailed information and financial statements, including notes thereto, appearing elsewhere in this Prospectus. Prospective Bondholders should read this entire Prospectus carefully, including the Company's unaudited interim condensed consolidated financial statements as at 31 March 2017 and for the Three-month Periods Ended 31 March 2017 and 2016 and audited financial statements as at 31 December 2016 and 2015 and for the years ended 31 December 2016, 2015 and 2014 and related notes and the section entitled "Risk Factors and Other Considerations."

COMPANY OVERVIEW

Vista Land is one of the leading integrated property developers in the Philippines and the largest homebuilder in the country overall. The Company believes that it is one of the few leading integrated property developers in the Philippines that is focused on the mass market. In 2014, 2015, 2016 and three months ended 31 March 2017, the Company recorded consolidated revenues from real estate sales of ₱22,320.71 million, ₱24,502.15 million, ₱25,025.21 million and ₱7,116.80 million, respectively. Vista Land provides a wide range of residential products to its customers across all income segments and has recently expanded into the mass market retail mall and BPO segments via the acquisition of Starmalls. Since it commenced operations in 1977, Vista Land has built over 300,000 homes.

Vista Land's primary business has historically been the development and sale of horizontal real estate projects, which comprise residential lots and units in the low-cost and affordable, upper mid-cost and high-end housing segments. In addition, Vista Land develops and sells vertical residential projects, including low- to high-rise condominium developments. Approximately 77% of residential sales are house and lot sales while the remaining 23% are sales of condominium units as of 31 March 2017. For the same period, the Company believes that its market share in the "house and lot" segment is approximately 45%. The Company harnesses 40 years of professional expertise in residential real estate development and believes it has established a nationwide presence, superior brand recognition and proven track record in homebuilding. Its projects include master-planned developments and stand-alone residential subdivisions which offer lots, house and lots and condominium units to customers in the low-cost and affordable, upper mid-cost and high-end market segments. The Company has developed numerous "themed" housing and land development projects inspired by Mediterranean, Swiss, Italian, American, Caribbean and American Southern architecture and design. The Company believes that strict attention to detail in the execution of these themed communities helps to distinguish it from other companies.

On 10 November 2015, the Company signed an agreement to acquire approximately 88.25% of the outstanding common capital stock of Starmalls from Fine Properties, Inc. ("**Fine**"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar. On 22 December 2015, the Company acquired common shares representing approximately 79.43% of the total outstanding capital stock of Starmalls. On 23 February 2016, the Company acquired additional common shares in Starmalls representing 8.82% of the latter's total outstanding capital stock.

Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines and is widely recognized as an early mover in this market segment, focusing on establishing operating malls in densely populated areas underserved by similar retail malls and located in close proximity to transport hubs and key infrastructure. It also develops and operates BPO commercial centers.

At the time of its acquisition, Starmalls, through its subsidiaries, owned and operated 10 retail malls in key cities and municipalities in the Philippines and 2 BPO commercial centers in Metro Manila, with a combined GFA of 509,385 square meters. The Company believes that the recent acquisition of Starmalls has transformed the Company into a fully integrated property developer, having and continuing leadership in horizontal residential projects combined with a sizeable and growing retail mall and BPO platform and a clear focus on community developments across the Philippines. With the acquisition of Starmalls, the retail malls, commercial strips and BPO offices are combined under the division "Vista Land Commercial Group". The Company plans to grow its

commercial assets to over 1.3 million square meters in GFA by the end of 2018 via enhancements to existing assets and new developments.

Moreover, the Company is currently developing Vista Alabang, an integrated urban development that combines lifestyle retail, prime office space, university town, themed residential developments, and leisure components. The Vista Alabang project covers a total of 1,500 hectares strategically located where the cities of Muntinlupa and Las Piñas, and the provinces of Cavite and Laguna, meet. Vista Alabang is an example of the Company's transition to the communitcity development model, or fully integrated developments with residential, retail and BPO components along with additional components such as utilities and township infrastructure, hotels, healthcare facilities and educational institutions. The Company intends to make Vista Alabang a template for its future communitcities. As of 31 March 2017, the Company has identified about 100 areas (excluding sites earmarked for retail malls development) covering approximately 600 hectares from its existing projects around the country, including areas in the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao, that are suitable for integrated developments.

As of 31 March 2017, the Company's developments could be found in 107 cities and municipalities in 44 provinces throughout the Philippines. Most of the Company's developments are outside major central business districts. In the 1st Quarter of 2017, the Company launched 11 projects in 11 cities and municipalities in 8 provinces located throughout the Philippines. The Company also has an extensive nationwide land bank available for future development. As of 31 March 2017, the Company owned approximately 2,267.60 hectares of raw land ready for development, with an additional 336.20 hectares available for development under joint venture agreements. See "*Business — Joint Ventures*." The acquisition of Starmalls added 46.90 hectares of commercial land bank well-suited for the development of mass market retail malls and BPO facilities given their location in attractive areas with sizeable local catchments and proximity to infrastructure. With the acquisition of Starmalls, the Company believes that it has one of the largest land banks among property developers in the Philippines.

The Company operates its residential property development business and commercial property development business through six distinct business units. Camella Homes, Communities Philippines, Crown Asia, Brittany, and Vista Residences are focused on residential property development, while Starmalls is involved in commercial property development. Briefly, these business units may be distinguished as follows:

- Camella Homes. For 40 years, Camella Homes has serviced the low-cost and affordable housing segment (houses priced below ₱4.0 million) in the Mega Manila area. Camella Homes markets its houses primarily under the "Camella" brand. According to the November 2015 Philippine Survey and Research Center ("PSRC") "MANA 2" Study, Camella was acknowledged as the most preferred brand overall in the Philippine housing market, with a brand awareness rate and brand preference rate of 98% and 50%, respectively. As of 31 March 2017, Camella Homes recorded ₱2,159.74 million in real estate revenues, representing 30.35% of the Company's total real estate revenues;
- Communities Philippines. Communities Philippines and its subsidiaries offer residential properties outside the Mega Manila area under the "Camella" and "Crown Asia" brands. In the last four years, majority of Communities Philippines new projects were launched under the "Camella" brand, the Company's low-cost and affordable housing brand. The Company believes that Communities Philippines and its subsidiaries have the widest coverage of developments in the regions outside Mega Manila by any homebuilder in the Philippines and utilizes mostly Camella Homes' expertise and designs to offer houses in areas outside of the Mega Manila area that it believes are on par, in terms of quality, with the developments in the Mega Manila area. As of 31 March 2017, Communities Philippines and its subsidiaries recorded ₱3,174.06 million in real estate revenues, representing 44.60% of the Company's total real estate revenues;
- Crown Asia. Crown Asia caters to the middle-income housing segment in Mega Manila, primarily offering houses priced between ₱4.0 million and ₱12.0 million. As of 31 March 2017, Crown Asia recorded ₱236.63 million in real estate revenues, representing 3.32% of the Company's total real estate revenues;
- Brittany. Brittany caters to the high-end market segment in Mega Manila, offering luxury houses in master-planned communities, priced at ₱12.0 million and above. As of 31 March 2017, Brittany recorded ₱107.24 million in real estate revenues, representing 1.51% of the Company's total real estate revenues;

- Vista Residences. Vista Residences offers vertical residential projects in the Mega Manila area in the low to upper mid-cost housing segments. Vertical home projects generally involve longer project development periods as well as facilities, amenities and other specifications not often found in horizontal homes. As of 31 March 2017, Vista Residences recorded ₱1,439.13 million in real estate revenues, representing 20.22% of the Company's total real estate revenues;
- Starmalls. Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines and also develops and operates BPO commercial centers. As of 31 March 2017, Starmalls, through its subsidiaries, recorded ₱ 1,219.41 million in rental revenues representing 13.87% of the Group's total revenue.

As of 31 March 2017, the Company had the following real estate inventories of horizontal and vertical residential projects in various stages of developments:

For the three months ended 31 March 2017	
Camella Homes, Inc.	₱ 8,154.49
Communities Philippines, Inc.	15,363.80
Crown Asia Properties, Inc.	2,882.35
Brittany Corporation	3,822.35
Vista Residences, Inc.	2,431.77
Sub-total	32,654.76
Less: Estimated Land Development Cost & Cost to Complete	9,605.59
TOTAL INVENTORY AVAILABLE	₱ 23,049.17

Moreover, as of 31 March 2017, the Company launched a total of 11 projects comprising mostly of projects for the low-cost and affordable housing market. Ten of these projects are located in areas outside Metro Manila, including Rizal, Cavite, Batangas, Agusan del Norte, Iloilo, Davao del Sur and Leyte.

In 2014, 2015, 2016 and for the three months ended 31 March 2017, respectively, Vista Land recorded:

- ₱25,639.42 million, ₱28,848.91 million, ₱30,995.69 million and ₱8,794.32 million of total revenue;
- ₱8,021.18 million, ₱9,543.44 million, ₱11,080.18 million and ₱3,075.54 million of total operating income; and
- ₱6,286.44 million, ₱7,187.00 million, ₱8,100.37 million and ₱2,312.14 million of net income.

As of 31 December 2014, 2015 and 2016, and 31 March 2017, respectively, Vista Land had:

- ₱124,987.53 million, ₱152,894.78 million, ₱174,768.24 million and ₱180,568.60 million of total assets; and
- ₱60,730.29 million, ₱82,929.69 million, ₱98,272.94 million and ₱101,857.31 million of total liabilities.

COMPETITIVE STRENGTHS

The Company is a dominant player in the residential property market. Its principal strengths, which are discussed in the succeeding sections of this Prospectus, may be summarized as follows:

- Integrated property developer with market leadership in horizontal residential projects targeted towards end users and mass market retail malls with strong brand recognition across the Philippines.

- *Horizontal residential projects*
 - Clear focus on end-users.
 - Strong brand recognition nationwide.
 - Barriers to competition.
- *Mass market retail malls and BPO commercial centers*
- *Integrated developments – Communities*
- It is well positioned to benefit from synergies between the Vista Land residential platform and the newly acquired Starmalls mass market retail mall and BPO platform and enhanced scale and stability from the integration of these two businesses, strengthening Vista Land's position as a top four integrated property developer.
 - *Synergies*
 - Enhanced and more recurring revenue opportunities
 - Funding synergies
 - Lower land costs for mass market retail mall and BPO projects
 - *Enhanced scale*
- Enhanced recurring income contribution and profitability from the newly-acquired Starmalls mass market retail mall and BPO platform.
- Well positioned to benefit from favorable Philippine demographic, economic and development trends, including continued demand from the OFW segment.
- Diverse product offerings in order to benefit from growth in different market segments and to capitalize on demand across the full spectrum of homebuyers.
- Geographically diverse project portfolio and land bank across the Philippines, with strong nationwide footprint.
- Prudent financial management and stronger balance sheet providing headroom for capital expenditure and expansion plans.
- Strong and experienced management team with a demonstrated execution track record.

KEY STRATEGIES AND OBJECTIVES

The Company's strategy is premised on three key pillars: (i) strengthening its market position as an integrated property developer with a key focus on horizontal residential developments and mass market retail mall and BPO operations; (ii) diversification of revenue streams through the integration of its commercial platform while enhancing the value and attractiveness of its properties; and (iii) improvement in capital efficiency and financial flexibility.

- Pursue an integrated developer model with market leadership and strong brand recognition in the Philippines.
- Strengthen market leadership in horizontal residential projects while expanding the Company's newly acquired Starmalls mass market retail mall and BPO footprint.
 - Continue to focus on key market segments.
 - Improve project execution efficiency.
 - Capture demand from overseas Filipinos.
 - Generate a strong pipeline of Starmalls mass market retail malls and BPO facilities that can be developed within existing Vista Land communities.
- Diversify revenue base.
 - Increasing investment in mass market retail malls and other commercial assets.
 - Increasing mid-rise residential developments.
 - Continuing to opportunistically invest in high-rise vertical projects.
- Improve capital efficiency for land banking activities and financial flexibility.
 - Optimize use of joint ventures for capital efficiency.

- Focus on diversifying funding sources.
- Improve credit profile and cost of funding.

PRINCIPAL SHAREHOLDERS

As of 31 March 2017, the Villar Family and companies controlled by them held 71.30% of the total issued and outstanding share capital of the Company.

PRINCIPAL EXECUTIVE OFFICES

The Company's principal offices are at 3rd Level Starmall Las Pinas, C.V. Starr Avenue, Philamlife Village, Pamplona, Las Piñas City, Philippines. The Company's telephone number is (632) 226 3552 and the fax number is (632) 584-5731.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this Prospectus and, in particular, they should evaluate the specific factors set forth under the section "*Risk Factors and Other Considerations*" for risks involved in the purchase of the Bonds. These factors may be summarized into those that pertain to the Bonds as investment instruments, to the business and operations of Vista Land, in particular, and to those that pertain to the over-all political, economic, and business environment in the Philippines, in general.

As a real estate developer, the Company competes with other developers and developments to attract purchasers of house and lot and condominiums, retail and office tenants, and clientele for the retail outlets and restaurants in its commercial centers in terms of reputation, reliability, price, and the quality and location of the community in which the relevant project is located. Vista Land's successful financial and operating performance as a real estate company will impact on its ability to refinance or repay its debt, including the Bonds. Moreover, the issuance of the Bonds should be evaluated in terms of its impact on the consolidated indebtedness of Vista Land and the operating risks inherent in a further increase in its debt.

The Company is (or will be) subject to certain debt covenants imposed as part of the Bond issuance, as well other covenants under its existing debt. The Company's failure to comply with these covenants could cause a default which, if not waived, could result in the debt becoming immediately due and payable. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of the Company's debt, in which case the Company may not be able to perform its payment obligations under the Bonds. In such case, the Bonds, being unsecured debt, will be effectively subordinated in right of payment to all secured debt of the Company to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

External factors affecting the Company's businesses include the impact of current and future Philippine laws and regulations on certain aspects of real estate development, such as environment, health and safety, the effect of natural catastrophes, and political or economic instability in the country, including foreign exchange rate fluctuations which could impact on the acquisition cost of certain dollar-denominated construction materials and equipment necessary for the Company's business.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary consolidated financial information for the Company and should be read in conjunction with the auditors' reports and with the Company's consolidated financial statements and notes thereto contained in this Prospectus. The summary historical consolidated statement of financial position as at 31 March 2017 and summary historical consolidated statements of comprehensive income and cash flows data for the three-month periods ended 31 March 2016 and 2017 are derived from the unaudited interim condensed consolidated financial statements while the summary historical consolidated statements of financial position data as of 31 December 2015 and 2016 and summary historical consolidated statements of comprehensive income for the years ended 31 December 2014, 2015 and 2016 set forth below have been derived from the audited consolidated financial statements including the notes thereto, included elsewhere in this Prospectus. Unless otherwise stated, the Company has presented its consolidated financial results for annual periods in accordance with PFRS. The information below is not necessarily indicative of the results of future operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited			Unaudited	
	For the years ended 31 December			For the three months ended 31 March	
(in PHP millions)	2014	2015	2016	2016	2017
REVENUE					
Real estate.....	₱ 22,320.71	₱ 24,502.15	₱ 25,025.21	₱6,440.53	₱ 7,116.80
Rental income	1,567.76	2,367.89	4,375.33	892.48	1,297.82
Interest income from instalment contracts receivable.....	760.65	710.28	642.64	156.02	130.31
Miscellaneous income.....	990.30	1,268.59	952.51	269.05	249.39
	<u>25,639.42</u>	<u>28,848.91</u>	<u>30,995.69</u>	<u>7,758.08</u>	<u>8,794.32</u>
COSTS AND EXPENSES					
Costs of real estate sales	11,032.28	12,253.89	12,321.00	3,200.00	3,496.82
Operating expenses	6,585.96	7,051.57	7,594.51	1,821.83	2,221.96
	<u>17,618.24</u>	<u>19,305.46</u>	<u>19,915.51</u>	<u>5,021.83</u>	<u>5,718.78</u>
OTHER INCOME (EXPENSES)					
Interest income from investments	439.02	592.98	864.38	152.39	242.38
Interest and other financing charges	(1,403.04)	(1,941.41)	(2,236.27)	(512.10)	(683.31)
Others	(29.29)	(7.02)	(25.69)	(0.40)	0.83
	<u>(993.31)</u>	<u>(1,355.45)</u>	<u>(1,397.58)</u>	<u>(360.11)</u>	<u>(440.10)</u>
INCOME BEFORE INCOME TAX	7,027.87	8,188.00	9,682.60	2,376.14	2,635.44
PROVISION FOR INCOME TAX	741.43	1,001.00	1,582.23	296.84	323.30
NET INCOME	<u>₱ 6,286.44</u>	<u>₱ 7,187.00</u>	<u>₱ 8,100.37</u>	<u>2,079.30</u>	<u>2,312.14</u>
OTHER COMPREHENSIVE INCOME					
NET INCOME ATTRIBUTABLE TO:					
Equity holders of the Parent Company	6,156.16	7,031.72	7,906.94	2,038.80	2,255.18
Non-controlling interest	130.28	155.28	193.43	40.50	56.96
NET INCOME	<u>₱ 6,286.44</u>	<u>₱ 7,187.00</u>	<u>₱ 8,100.37</u>	<u>₱2,079.30</u>	<u>₱ 2,312.14</u>
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED					
	<u>₱ 0.486</u>	<u>₱ 0.622</u>	<u>₱ 0.676</u>	<u>₱ 0.159</u>	<u>₱ 0.176</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	(11.85)	40.08	(25.69)	64.48	(184.79)
Changes in fair value of AFS financial assets.	(50.69)	572.27	479.37	1.72	151.91
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:					

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in PHP millions)	Audited			Unaudited	
	For the years ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
Remeasurement gain (loss) – net of tax	(38.34)	232.52	30.28	-	-
	<u>(100.88)</u>	<u>844.87</u>	<u>483.96</u>	<u>66.20</u>	<u>(32.88)</u>
TOTAL COMPREHENSIVE INCOME	₱ 6,185.56	₱ 8,031.87	₱ 8,584.33	₱ 2,145.50	₱ 2,279.26
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Equity holders of the Parent Company	₱ 6,173.55	₱ 8,054.81	₱ 8,395.13	2,105.00	2,222.30
				<u>40.50</u>	
Non-controlling interest.....	12.01	(22.94)	189.20		56.96
	<u>₱ 6,185.56</u>	<u>₱ 8,031.87</u>	<u>₱ 8,584.33</u>	<u>₱ 2,145.50</u>	<u>₱ 2,279.26</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited			Unaudited
	As of 31 December			As of March 31
	2014	2015	2016	2017
STATEMENT OF FINANCIAL POSITION				
ASSETS				
Current Assets				
Cash and cash equivalent	₱ 6,438.53	₱ 6,043.06	₱ 8,902.54	₱ 9,919.09
Short-term cash investments	4,381.31	2,097.30	100.00	101.98
Receivables	21,040.92	24,968.39	28,329.41	30,350.18
Available-for-sale (AFS) financial assets	-	-	1,792.53	1,559.54
Held-to-maturity (HTM) investments	-	-	1,709.73	2,255.55
Due from related parties	3,679.01	3,425.75	3,916.67	4,406.51
Real estate inventories	17,926.02	22,855.69	22,954.66	23,049.17
Other current assets	2,829.10	3,814.64	3,807.34	4,056.86
Total Current Assets	<u>56,294.89</u>	<u>63,204.83</u>	<u>71,512.88</u>	<u>75,698.88</u>
Noncurrent Assets				
Noncurrent receivables	6,944.86	9,286.07	9,212.26	9,653.42
Available-for-sale (AFS) financial assets	7,020.85	7,378.97	6,452.54	6,598.67
Held-to-maturity investments	10,232.59	13,521.56	19,141.88	17,537.87
Investments and advances in project development costs	1,583.81	2,854.93	3,232.31	3,255.47
Property and equipment	476.08	800.97	822.25	1,203.81
Investment properties	16,311.98	26,676.32	32,065.53	32,899.94
Land and improvements	25,262.17	27,864.68	30,486.62	31,659.45
Deferred tax assets- net	256.86	290.02	437.18	775.66
Other noncurrent assets	603.44	1,016.43	1,404.79	1,285.43
Total Noncurrent Assets	<u>68,692.64</u>	<u>89,689.95</u>	<u>103,255.36</u>	<u>104,869.72</u>
Total Assets	<u>₱124,987.53</u>	<u>₱152,894.78</u>	<u>₱174,768.24</u>	<u>₱180,568.60</u>
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	₱7,558.47	₱11,208.25	₱11,400.37	₱13,309.09
Customers' advances and deposits	3,267.65	3,130.54	2,671.75	2,720.58
Income tax payable	93.37	158.20	133.96	182.55
Dividend Payable	113.86	20.11	24.96	24.85
Current portion of:				
Notes payable	2,804.54	4.65	475.87	254.26
Bank loans	4,766.13	3,360.95	5,972.29	4,413.75
Loans payable	512.75	574.36	1,122.55	1,105.23
Total Current Liabilities	<u>19,116.77</u>	<u>18,457.06</u>	<u>21,801.64</u>	<u>22,010.31</u>
Noncurrent Liabilities				
Notes payable — net of current portion	25,938.16	30,424.26	39,049.64	39,335.16
Bank loans — net of current portion	9,107.49	27,178.79	30,114.95	32,068.60
Loans payable — net of current portion	2,180.08	3,120.53	2,764.71	2,968.94
Pension liabilities	312.00	114.47	98.13	80.54

	Audited			Unaudited
	As of 31 December			As of March 31
	2014	2015	2016	2017
STATEMENT OF FINANCIAL POSITION				
Deferred tax liabilities — net	1,615.30	1,537.17	2,065.64	2,404.53
Other noncurrent liabilities	2,460.49	2,097.41	2,378.51	2,989.23
Total Noncurrent Liabilities	41,613.52	64,472.63	76,471.58	79,847.00
Total Liabilities	60,730.29	82,929.69	98,272.90	101,857.31
Equity				
Attributable to equity holders of the Parent Company				
Common stock	8,538.74	12,654.89	13,114.14	13,114.14
Preferred stock	33.00	33.00	33.00	33.00
Additional paid-in capital	23,318.02	29,470.64	30,655.43	30,655.43
Treasury shares	-	(6,297.79)	(6,917.01)	(6,980.29)
Deposit for future stock subscription	5,153.85			
Retained earnings	24,593.20	30,483.78	36,953.58	39,208.75
Other comprehensive income	(125.27)	742.53	1,111.00	1,078.13
	61,511.54	67,087.05	74,950.10	77,109.16
Non-controlling interest	2,745.70	2,878.04	1,545.16	1,602.13
Total Equity	64,257.24	69,965.09	76,495.30	78,711.29
Total Liabilities and Equity	<u>₱ 124,987.53</u>	<u>₱ 152,894.78</u>	<u>₱ 174,768.24</u>	<u>₱ 180,568.60</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited			Unaudited	
	For the years ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
Income before income tax.....	₱7,027.88	₱8,188.00	₱9,682.60	₱2,376.14	₱2,635.44
Adjustments for:					
Interest and other financing charges .	1,403.04	1,941.41	2,236.27	512.10	683.31
Depreciation and amortization.....	722.14	798.92	1,043.63	205.03	332.15
Retirement expense.....	98.91	133.81	83.95	-	-
Unrealized foreign exchange losses (gains)	29.29	7.02	25.69	0.40	(0.83)
Interest income	(1,199.67)	(1,303.27)	(1,507.02)	(308.41)	(372.70)
Operating income before working capital changes...	8,081.59	9,765.89	11,565.12	2,785.26	3,277.37
Receivables.....	(513.29)	(6,265.80)	(3,169.54)	(1,628.08)	(2,455.84)
Receivables from related parties.....	(1,354.82)	364.09	(491.05)	(676.72)	(489.84)
Real estate inventories	332.81	2,658.70	2,992.74	2,672.42	667.84
Other current assets	(1,536.57)	(1,722.49)	(1,085.42)	(386.57)	(383.48)
Increase/ (decrease) in:					
Accounts and other payables	1,774.90	(470.15)	186.80	51.50	566.51
Customers' advances and deposits.....	1,053.39	(282.12)	(458.79)	23.26	48.84
Provision for impairment losses on receivables	5.39	50.54	1.98	-	-
Plan assets contributions paid	(55.02)	(49.07)	(39.64)	-	(17.59)
Cash flows provided by operations.....	7,788.38	4,049.59	9,502.20	2,841.07	1,213.81
Interest received	1,199.67	1,253.28	1,387.37	301.61	366.61
Income tax paid.....	(206.12)	(333.10)	(156.93)	(19.68)	(140.35)
Interest paid	(1,104.75)	(2,231.49)	(4,759.21)	(512.10)	(447.54)
Net cash flows provided by operating activities	7,677.18	2,738.28	5,973.43	2,610.90	992.53
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from:					
Short-term cash investments.....	1,062.40	4,381.31	2,097.30	-	-
Long-term cash investments	2,869.91	-	-	-	-
Maturity of available for sale securities	(30.32)	297.15	-	-	254.93
Maturity of held-to-maturity investments..	-	-	-	529.81	1,119.28
Acquisitions of:					
Short-term cash investments.....	(2,212.39)	(2,097.30)	(100.00)	(0.15)	(1.98)
AFS financial assets	(₱4,857.33)	(₱88.61)	(₱386.73)	₱-	(₱16.15)

	Audited			Unaudited	
	For the years ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
HTM investments	(7,361.03)	(3,288.97)	(7,330.05)	(5,996.13)	(61.09)
Property and equipment	(344.77)	(393.79)	(277.91)	(1,657.92)	(434.24)
System development costs	(29.30)	(35.15)	(48.20)		
Land and improvements	(8,804.60)	(6,659.31)	(3,664.14)	(2,630.59)	(1,935.18)
Investment properties	(4,494.94)	(11,019.72)	(4,963.32)	–	(192.35)
Acquisition of a subsidiary - net of cash	-	(144.17)	-		
Decrease (increase) in:					
Project development costs	209.85	(1,271.11)	(377.39)	(4.95)	(23.16)
Other noncurrent assets.....	(43.51)	(263.12)	(385.87)	0.88	120.06
Dividend payable.....				(20.11)	
Other noncurrent liabilities.....				732.42	610.03
Net cash flows used in investing activities	<u>(24,036.03)</u>	<u>(20,582.79)</u>	<u>(15,436.31)</u>	<u>(9,046.74)</u>	<u>(559.85)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from:					
Notes payable	15,680.64	13,513.90	12,478.28	6,039.04	311.91
Bank loans	6,941.42	18,985.50	6,966.69	2,300.00	1,003.61
Loans payable	1,561.41	3,003.54	2,244.00	517.72	759.55
Payments of:					
Notes payable	(623.62)	(11,827.72)	(724.40)	(886.55)	(247.60)
Loans payable	(2,017.76)	(2,001.42)	(2,051.63)	(465.90)	(572.63)
Bank loans	(3,297.71)	(2,350.80)	(4,076.86)	(899.26)	(608.52)
Payment of dividends declared	(925.99)	(1,234.90)	(1,453.66)	–	–
Acquisition of treasury shares.....	-	(919.50)	(619.22)	(166.82)	(63.28)
Payment of shares issuance cost	-	(241.76)	-	–	–
Acquisition of non-controlling interest		-	(15.15)		
Increase (decrease) in other noncurrent liabilities	<u>(105.07)</u>	<u>529.22</u>	<u>(400.00)</u>	<u>–</u>	<u>–</u>
Net cash flows provided by financing activities	<u>17,213.32</u>	<u>17,456.06</u>	<u>12,348.05</u>	<u>6,438.23</u>	<u>583.04</u>
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	7.40	(7.02)	(25.69)	(0.40)	0.83
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	861.87	(395.47)	2,859.48	1.99	1,016.55
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>5,576.66</u>	<u>6,438.53</u>	<u>6,043.06</u>	<u>6,043.06</u>	<u>8,902.54</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>₱6,438.53</u>	<u>₱6,043.06</u>	<u>₱8,902.54</u>	<u>₱6,045.05</u>	<u>₱9,919.09</u>

SUMMARY OF THE OFFERING

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in the Prospectus, including, but not limited to, the discussion on the “Description of the Offer Bonds” and “Plan of Distribution.” This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Offer Bonds. Accordingly, any decision by a prospective investor to invest in the Offer Bonds should be based on a consideration of the Prospectus and the Bond Agreements as a whole.

For subsequent tranches of the Bonds, a discussion containing the “Summary of the Offer” shall be set out in the relevant Offer Supplement. However, any such summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus and such Offer Supplement, including, but not limited to, the discussion on the “Description of the Offer Bonds” and “Plan of Distribution”, and agreements executed in connection with a particular offer of Bonds as a whole. Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of this Prospectus, such Offer Supplement and agreements executed in connection with a particular offer of Bonds as a whole.

Issuer	Vista Land & Lifescapes, Inc.
Instrument	Seven Year and Ten Year fixed rate Philippine Peso Bonds in the amount of ₱3,000,000,000.00 and an Oversubscription Option of up to ₱2,000,000,000.00
Use of Proceeds	The net proceeds of the Offer Bonds shall be used to partially pay for the development, construction, and completion of the Evia Lifestyle Center Expansion and Vistamall Malolos, as well as for general corporate purposes. If the Oversubscription Option is exercised, the additional net proceeds from the Oversubscription Option shall be used to fund the construction and completion of Vistamall Iloilo, Vistamall Naga and Vistamall CDO, and any excess will be used for general corporate purposes (see “ <i>Use of Proceeds</i> ” on page 42).
Form and Denomination of Bond	The Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter.
Offer Price	100% of face value
Offer Period	The period when the Offer Bonds are offered for sale by the Issuer to the public, through the Underwriter, commencing at 10 a.m. on 18 July 2017 and ending at 5:00 p.m. on 28 July 2017, or on such other date as the Issuer and the Underwriter may agree upon.
Issue Date	8 August 2017, or such other date as may be agreed upon in writing by the Issuer and the Issue Manager, Underwriter and Bookrunner
Maturity Date	8 August 2024 for the Seven Year Bonds and 8 August 2027 for the Ten Year Bonds
Interest Rate	Seven Year Bonds: Fixed interest rate of 5.7512% p.a. Ten Year Bonds: Fixed interest rate of 6.2255% p.a.
Interest Payment	Interest on the Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears starting on 8 November 2017 for the first Interest Payment Date, and 8 February, 8 May, 8 August, and 8 November of each year thereafter, or the next Business Day if such date falls on a non-Business Day, for as long as the Bonds remain outstanding. Should the Issue Date fall on a date other than 8 August 2017, the Interest Payment Dates shall be adjusted accordingly.
Early Redemption Option	The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the following relevant dates. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to

	the relevant Early Redemption Option Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule: <table> <tr> <th>Early Redemption Option Date on Seven Year Bonds</th><th>Early Redemption Price</th></tr> <tr> <td>Five (5) Years and Six (6) Months from Issue Date</td><td>101.0%</td></tr> <tr> <td>Six (6) Years from Issue Date</td><td>100.5%</td></tr> </table> <table> <tr> <th>Early Redemption Option Date on Ten Year Bonds</th><th>Early Redemption Price</th></tr> <tr> <td>Seven (7) Years from Issue Date</td><td>102.0%</td></tr> <tr> <td>Eight (8) Years from Issue Date</td><td>101.0%</td></tr> <tr> <td>Nine (9) Years from Issue Date</td><td>100.5%</td></tr> </table> The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds to the Trustee, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Option Date stated in such notice.	Early Redemption Option Date on Seven Year Bonds	Early Redemption Price	Five (5) Years and Six (6) Months from Issue Date	101.0%	Six (6) Years from Issue Date	100.5%	Early Redemption Option Date on Ten Year Bonds	Early Redemption Price	Seven (7) Years from Issue Date	102.0%	Eight (8) Years from Issue Date	101.0%	Nine (9) Years from Issue Date	100.5%
Early Redemption Option Date on Seven Year Bonds	Early Redemption Price														
Five (5) Years and Six (6) Months from Issue Date	101.0%														
Six (6) Years from Issue Date	100.5%														
Early Redemption Option Date on Ten Year Bonds	Early Redemption Price														
Seven (7) Years from Issue Date	102.0%														
Eight (8) Years from Issue Date	101.0%														
Nine (9) Years from Issue Date	100.5%														
Final Redemption	The Bonds shall be redeemed at 100% of face value, plus any outstanding interest, on their respective Maturity Dates, unless earlier redeemed by the Company.														
Status of the Bonds	The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of VLL and shall at all times rank <i>pari passu</i> and rateably without any preference or priority amongst themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of VLL, other than obligations preferred by law.														
Negative Pledge	The Bonds will have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to the exceptions provided for in the Trust Indenture Agreement.														
Listing	The Issuer intends to list the Bonds in the PDEX on 8 August 2017.														
Governing Law	Republic of the Philippines														

RISK FACTORS AND OTHER CONSIDERATIONS

An investment in the Bonds involves a number and a certain degree of risks. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Bonds. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds.

This Prospectus contains forward-looking statements that involve risks and uncertainties. Vista Land adopts what it considers conservative financial and operational controls and policies to manage its business risks. Vista Land's actual results may differ significantly from the results discussed in the forward-looking statements. See section *"Forward-Looking Statements"* of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Vista Land, in particular, and those that pertain to the over-all political, economic, and business environment, in general. The occurrence of any of the following events could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. These risk factors and the manner by which these risks shall be managed are arranged in the order of their importance to the Company.

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may 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 a guide to future performance. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments, each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure provided herein does not, and does not purport to, disclose all the risks and other significant aspects of investing in the securities. An investor should undertake its, his, her or their own research and study on the trading of securities before commencing any trading activity. Investors may request information on the Bonds and the Issuer thereof from the SEC, the PSE, and the PDEX which may be available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those classified as high risk securities.

RISKS RELATING TO THE COMPANY'S BUSINESS

The Company's business and prospects are heavily dependent on the performance of the Philippine economy, and therefore any downturn in the general economic conditions in the Philippines could have a material adverse impact on the Company.

Historically, the Company has derived a substantial portion of its revenue from sales of real estate and homes located in the Philippines. With the acquisition of Starmalls, the Company derived a portion of its recurring revenue from rents relating to its mass market retail mall and BPO platform. The performance of the property and housing markets and the demand for, and prevailing prices of, shopping mall and office leases in the Philippines have historically been directly impacted by the performance of the Philippine economy in general, with property rates being affected by the supply and demand for comparable properties, the rate of Philippine economic growth and political and social developments. For example, the general slowdown of the global economy in 2008 and 2009 had a negative effect on the Philippine economy, which in turn had a negative effect on the Philippine property market as property sales declined.

Factors that have historically adversely affected and that may adversely affect the Philippine economy in the future include the following:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- decreases in the amount of remittances received from overseas Filipinos, including OFWs and Filipino expatriates;
- decreases in or changes in consumption habits in the Philippines;
- decreases in property values;
- decreases in demand for housing;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- the sovereign credit ratings of the Philippines;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political, social or economic developments in or affecting the Philippines.

In addition, the U.S. Federal Reserve has been implementing a quantitative easing program whereby long-term interest rates have been kept low in order to stimulate the U.S. economy. This has directly impacted interest rates around the world, including in the Philippines. There have been recent discussions surrounding the tapering of quantitative easing by the U.S. Federal Reserve, which could impact interest rates in the Philippines and adversely affect the Philippine economy. No assurance can be given as to when such quantitative easing will be discontinued.

Any deterioration in economic conditions in the Philippines as a result of these or other factors could have a material adverse impact on the Philippine housing and property markets, which in turn would likely have a material adverse impact on the Company's business and prospects.

A significant portion of demand for the Company's products is from overseas Filipinos, and therefore the Company's business is highly dependent on the ability and willingness of overseas Filipinos to purchase the Company's properties.

The Company is reliant on OFWs to generate a significant portion of the demand for its housing and land development projects. For example, in 2014, 2015, 2016 and three months ended 31 March 2017, a majority of the Company's total real estate sales were derived from sales to OFWs, with OFWs accounting for approximately 55.0%-60.0% of Vista Land's residential sales. Demand from OFWs for the Company's properties could decrease if there is a reduction in the number of OFWs, a reduction in the purchasing power of OFWs or if there are reduced remittances from OFWs. The following factors could lead to reductions in the foregoing:

- a downturn in the economic performance of the countries and regions where a significant number of potential OFW customers are located, such as the United States, Italy, the United Kingdom, Hong Kong, Japan and the Middle East;
- 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 in such countries.

As an example, the Company believes that the global economic downturn in 2008 resulted in remittances from OFWs being used more for basic family expenses or savings and bank deposits, and less for investing in or purchasing real estate. In addition, recent turmoil in the Middle East and in North Africa have resulted in the repatriation of OFWs from these regions and the subsequent loss of their sources of income. Any event similar or analogous to the foregoing could adversely affect demand for the Company's projects from OFWs, which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes, however, that the market for affordable and low-cost housing, which comprises a large majority of its business, is relatively stable compared to other segments of the property sector. By virtue of the segment being end-user needs driven, the demand in the house and lot segment is not highly income elastic. Furthermore, recent trends tend to show that reservations about significant decline in OFW remittance volumes have been mollified, after OFW remittances continued to increase from US\$24.6 million in 2014 to US\$25.6 million in 2015, and US\$ 26.3 million in 2016.

The Company operates in a highly competitive market, and any inability to effectively compete could limit the Company's ability to maintain or increase its market share and maintain or increase profitability.

A substantial portion of the Company's revenues are derived from its operations in the highly competitive Philippine residential housing market. The Company's results of operations depend on its ability to properly gauge the market for its projects when devising and executing its business strategies. Important factors that could affect the Company's ability to effectively compete include a project's location, particularly with respect to its proximity to transportation facilities and commercial centers, as well as the quality of the housing and related facilities offered by the Company and the overall attractiveness of the project. If the Company's competitors are able to secure better locations or develop, market and sell more attractive properties than the Company, or if the Company is unable to properly gauge the market for its properties, then the Company's results of operations and prospects may be negatively impacted.

The Company is convinced, however, that the existing structural housing backlog would provide steady demand for the housing industry, in general. Furthermore, VLL has demonstrated its strong market presence, with strong and well recognized brands in every price segment of the house & lot market.

The Company may not be able to acquire new or additional land for new projects.

The Company's future growth and development are heavily dependent on its ability to acquire or enter into agreements to develop additional tracts of land suitable for the Company's planned real estate projects. The Company competes with its competitors to secure suitable sites for development. Given this competition and the limited availability of land, particularly in areas in or near Metro Manila and other urban areas in the Philippines, the Company may encounter difficulty acquiring tracts of land that are suitable in size, location and price. The Company may also have difficulty in attracting land owners to enter into joint venture agreements with the Company that will provide it with reasonable returns or at all. In the event the Company is unable to acquire suitable land or to enter into agreements with joint venture partners to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

Nevertheless, the Company believes that its current land bank is sufficient for its existing and planned projects and developments for the next eight to nine years. The Company has an extensive land bank, most of which is located in areas in close proximity to major roads and primary infrastructure. As of 31 March 2017, the Company had approximately 2,267.60 hectares of raw land ready for development, with an additional 336.20 hectares available for development under joint venture agreements.

The real estate industry in the Philippines is capital intensive, and the Company may be unable to readily raise necessary amounts of funding.

The real estate industry in the Philippines is capital intensive, and market players are required to incur significant capital expenditures to complete existing projects and commence construction on new developments. As an example, for 2017, the Company budgeted ₱35,349.00 million for capital expenditures to be used for its real estate development projects.

Historically, while the Company has funded a significant portion of its capital expenditure requirements internally from its real estate revenues, it has periodically utilized external sources of financing. However, there can be no assurance that, to complete its planned projects or satisfy its other liquidity and capital resources requirements, the Company will be able to continue funding its capital expenditure requirements internally, or that it will be able to externally obtain sufficient funds at acceptable rates to fund its capital expenditure budgets, or at all. Failure to obtain the requisite funds could delay or prevent the completion of the Company's on-going projects or any new or planned projects, and such delay or failure to complete could materially and adversely affect the Company's business, financial condition and results of operations.

The Company believes, however, that it has consistently demonstrated prudence in managing its financial requirements, continuously striving to be efficient in utilizing its capital. For instance, in the case of land acquisition, while VLL's real estate revenue has increased by 204% since 2007, the Company's land bank has only increased by 38% (in terms of hectares).

Historically low interest rates, expansion in overall liquidity, extensive construction of condominium and housing units and other factors could lead to the risk of formation of asset bubbles in real estate.

For the past several years, central banks globally, including the BSP, have kept overall interest rates at historically low levels for an extended period of time. This has occurred in conjunction with recent high levels of liquidity in the Philippines owing to strong and growing remittances from OFWs, the expansion of consumer credit provided by banks, the expiry of the BSP's requirement for banks to maintain special deposit accounts and strong inflows of foreign investments, among other factors. In addition, the pace of real estate construction, particularly for condominium units and to a certain extent, housing in and surrounding Metro Manila and other urban areas, has likewise been strong by historical standards. All these have increased the risk that rising prices may not be sustainable, particularly in the real estate sector. If rising prices are not sustained, the result could have a material adverse effect on the Company's business, financial condition and results of operations.

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 benefiting from rising disposable income. It likewise has one of the fastest growing emerging economies and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

Be that as it may, considering the possible risk of an asset price bubble burst, the Company has embarked on a plan to achieve a balanced portfolio of residential and leasing businesses which have proven to be more resilient across economic cycles, thus providing some cushion between periods of economic trough. Specifically, the expansion by the Company of its leasing business through the acquisition of Starmalls, provided the Company with a diversified earnings base, hedging against downcycles in the residential business segment.

Substantial sales cancellations could have a material adverse effect on the Company's financial condition and operations.

The Company's business, financial condition and results of operations could be adversely affected in the event a material number of the Company's subdivision lot or house and lot sales are cancelled.

As a developer and seller of residential real estate, the Company is subject to Republic Act No. 6552 or the Realty Installment Buyer Act (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. 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. 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 a right of refund. See *“Regulatory and Environmental Matters.”*

Historically, the Company has not experienced a material number of cancellations to which the Maceda Law has applied. However, 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, or during periods when interest rates are high or other similar situations. If the Company were to experience a material number of cancellations in the future, 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 re-sell the same properties at an acceptable price, or at all. Any of the foregoing events could 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, the Company’s historical revenues would have been overstated because such historical revenue would not have accurately reflected subsequent customer defaults or sales cancellations. As a result, the Company’s historical income statements are not necessarily accurate indicators of the Company’s future revenue or profits. As discussed in more detail in *“Management’s Discussion and Analysis of Financial Condition and Results of Operations — Revenue,”* for the sale of completed projects, once a customer has paid at least 5% of the total contract price, the Company recognizes the total purchase price as part of its real estate sales and gross profit is recognized on such sales, subject to certain adjustments in the case of sales accounted for using the “percentage of completion method.” If a customer defaults on its payment obligations, or a sale is otherwise cancelled after the customer has paid the required downpayment and the Company is unable to find another purchaser for such property, receivables from the cancelled sale booked in the balance sheet will be reversed but the Company does not reverse the revenue or gross profit of prior period corresponding to such cancelled sale.

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.

The Company may not be able to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company’s mass market retail mall and BPO platform is subject to risks relating to the management of mall, BPO and other commercial tenants and could be affected by a number of factors including: (a) competition for tenants; (b) changes in market rates; (c) the inability to renew leases; (d) bankruptcy of tenants; (e) the increase in operating expenditures due to periodic repair and renovations; (f) the ability to attract and retain anchor tenants and leading names in the retail market; and (g) efficiency in collection, property management and tenant relations. In addition, adverse trends in the BPO industry could result in lower demand for leases of our BPO spaces or the inability of existing BPO tenants to honor their lease commitments. The inability of the Company to lease spaces in its mall and BPO commercial centers could materially and adversely affect the Company’s business, financial condition and results of operations.

Nevertheless, the Company believes that shifting to an integrated developer model, where residential developments are complemented by mass market retail malls, BPO facilities and other commercial assets, will enhance its revenue streams. The Company also believes that there will be stronger demand from tenants in retail malls located within communities due to a larger catchment area and stronger and more regular footfall from the resident population, resulting in higher rental rates and occupancy rates. In addition, the Company believes that BPO operators will be willing to pay higher rental rates, since locating in a community provides them greater access to potential employees and enhances employee productivity.

The Company may not be able to successfully manage its growth or expansion strategies.

The Company intends to continue to pursue an aggressive growth strategy for its residential property business. In the three months ended 31 March 2017, the Company launched 11 projects in 11 cities and municipalities in 8 provinces located throughout the Philippines, including Mega Manila area. The Company’s growth strategy for its housing and land development business may require the Company to manage relationships with an increasing

number of customers, suppliers, contractors, service providers, lenders and other third parties. Any substantial growth in projects will also require significant capital expenditures, which may entail taking on additional debt to finance housing and land development projects. There can be no assurance that, in the course of implementing its growth strategy, the Company will not experience capital constraints, construction delays, operational difficulties at new operational locations or difficulties in operating existing businesses and training personnel to manage and operate the expanded business. Any inability or failure to adapt effectively to growth, including strains on management and logistics, could result in losses or development costs that are not recovered as quickly as anticipated, if at all. These problems could have a material adverse effect on the Company's reputation and on its business, results of operations or financial condition.

The Company likewise intends to continue its strategy of expanding its vertical residential development and commercial property leasing businesses, which includes accelerating the Vista Land Commercial Group's existing assets and greenfield developments, through the Starmall and Vista commercial projects. The Company plans to grow its commercial assets to over 1.3 million square meters in GFA by the end of 2018 via enhancements of existing assets and new developments. To this end, the Company plans to construct more vertical developments, retail malls and BPO commercial centers for lease to various retailers, BPO and other commercial tenants within or near its communities. The Company's strategy to expand these businesses may require the Company to manage relationships with an increasing number of third parties such as potential retailers, suppliers, contractors and tenants. Moreover, vertical and commercial development and leasing are relatively new lines of business to the Company. As a result, the Company could encounter various issues associated with these businesses that it does not have extensive experience dealing with, such as applicable laws relating to commercial rental/tenancy laws and condominium construction and different operational and marketing requirements, among others. There can be no assurance that the Company's continued expansion into vertical developments, retail malls and BPO commercial centers and leasing will be successful, and as a result the Company's decision to pursue such expansion could have a material adverse effect on the Company's reputation and its business, results of operations or financial condition.

Please see *"Competitive Strengths - Prudent financial management and stronger balance sheet providing headroom for capital expenditure and expansion plans"* on page 81.

The Company may not be able to successfully manage its land bank, which could adversely affect its margins.

The Company must acquire land for replacement and expansion of land inventory within the current markets in which it operates. The risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories 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. In the event of any significant change in economic, political, security or market conditions, the Company may have to sell subdivision lots and attenuating housing and condominium units at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its statement of financial position, 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, financial condition and results of operations.

To manage this risk, the Company plans to take advantage of joint ventures, focus on diversifying funding sources and increase recurring revenues while utilizing proceeds from residential pre-sales to improve capital efficiency.

Increased inflation, 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:

- Higher interest rates may make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Because the Company believes that a substantial portion of its customers procure financing (either from banks or using the Company's in-house financing programme) to fund their property purchases, higher interest rates may 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, imposed by the BSP on bank lending. If the Company were to reach the single borrower limit with respect to any bank, the Company may have difficulty obtaining financing with reasonable rates of interest from other banks.
- Increased inflation in the Philippines could result in an increase in the cost of raw materials, which the Company may not be able to pass on to its customers as increased prices.
- A further expansion in the budget deficit of the Government could also result in an increase in interest rates and inflation, which could in turn have a material effect on the ability of the Company to obtain financing at attractive terms, and on the ability of its customers to similarly obtain financing.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

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

Although the Philippines has adopted a system of land titling and registration that is intended to conclusively confirm land ownership and to be binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases in the Philippines in which third parties have produced false or forged title certificates over 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. In the event a significant 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 significant 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 this risk, the Company undertakes due diligence in the acquisition of parcels of land.

The Company may not be able to complete its development projects within budgeted project costs or on time or at all.

Property development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, the Company's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. The schedules of the Company's projects depend on a number of factors, including the performance and efficiency of its third-party contractors and its ability to finance construction. Other factors that could adversely affect the Company's project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- delays in obtaining government approvals and permits;
- changes in relevant regulations and government policies;

- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm the Company's reputation as a property developer or lead to cost overruns or loss of or delay in recognising revenues and lower margins. This may also result in sales and resulting profits from a particular development not being recognised in the year in which it was originally expected to be recognised, which could adversely affect the Company's results of operations for that year. If a property project is not completed on time, the purchasers of pre-sold units within the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their presale agreements and claim damages. There can be no assurance that the Company will not experience any significant delays in completion or delivery of its projects in the future or that it will not be subject to any liabilities for any such delays.

To manage this risk, the Company reviews each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company maintains relationships with over 317 accredited independent contractors and deals with each of them on an arm's-length basis. Furthermore, the Company is not and does not expect to be dependent upon one or a limited number of suppliers or contractors.

A deterioration in the Company's reputation could have a material adverse effect on the Company's business and prospects

The Company believes that it has a positive reputation among Filipino home buyers and that its continued success is largely based on its ability to maintain that reputation. 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 housing and land development projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to pre-sell its housing and land development 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, in order to mitigate this risk, continues to maintain its core values of quality, design, attention to detail and innovation. It also tries to continually maintain its personal service to its residents, tenants and unit owners in order to maintain its competitiveness in its segment in the real estate markets in the Philippines.

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 to 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 fitting-out works. 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 cost 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 match 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. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

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 re-classified as non-agricultural land 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 project or subdivision. 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 unit sizes; 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 or developers 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 and condominium units. Project permits and any license to sell may be suspended, cancelled or revoked by the HLURB based on its own findings or upon complaint from an interested party and there can be no assurance that the Company, its subsidiaries, associates or partners will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company’s ability to complete projects on time, within budget or at all, and could have a material adverse effect on its financial condition and results of operations.

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

The Company is subject to various environmental laws and regulations relating to the protection of the environment, human health and human safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials. Generally, 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 in other cases at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment (“EIA”) 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/or 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. See *“Regulatory and Environmental Matters.”* 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.

The Company, through its construction and property management arms, continues to keep itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means.

The loss of certain tax exemptions and incentives will increase the Company’s tax liability and decrease any profits the Company might have in the future.

The Company benefits from certain tax exemptions and incentives under Philippine law and regulations, including provisions that exempt sales of residential lots with a gross selling price of ₱1,919,500.00 or less and sales of residential houses and lots with a gross selling price of ₱3,199,200.00 or less from the value-added tax (“VAT”) of 12.0%. In the event these sales become subject to the VAT, the purchase prices for the Company’s subdivision lots and housing and condominium units will increase and this could adversely affect the Company’s sales. As taxes such as the VAT are expected to have indirect effects on the Company’s results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government’s VAT-exemption policy could have an adverse effect on the Company’s results of operations.

The interests of the Company’s joint venture partners for certain of its housing and land development projects may differ from the Company’s, and they may take actions that could adversely affect the Company.

The Company has entered into joint venture agreements with landowners and, as part of its overall land acquisition strategy, intends to continue to do so. Under the terms of most of these joint venture agreements, the Company takes responsibility for project development and project sales, while its joint venture partner typically supplies the project land. A joint venture partner may have economic or business interests or goals inconsistent with or different from those of the Company’s. A joint venture partner may also take actions contrary to the Company’s instructions or requests or in direct opposition to the Company’s policies or objectives with respect to the real estate investments. A joint venture partner may not meet its obligations under the joint venture arrangement. Disputes between the Company and a joint venture 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 joint venture arrangements could therefore have a material adverse effect on the Company’s results of operations and financial condition.

To mitigate this risk, the Company ensures that the Company’s interests are well protected under the terms and conditions of its joint venture agreements with landowners.

Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses or units that were designed or built by them for a period of 15 years from the date of completion of the house or unit. The Company may also be held responsible for hidden (*i.e.*, latent or non-observable) defects in a house or unit sold by it when such hidden defects render the house or unit unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have

paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the house or unit to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the “**Building Code**”), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company’s insurance and not subject to effective indemnification agreements with the Company’s contractors. There can also be no assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company’s reputation and on its business, financial condition and results of operations. Based on experience, however, expenses incurred by the Company relating to such liabilities for repairs and/or possible building-related claims have been well within accrued provisions made by the Company in the ordinary course of business.

In the event that the Company becomes subject to defects and other building-related claims, it shall endeavor to amicably settle the legal proceedings and in the event of any adverse ruling or decision, exhaust all legal remedies available.

The inability of the Company’s in-house financing customers to meet their payment obligations could have a material adverse effect on the Company’s business and prospects.

The Company provides a substantial amount of in-house financing to its customers. 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 utilise the Company’s in-house financing facilities will default on their payment obligations, which would require the Company to incur expenses, such as those relating to sales cancellations, foreclosures and eviction of occupants. Although the Company currently sells a portion of the receivables from its customers to commercial banks, most of these arrangements are with recourse to the Company, which means that the Company faces the risk of customer default. In addition, there is no assurance that the Company can re-sell any property once a sale has been cancelled. Therefore, the inability of its customers who obtain in-house financing from the Company to meet their payment obligations could have a material adverse effect on the Company’s business, financial condition and results of operations.

The Company mitigates this risk by measuring, monitoring and managing the risk for each customer seeking to obtain in-house financing. The Company has a structured and standardised credit approval process, which includes conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of claims regarding residences and properties owned.

Covenants in existing debt agreements of the Company and its Subsidiaries contain a cross-default clause.

The existing debt agreements of the Company and certain debt agreements of its Subsidiaries impose various covenants including, in some instances, a cross-default clause in relation to the indebtedness of the Subsidiaries. Under such cross-default clauses, if a default by a subsidiary meets certain thresholds and is not cured or waived, it may result in the default by the Company under its own existing debt agreements. Moreover, events beyond the control of the Company or its Subsidiaries, including prevailing economic, financial, and industry conditions may affect the ability of the Company and its Subsidiaries to comply with covenants contained in their respective debt agreements. In the event of any such default, even if the Company is able to comply with applicable covenants and/or cure or otherwise procure the waiver thereof, any default by the Company on its existing debt covenants or an occurrence of a cross-default could adversely affect the business of the Company by, among other effects, limiting its ability to secure financing and investment opportunities that may be beneficial to the Company and its Subsidiaries.

The cross-default clause may be subject to (i) monetary thresholds and cure periods and (ii) compliance with procedural requirements before the Company can be declared in default under such debt instruments. To manage

compliance by the Company and its Subsidiaries with their respective debt and financing covenants, the Company exercises prudent financial risk management.

The Company derives a portion of its revenues from its in-house financing activities.

The Company provides in-house financing to its customers. In order for the Company to fund its in-house financing programme, it must be able to have the necessary cash flows from operating activities, investing activities and financing activities. There can be no assurance that the Company will continue to be able to maintain the necessary cash flows from its operations or derive income from investing activities or arrange financing on acceptable terms, if at all, to fund its in-house financing activities. In the event the Company is unable to obtain adequate funds for its in-house financing programmes, it may be compelled to scale back or even discontinue its in-house financing activities. This, in turn, could result in reduced sales as potential customers may choose to purchase products from competitors who are able to provide in-house financing, or may be unable to obtain mortgage financing from banks and other financial institutions. Further, if customers decide to obtain financing from other sources, such as banks and other financial institutions, this may result in a decline in the income the Company derives from interest due on in-house financing. The inability of the Company to sustain its in-house financing activities could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is indirectly controlled by the Villar Family, and there is nothing to prevent the companies controlled by the Villar Family from competing directly with the Company.

As of 31 March 2017, Fine and its subsidiaries owned a total of 11,938,138,749 shares in the Company, representing 74.03% of the Company's total issued and outstanding shares, including 8,638,138,749 common shares and 3,300,000,000 preferred shares. In turn, Fine is controlled by members of the Villar Family, who either individually or collectively have controlled Fine since its inception. Certain members of the Villar Family also serve as directors and executive officers of Vista Land and Fine and other companies forming part of Vista Land, as well as their respective subsidiaries.

There is nothing to prevent companies that are controlled by the Villar Family from engaging in activities that compete directly with the Company's housing and land development businesses or activities, which could have a negative impact on the Company's business. There can also be no assurance that Fine and the Villar Family will not take advantage of business opportunities that may otherwise be attractive to the Company. The interests of Fine and the Villar Family, as the Company's controlling shareholders, may therefore differ significantly from or compete with the Company's interests. Fine and the Villar Family may vote their shares in a manner that is contrary to the interests of the Company. There can be no assurance that Fine and the Villar Family will exercise influence over the Company in a manner that is in the best interests of the Company.

The Villar Family's political involvement may have negative indirect effects on the Company.

Certain members of the Villar family have been and are currently involved in Philippine politics. Manuel B. Villar, Jr., patriarch of the Villar Family and Chairman of the Board of Directors of the Company, was until June 30, 2013, a Senator of the Philippines who also ran for President in the May 2010 elections. Although Manuel B. Villar, Jr. is no longer a Senator, his wife Cynthia was elected Senator in the 2013 Philippine elections (and presently serves as such), and his son Mark currently serves as the Secretary of the Department of Public Works and Highways. Given the Villar family's involvement in politics, allegations of conflicts of interest, improper influence or corruption on the part of members of the Villar Family may have an adverse effect on the Company's business and goodwill.

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

The companies controlled by the Villar Family have a number of commercial transactions with the Company. As of 31 December 2016, the Company had outstanding amounts due from affiliated companies of ₱4,406.51 million. The Company had entered into a number of transactions with its related parties, which primarily consisted of advances and reimbursements of expenses, sale and purchase of real estate properties and development, management, marketing, leasing and administrative services agreements.

The transactions referred to above are described under “*Certain Relationships and Related Transactions*” and the notes to the Company’s financial statements appearing elsewhere in this Prospectus. The Company’s practice has been to enter into contracts with these affiliated 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 the Villar Family. 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 the Company and the Villar Family 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 the Villar Family 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.

The Company is highly dependent on certain directors and members of senior management.

The Company’s directors and members of its senior management have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company’s operating efficiency and financial performance. Key executives and members of management of the Company include: Manuel B. Villar, Jr., Chairman of the Board, Manuel Paolo A. Villar, President and Chief Executive Officer, and Cynthia J. Javarez, Controller and Chief Financial Officer. If the Company loses the services of these key people and is unable to fill any vacant key executive or management positions with qualified candidates, its business and results of operations may be adversely affected.

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 the 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.

The Company relies on third-party brokers to sell its residential housing and land development projects.

The Company relies on third-party brokers to market and sell its residential housing and land development projects 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 in lease or sale opportunities, 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 cease selling for the Company, 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. Moreover, the Republic Act No. 9646 or The Real Estate Service Act of the Philippines and its implementing rules impose stringent requirements on the real estate sector, including the qualifications and licensing of real estate service practitioners. There can be no assurance that the imposition of these requirements will not affect the real estate service practice of the Company, or its ability to retain their existing third-party brokers or identify new third party brokers. These factors could disrupt the Company’s business and negatively affect its financial condition, results of operations and prospects.

Infringement of the Company's intellectual property rights would have a material adverse effect on the Company's business.

The Company has registered intellectual property rights for the “Vista Land,” “Camella,” “Crown Asia,” “Brittany” and “Starmall” names, for the names of certain of its real estate products and malls and for trademarks relating to the Company's brands. There can be no assurance that third parties will not assert rights in, or ownership of, the Company's name, trademarks and other intellectual property rights. Because the Company believes that the reputation and track record it has established under its brands is key to its future growth, the Company's business, financial condition and results of operations may be materially and adversely affected by the use of these names and of any associated trademarks by third parties or if the Company was restricted from using such trademarks.

Adoption of new accounting rules on revenue on construction of real estate may result in a restatement of the Company's financial statements for prior fiscal years which could be materially different from the audited consolidated financial statements of the Company included in this Prospectus.

Under current Philippine accounting standards, real estate companies such as the Company are allowed to recognize revenues from construction of real estate based on a percentage of completion method, wherein portions of the sales price is recognized as revenue before the real estate project's construction has been completed but once a certain percentage of payment has been received from buyers. International Financial Interpretations Committee's (IFRIC) Interpretation No. 15 on *Agreements for the Construction of Real Estate* (“**IFRIC 15**”), will require real estate companies to recognize, subject to certain exceptions, revenue from real estate only when construction of the real estate asset has been completed. Once the Company begins to account for revenues from its real estate sales under IFRIC 15, amounts recorded for certain items in its financial statements, such as gross and net income, as well as receivables, may be materially different from the Company's consolidated financial statements included elsewhere in this Prospectus, and potentially provide a different view of the Company's financial condition and results of operations.

The SEC and Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue Standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue Standard against the practices of the Philippine real estate industry is completed.

The adoption of IFRIC 15 will also result in restatements to certain of the Company's historical financial statements. As a result, there may be significant differences between the financial statements included in this Prospectus and any restated financial statements that will be prepared by the Company in succeeding years, and there can be no assurance that the Company's current and historical results of operations will not be materially and adversely changed upon the adoption of IFRIC 15. These changes would adversely affect the comparability of the Company's future financial statements with those relating to prior periods.

PFRS 15, *Revenue from contracts with customer*, was issued in May 2014 and adopted by the Financial Reporting Standards Council in December 2016 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS, including IFRIC 15. Either a full or modified retrospective 36 application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge

accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

In PFRS 16, *Leases*, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

Any deterioration in the Company's employee relations could materially and adversely affect the Company's operations.

The Company's success depends partially on its ability to maintain a productive workforce. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's employee relations could have a material and adverse effect on the Company's financial condition and results of operations.

RISKS RELATING TO THE PHILIPPINES

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 political and military instability. In the last few years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations. The Philippines has also been subject to a number of terrorist attacks since 2000, and the Philippine armed forces have been in conflict with groups that have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. Political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, the Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that impose vehicular volume reduction programs. There can be no assurance that any changes in such regulations or policies imposed by the Philippine government from time to time will not have an adverse effect on the Company's business, financial condition, results of operations and prospects.

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

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, massive flooding, droughts, volcanic eruptions and earthquakes. A number of climate experts believe that climate change is affecting the intensity and severity of these natural catastrophes. The potential effects of global climate change may include longer periods of drought in some regions and an increase in the number, duration and intensity of tropical storms in the country. Authorities may not be prepared or equipped to respond to such disasters. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the

Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects, many of which are large, complex estates with infrastructure, such as buildings, roads and perimeter walls, which are susceptible to damage. Damage to these structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers, for example for physical injuries or loss of property. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Further, the Company does not carry any insurance for certain catastrophic events, and there are certain losses for which the Company cannot obtain insurance at a reasonable cost or at all. The Company also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such property, while remaining liable for any project construction costs or other financial obligations related to the property. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

Due to the risk of changing environmental conditions, all land acquisitions and project launches undergo a thorough technical due diligence process and environmental scanning to identify all potential risks that the project may be exposed to. This technical due diligence process includes environmental studies not just for specific land parcels but for adjacent areas as well. Furthermore, the Company is a member of the Weather Philippines Foundation, a non-profit organization that provides the public free access to accurate and localized weather information that may enable the people to timely respond to severe weather conditions.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Company's assets and financial condition.

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 several terrorist and separatist organisations, including the Abu Sayyaf organisation, which has ties to the al-Qaeda terrorist network, and, along with certain other organisations, has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. For example, since the beginning of September 2013, Philippine government troops have been involved in violent and deadly clashes with a faction of the Moro National Liberation Front that has been accused of kidnappings and bombings in parts of Mindanao.

Furthermore, the Government of the Philippines and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army. On 19 October 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On 16 December 2011, five AFP soldiers were killed in a clash with New People's Army members. In August 2013, a series of bombings occurred in the cities of Cagayan de Oro and Cotabato City, as well as other areas in Maguindanao and North Cotabato provinces, all located in Mindanao, and in September 2013, armed clashes took place between the MNLF and the AFP in Zamboanga City in Mindanao, with a number of civilians being held hostage.

On 23 May 2017, after a joint operation of the AFP and the Philippine National Police ("PNP") was launched in Marawi City to capture an alleged terrorist leader, firefight ensued between the AFP and PNP and a radical Islamist group called the Maute Group. The Maute Group is a group inspired by the bigger extremist militant group known as the Islamic State in Iraq and Syria (ISIS). As of date, the firefight continues, which has already caused and continues to cause several casualties and damage to residences and establishments including a city jail, a school, and a hospital. President Rodrigo Duterte has declared martial law in Mindanao for a period of sixty (60) days.

The uncertainty of the situation in Mindanao and these continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country's economy.

There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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). 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. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

On July 12, 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the "nine -dash line;" (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China had violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine Coast Guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Government.

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 BONDS

Substantial leverage and debt service obligations could adversely affect the Company's businesses and prevent the Company from fulfilling its obligations under the Bonds.

Subject to limitations set forth in this Prospectus, the Company will be permitted to incur additional indebtedness in the future. For a summary of the Company's existing indebtedness as of the date of this offering, see "Description of Indebtedness." The degree to which the Company will be leveraged in the future, on a consolidated basis, could have important consequences for the Bondholders, including, but not limited to:

- making it more difficult for the Company to satisfy its obligations with respect to the Bonds;
- increasing vulnerability to, and reducing the Company's flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, the Company's consolidated indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting flexibility in planning for, or reacting to, changes in the Company's businesses, the competitive environment and the industry in which the Company operates;
- placing Bondholders at a competitive disadvantage compared to the Company's competitors that are not as highly leveraged; and
- limiting the Company's ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could materially and adversely affect the Company's ability to satisfy debt obligations, including the Bonds.

The Company believes, however, that as a result of its sustained positive operating performance and prudent financial and strategic management, it is now able to maintain a strong balance sheet. Based on published Debt to Equity ratios as of 2016, the Company believes it has high capacity for additional borrowings relative to its peers.

The Company will require a significant amount of cash to meet its obligations under its indebtedness and to sustain its operations, which the Company may not be able to generate or raise.

The ability of the Company to make scheduled principal or interest payments on the Bonds and the Company's ability to make payments on the Company's indebtedness and the Company's contractual obligations (see "*Description of Indebtedness*"), and to fund the Company's ongoing operations, will depend on the Company's future performance and the Company's ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in this "Risk Factors and Other Considerations" section, many of which are beyond the Company's control. If the Company's future cash flows from operations and other capital resources are insufficient to pay the Company's debt obligations, the Company's contractual obligations, or to fund the Company's other liquidity needs, the Company may be forced to sell assets or attempt to restructure or refinance the Company's existing indebtedness. No assurance can be given that the Company would be able to accomplish any of these measures on a timely basis or on satisfactory terms or at all.

The Bonds will be effectively subordinated in right of payment to all secured debt of Vista Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt not evidenced by a public instrument. Debt becomes evidenced by a public instrument when it has been acknowledged by the creditor and the debtor before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (a statement by one party of the circumstances in which an affidavit was made) may also be sufficient to make a document a public instrument. Accordingly, it may be possible for debt to become evidenced by a public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As of 31 March 2017 Vista Land's consolidated indebtedness of ₱23,395.82 million was evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Vista Land.

Notwithstanding the foregoing, investors are assured of Vista Land's continuing track record of prudent financial management which has allowed it to be in a net debt-to-equity position of 0.49 as of 31 March 2017. Thus, in the unlikely event that Vista Land is dissolved, there will be sufficient assets for disposition that will meet all its debt obligations, whether secured or unsecured.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds 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 Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE BONDHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing 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 doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. Generally, interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% withholding tax while that received by non-resident foreign individuals not engaged in trade or business is taxed at the rate of 25%. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax imposed on the interest is a final withholding tax which constitutes a final settlement of Philippine income tax liability with respect to such interest.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment. Availing of such reduced tax treaty rates will require confirmation of entitlement thereto from the BIR, as discussed below.

TAX-EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may avail of such exemption by submitting the necessary documents. Said Bondholder shall submit the following requirements to the Registrar, or to the Issue Manager, Underwriter and Bookrunner (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) a current and valid BIR certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption; (ii) a duly notarized undertaking, in the prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer and the Registrar and

Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Electronic Registry of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Issuer, upon submission of Account Opening documents to the Registry: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed from the Issuer on account of such transfer.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities and lending investors shall be subject to a 12% value-added tax. The term “gross receipt” means gross selling price less acquisition cost of the Bonds sold.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period referred to above is shortened through pre-termination or otherwise redeemed by the Issuer pursuant to the Terms and Conditions, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱200, or fractional part thereof, of the offer price of such debt instruments.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

The holder of the Bonds will recognize gain or loss upon the sale or other disposition (including a redemption at maturity) of the Bonds in an amount equal to the difference between the amount realized from such disposition and such holder's basis in the Bonds. Such gain or loss is likely to be deemed a capital gain or loss assuming that the holder has held Bonds as capital assets.

Under the Tax Code, any gain realized from the sale, exchange or retirement of securities, debentures and other

certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such securities, debentures or other certificates of indebtedness) shall not be subject to income tax. As the Bonds have maturities of more than five years, any gains realized by a holder on the trading of Bonds shall be exempt from income tax.

In case of an individual taxpayer, only 50% of the capital gain or loss is recognized upon the sale or exchange of a capital asset if it has been held for more than 12 months.

An exercise by a Bondholder of the Optional Redemption as allowed under the Terms and Conditions would each be considered a sale for purposes of such tax. However, given that the amount to be received by the Bondholder in each case is limited to the principal plus accrued but unpaid interest, there should be no income tax due on the call option or such redemption, provided that the Bondholder's acquisition cost is not lower than the par value of the Bonds.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000. A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000 and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the 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 the foreign country.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued at 100% of principal amount or face value.

CAPITALIZATION

As at March 31, 2017, the authorized capital stock of the Issuer is ₱18,000,000,000.00, divided into 17,900,000,000 common shares with ₱1.00 par value per share and 10,000,000 preferred shares with ₱0.01 par value per share.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at December 31, 2016 and March 31, 2017 and as adjusted to give effect to the issuance of the Offer Bonds. This table should be read in conjunction with the Issuer's interim audited consolidated financial statements as at December 31, 2016 and the interim unaudited condensed consolidated financial statements as at March 31, 2017 and notes thereto, included in the Prospectus.

Capitalization without the Oversubscription Option at Issue Size of ₱3,000,000,000.00:

(in ₱ Millions)	As of December 31, 2016 (Audited)	As of March 31, 2017 (Unaudited)	Adjustments	As of March 31, 2017 (Unaudited)
Current Liabilities				
Accounts and other payables	₱11,400.37	₱13,309.09		₱13,309.09
Customers' advances and deposits	2,671.75	2,720.58		2,720.58
Income tax payable	133.96	182.55		182.55
Dividends payable	24.96	24.85		24.85
Current portion of				
Bank Loans	5,972.29	4,413.75		4,413.75
Loans Payable	1,122.55	1,105.23		1,105.23
Notes Payable	475.48	254.26		254.26
Total Current Liabilities	21,801.36	22,010.31		22,010.31
Noncurrent Liabilities				
Bank loans - net of current portion	30,114.95	32,068.59		32,068.60
Loans payable - net of current portion	2,764.70	2,968.94		2,968.94
Notes payable - net of current portion	39,049.64	39,335.16	3,000.00	42,335.16
Pension liabilities	98.13	80.54		80.54
Deferred tax liabilities - net	2,065.64	2,404.53		2,404.53
Other noncurrent liabilities	2,378.51	2,989.23		2,989.23
Total Non-current Liabilities	76,471.58	79,847.00		82,847.00
Total Liabilities	₱98,272.94	₱101,857.31		₱104,857.31
Equity				
Attributable to equity holders of the Parent Company				
Common stock	13,114.14	13,114.14		13,114.14
Preferred stock	33.00	33.00		33.00
Additional paid-in capital	30,655.43	30,655.43		30,655.43
Other comprehensive income	1,111.00	1,078.13		1,078.13
Treasury shares	(6,916.01)	(6,980.29)		(6,980.29)
Retained earnings	36,953.58	39,208.75		39,208.75
	74,950.14	77,109.16		77,109.16
Non-controlling interest	1,545.17	1,602.13		1,602.13
Total Equity	₱76,495.31	₱78,711.29		₱78,711.29
Total Capitalization	174,768.24	180,568.60		183,568.60

Capitalization with full exercise of the Oversubscription Option at Issue Size of ₱5,000,000,000.00:

(in ₱ Millions)	As of December 31, 2016 (Audited)	As of March 31, 2016 (Unaudited)	Adjustments	As of March 31, 2016 (Unaudited)
Current Liabilities				
Accounts and other payables	₱11,400.37	₱13,309.09		₱13,309.09
Customers' advances and deposits	2,671.75	2,720.58		2,720.58
Income tax payable	133.96	182.55		182.55
Dividends payable	24.96	24.85		24.85
Current portion of				
Bank Loans	5,972.29	4,413.75		4,413.75
Loans Payable	1,122.55	1,105.23		1,105.23
Notes Payable	475.48	254.26		254.26
Total Current Liabilities	<u>21,801.36</u>	<u>22,010.31</u>		<u>22,010.31</u>
Noncurrent Liabilities				
Bank loans - net of current portion	30,114.95	32,068.60		32,068.60
Loans payable - net of current portion	2,764.70	2,968.94		2,968.94
Notes payable - net of current portion	39,049.64	39,335.16	5,000.00	44,335.16
Pension liabilities	98.13	80.54		80.54
Deferred tax liabilities - net	2,065.64	2,404.53		2,404.53
Other noncurrent liabilities	2,378.51	2,989.23		2,989.23
Total Non-current Liabilities	<u>76,471.58</u>	<u>79,847.00</u>		<u>84,847.00</u>
Total Liabilities	<u>₱98,272.94</u>	<u>₱101,857.31</u>		<u>₱106,857.31</u>
Equity				
Attributable to equity holders of the Parent Company				
Common stock	13,114.14	13,114.14		13,114.14
Preferred stock	33.00	33.00		33.00
Additional paid-in capital	30,655.43	30,655.43		30,655.43
Other comprehensive income	1,111.00	1,078.13		1,078.13
Treasury shares	(6,916.01)	(6,980.29)		(6,980.29)
Retained earnings	36,953.58	39,208.75		39,208.75
	74,950.14	77,109.16		77,109.16
Non-controlling interest	1,545.17	1,602.13		1,602.13
Total Equity	<u>₱76,495.31</u>	<u>₱78,711.29</u>		<u>₱78,711.29</u>
Total Capitalization	<u>₱174,768.24</u>	<u>₱180,568.60</u>		<u>₱185,568.60</u>

USE OF PROCEEDS

This section sets forth the use of proceeds for the Offer Bonds. The intended use of proceeds for each subsequent tranche of the Bonds shall be set in the relevant Offer Supplement under the section on “Use of Proceeds”.

VLL expects that without the Oversubscription Option (after deduction of fees, commissions, and expenses), the net proceeds of the Offering shall amount to approximately ₱2,952,017,375. Assuming the Oversubscription Option of up to ₱2,000,000,000.00 is fully exercised, VLL expects total net proceeds of approximately ₱4,932,017,375 after fees, commissions, and expenses.

Net proceeds from the Offering are estimated to be at least as follows:

Without the Oversubscription Option: ₱3.0 Billion Issue Size

	Total
Estimated proceeds from the sale of Bonds	<u>3,000,000,000</u>
Less: Estimated Expenses	
A. Upfront Expenses	
Underwriting Fee	15,000,000
Documentary Stamp Tax	15,000,000
SEC Registration Fee and Legal Research Fee	1,830,625
Publication Fee	150,000
Rating Agency Fee	3,360,000
Professional Fees (excluding OPE)	8,100,000
PDEX Listing Application Fee	200,000
Registry and Paying Agency Account Opening Fee	100,000
Marketing Expenses and Signing Ceremony Expenses	300,000
Total Upfront Expenses	<u>44,040,625</u>
B. Annual Expenses	
Monitoring Fee of Rating Agency	392,000
Trustee	300,000
Registry	200,000
Listing Maintenance Fee	300,000
Paying Agent	2,750,000
Total Annual Expenses	<u>3,942,000</u>
Estimated net proceeds	<u>2,952,017,375</u>

With Full Exercise of Oversubscription Option: ₱5.0 Billion Issue Size

	Total
Estimated proceeds from the sale of Bonds	<u>5,000,000,000</u>
Less: Estimated Expenses	
A. Upfront Expenses	
Underwriting Fee	25,000,000
Documentary Stamp Tax	25,000,000
SEC Registration Fee and Legal Research Fee	1,830,625
Publication Fee	150,000

Rating Agency Fee	3,360,000
Professional Fees (excluding OPE)	8,100,000
PDEX Listing Application Fee	200,000
Registry and Paying Agency Account Opening Fee	100,000
Marketing Expenses and Signing Ceremony Expenses	300,000
Upfront Registry Fee ₱75 per holder	
Total Upfront Expenses	64,040,625
B. Annual Expenses	
Monitoring Fee of Rating Agency	392,000
Trustee	300,000
Registry	200,000
Listing Maintenance Fee	300,000
Paying Agent	2,750,000
Total Annual Expenses	3,942,000
Estimated net proceeds	4,932,017,375

The net proceeds of the Offer Bonds shall be distributed by the Company to Brittany Corporation and Communities Philippines, Inc. through advances to be made within six (6) months from receipt by the Company of such proceeds. Such advances to Brittany Corporation and Communities Philippines, Inc. may, thereafter, be converted to equity or retained as debt, at the discretion of the Board of Directors of the Company, upon completion of the projects or on such other time as may be appropriate taking into consideration their capital requirements, financial position, and business operations. The net proceeds shall be used to fund the construction and completion of the Evia Lifestyle Center Expansion and the development, construction, and completion of Vistamall Malolos, as well as for general corporate purposes.

Evia Lifestyle Center

Brittany Corporation recently commenced the construction works for the expansion of the existing Evia Lifestyle Center located in Vista Alabang. Upon completion, the expansion is expected to increase the gross floor area (GFA) of the Evia Lifestyle Center from 61,488 sq.m to over 100,000 sq.m. The estimated cost to complete this project is approximately ₱1.7 billion. As of 31 May 2017, the expansion project of Evia Lifestyle Center is 7% completed with target completion in the 2nd half of 2018

Vistamall Malolos

Communities Philippines, Inc. intends to construct Vistamall Malolos in Malolos, Bulacan, with expected GFA of 36,000 sq.m. The estimated cost to complete this project is approximately ₱1.1 billion. On May 30, 2017, Communities Philippines, Inc. broke ground on the proposed site for Vistamall Malolos. The target completion of the project is in the 1st half of 2019.

The net proceeds from the Offer will be allocated as follows: (a) ₱1.51 Billion for Evia Lifestyle Center; (b) ₱1.10 Billion for Vista Mall Malolos; and (c) ₱390.10 Million for general corporate purposes.

The indicative timing of the disbursement by Brittany Corporation and Communities Philippines, Inc. of the net proceeds shall be as follows:

	<u>Q2</u> <u>2017</u>	<u>Q3</u> <u>2017</u>	<u>Q4</u> <u>2017</u>	<u>Q1</u> <u>2018</u>	<u>Q2</u> <u>2018</u>	<u>Q3</u> <u>2018</u>	<u>Q4</u> <u>2018</u>	<u>Q1</u> <u>2019</u>	<u>Q2</u> <u>2019</u>	<u>TOTAL</u>
Evia Expansion	335.41	195.84	195.84	195.84	195.84	195.84	195.84	-	-	1,510.42
Vistamall Malolos	-	315.44	105.15	105.15	105.15	105.15	105.15	105.15	105.15	1,051.49
TOTAL	335.41	511.28	300.99	300.99	300.99	300.99	300.99	105.15	105.15	2,561.94

If the **₱ 2 Billion Oversubscription Option** is exercised, the additional net proceeds of ₱1,980 million from the Oversubscription Option shall be used to fund the construction and completion of Vistamall Iloilo, Vistamall Naga and Vistamall CDO and any excess will be used for general corporate purposes .

Vistamall Iloilo

Communities Philippines, Inc. recently commenced the construction works for Vistamall Iloilo in Iloilo City, with expected GFA of 28,000 sq.m. The estimated cost to complete this project is approximately ₱989.32 million. On May 15, 2017, Communities Philippines, Inc. broke ground on the proposed site for Vistamall Iloilo.

As of 31 May 2017, the construction is 6% completed with target completion in the 2nd half of 2018.

Vistamall Naga

Communities Philippines, Inc. recently commenced the construction works for Vistamall Naga in Naga City, Camarines Sur, with expected GFA of 27,000 sq.m. The estimated cost to complete this project is approximately ₱573.95 million. On May 6, 2017, Communities Philippines, Inc. broke ground on the proposed site for Vistamall Naga. As of 31 May 2017, the construction is 8% completed with target completion in the 2nd half of 2018.

Vistamall CDO

Communities Philippines, Inc. recently commenced the construction works for Vistamall CDO in Cagayan de Oro City, Misamis Oriental, with expected GFA of 15,000 sq.m. The estimated cost to complete this project is approximately ₱331.32 million. On May 2, 2017, Communities Philippines, Inc. broke ground on the proposed site for Vistamall CDO. The target completion of the project is in the 1st half of 2018.

The net proceeds from the Offer will be allocated as follows: (a) ₱1.51 Billion for Evia Lifestyle Center; (b) ₱1.10 Billion for Vistamall Malolos; and (c) ₱989.32 Million for Vistamall Iloilo; (d) ₱573.95 Million for Vistamall Naga; (e) ₱331.32 Million for Vistamall CDO; (f) ₱475.72 Million for general corporate purposes .

The indicative timing of the disbursement by Brittany Corporation and Communities Philippines, Inc. of the net proceeds, including the proceeds from the oversubscription shall be as follows:

	<u>Q2</u> 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	<u>Q1</u> 2019	<u>Q2</u> 2019	<u>TOTAL</u>
Evia Expansion	335.41	195.84	195.84	195.84	195.84	195.84	195.84	-	-	1,510.42
Vistamall Malolos	-	315.45	105.15	105.15	105.15	105.15	105.15	105.15	105.15	1,051.49
Vistamall Iloilo	-	295.79	138.71	138.71	138.71	138.71	138.71	-	-	989.32
Vistamall Naga	-	162.00	82.35	82.35	82.35	82.35	82.35	-	-	573.75
Vistamall CDO	-	99.40	77.31	77.31	77.31	-	-	-	-	331.32
TOTAL	335.41	1,068.46	599.35	599.35	599.35	522.04	522.04	105.15	105.15	4,456.29

Pending the above use of proceeds, the Company shall invest the net proceeds from the Offer Bonds in short-term liquid investments including but not limited to short-term government securities, bank deposits and money market placements which are expected to earn at prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting fees, issue management fees and expenses related to the Offer Bonds, no amount of the proceeds will be utilized to pay any outstanding financial obligations to the Issuer Manager, Underwriter and Bookrunner. Please see section on "*Plan of Distribution*".

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion

and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PDEx, and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

PLAN OF DISTRIBUTION

This section sets forth the plan of distribution for the Offer Bonds. The plan of distribution for each subsequent tranche of the Bonds shall be detailed in the relevant Offer Supplement under the section on “Plan of Distribution”.

THE OFFER BONDS

On 31 May 2017, Vista Land filed a Registration Statement with the SEC in connection with the offer and sale to the public of fixed rate bonds up to an aggregate principal amount of ₱20,000,000,000.00 to be issued in one or more tranches within the Shelf Period.

The first tranche, consisting of the Offer Bonds, will be issued with an aggregate principal amount of ₱3,000,000,000.00 with an Oversubscription Option of up to ₱2,000,000,000.00. The Oversubscription Option once exercised during the Offer Period, shall be deemed firmly underwritten by the Issue Manager, Underwriter, and Bookrunner. After the issuance of the first tranche, the remaining amount shall be lodged under a shelf registration and may be issued in one or more tranches within the Shelf Period. However, in case the Oversubscription Option is partly exercised or not exercised at all during the Offer Period, the Bonds under shelf registration will be automatically increased by such principal amount of Offer Bonds that will not be taken up. Hence, after the Offer, the remaining Bonds under shelf registration may potentially increase to an aggregate principal amount of up to ₱17,000,000,000.00, which may be issued in tranches within the Shelf Period. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding Permit to Sell Securities covering the Offer Bonds.

SHELF REGISTRATION OF SECURITIES NOT COVERED BY THE OFFER

After the close of the Offer and within the Shelf Period, VLL may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by such Registration Statement, in one or more subsequent tranches under Rule 8.1.2 of the 2015 Implementing Rules and Regulations of the Code. The shelf registration provides the Company the ability to conduct an offering within a comparatively short period of time. The Company believes that such shelf registration provides the Company with the increased ability to take advantage of opportunities in a volatile debt capital market, as these occur. Any subsequent offering under the relevant rules requires the submission by VLL of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding Permit to Sell Securities by the SEC. As a listed company, VLL regularly disseminates such updates and information in its disclosures to the SEC, PSE, and PDEX.

However, there can be no assurance in respect of: (i) whether the Company would issue such debt securities at all; (ii) the size or timing of any individual issuance or the total issuance of such debt securities; or (iii) the specific terms and conditions of such issuance. Any decision by the Company to offer such debt securities will depend on a number of factors at the relevant time, many of which are not within VLL's control, including, but not limited to, prevailing interest rates, the financing requirements of the Company's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine economy in general.

THE UNDERWRITER OF THE OFFER

China Bank Capital Corporation, pursuant to an Issue Management and Underwriting Agreement with VLL executed on 14 July 2017 (the “Underwriting Agreement”), has agreed to act as the Issue Manager, Underwriter and Bookrunner for the Offer and as such, distribute and sell the Offer Bonds at the Offer Price, and has also committed to underwrite the Firm Bonds on a firm basis subject to the satisfaction of certain conditions and in consideration of an underwriting fee equivalent to 0.50% of gross proceeds.

There is no arrangement for the Issuer Manager, Underwriter and Bookrunner to return to VLL any unsold Offer Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer Bonds being made to VLL. There is no arrangement giving the Issuer Manager, Underwriter and Bookrunner the right to designate or nominate member(s) to the Board of Directors of VLL.

The Issue Manager, Underwriter and Bookrunner is duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Issue Manager, Underwriter and Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business for VLL.

The Issue Manager, Underwriter and Bookrunner has no direct relations with VLL in terms of ownership by either of their respective major stockholder/s.

SALE AND DISTRIBUTION

The distribution and sale of the Offer Bonds shall be undertaken by the Issue Manager, Underwriter and Bookrunner who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Issue Manager, Underwriter and Bookrunner from purchasing the Bonds for its own account.

There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference.

OFFER PERIOD

The Offer Period shall commence at 10:00a.m. on 18 July 2017 and end at 5:00pm on 28 July 2017.

APPLICATION TO PURCHASE

Applicants may purchase the Offer Bonds during the Offer Period by submitting to the Issue Manager, Underwriter and Bookrunner properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Bonds in the manner provided in said Application to Purchase.

Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies relative to the purchase of the Bonds and designating the authorized signatory(ies) thereof.

Individual applicants must also submit, in addition to accomplished Application to Purchase and its required attachments, a photocopy of any one of the following identification cards ("ID"), subject to verification with the original ID: passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) BIR-certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the BIR or a Certificate of Residence for Tax Treaty Relief ("CORTT Form"), as applicable, confirming the exemption or preferential rate, (ii) duly notarized undertaking declaring and warranting that the same Bondholder named in the tax exemption certificate or CORTT Form described in (i) above, is specifically exempt from the relevant tax or is specifically subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation or modification of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and (iii) applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Completed Applications to Purchase and corresponding payments must reach the Issuer Manager, Underwriter and Bookrunner prior to the end of the Offer Period, or such earlier date as may be specified by the Issuer Manager, Underwriter and Bookrunner. Acceptance by the Issuer Manager, Underwriter and Bookrunner of the completed Application to Purchase shall be subject to the availability of the Offer Bonds and the acceptance by VLL. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of Fifty Thousand Pesos (₱50,000.00) shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000.00).

ALLOTMENT OF THE BONDS

If the Offer Bonds are insufficient to satisfy all Applications to Purchase, the available Offer Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to VLL's exercise of its right of rejection.

ACCEPTANCE OF APPLICATIONS

VLL and the Issue Manager, Underwriter and Bookrunner reserve the right to accept or reject applications to subscribe in the Offer Bonds, and in case of oversubscription, allocate the Offer Bonds available to the applicants in a manner they deem appropriate. If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the Issue Manager, Underwriter and Bookrunner.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate unused portion thereof shall be returned without interest to such applicant through the Issue Manager, Underwriter and Bookrunner with whom such application to purchase the Offer Bonds was made.

PAYMENTS

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by said Paying Agent in accordance with the Registry and Paying Agency Agreement and the PDTC Rules, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from the relevant Maturity Date or Early Redemption Option Date or date of early redemption other than the or Early Redemption Option Date. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

PURCHASE AND CANCELLATION

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to make pro-rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with applicable PDEX disclosure rules.

SECONDARY MARKET

VLL intends to list the Bonds in the PDEX. VLL may purchase the Bonds at any time without any obligation to make pro-rata purchases of Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form and shall be registered in the scripless Electronic Registry of Bondholders maintained by the Registrar. Master Bond Certificates representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Electronic Registry of Bondholders to be maintained by the Registrar. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable prevailing Philippine selling restrictions. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Electronic Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Electronic Registry of Bondholders.

DESCRIPTION OF THE BONDS

This section sets forth the terms and conditions of the Offer Bonds only. The detailed terms and conditions of a particular subsequent tranche of Bonds shall be set out in the relevant Offer Supplement under “Description of the Offer Bonds”.

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Offer Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of VLL, the information contained in the Prospectus, the Trust Agreement, and the other Bond Agreements or other agreements relevant to the Offer such as the Application to Purchase, and to perform their own independent investigation and analysis of the Issuer and the Offer Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They 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. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Offer Bonds.

GENERAL

The Issuer is offering up to ₱20.0 Billion fixed rate bonds to be offered in several tranches, the first tranche to be comprised of ₱3 Billion fixed rate bonds due 2024 (the “**Seven Year Bonds**”) and 2027 (the “**Ten Year Bonds**”), with an oversubscription option of up to ₱2 Billion (the “**Bonds**”), the Bonds to be issued on 8 August 2017 (the “Issue Date”) or such other date as may be agreed by the Issuer and the Underwriter. The Bonds are constituted by a Trust Indenture executed on 14 July 2017 (the “Trust Indenture”) between the Issuer and Chinabank-TG (the “Trustee”, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Registry and Paying Agency Agreement executed on 14 July 2017 (the “Registry and Paying Agency Agreement”) among the Issuer, the Registrar, and the Paying Agent.

PDTC has no interest in or relation to the Issuer which may conflict with its roles as Registrar and as Paying Agent for the Offer.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Bonds (the “Bondholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The Bonds are in scripless form, and shall be issued, in denominations of Fifty Thousand Pesos (₱50,000.00) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

(b) Title

The beneficial interest to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) Bond Rating

The Bonds have been rated AAA by CRISP. Obligations rated AAA reflect strongest capacity to repay debt obligations. CRISP has also assigned a stable outlook on the Issuer. The ratings reflect the following factors:

- The Company's leadership in the low-cost and affordable housing market.
- The Company's excellent financial performance.
- The Company's strong management and a successful operating model.

AAA is the highest rating assigned by CRISP.

CRISP's ratings are based on available information and projections at the time that the rating review was performed. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. CRISP shall continuously monitor developments relating to the Issuer and may change the ratings at any time, should circumstances warrant a change. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

2. Transfer of Bonds

(a) Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. Transfer of ownership shall be effected through the book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas*, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Save in the case of manifest error or fraud, the foregoing written statement of registry holdings shall be final and binding on the Bondholder. The Bondholder shall examine such statement and promptly (and in no case more than thirty (30) days from receipt thereof) notify the Registrar in writing of any error and they shall together resolve to correct such error promptly (and in no case more than five (5) Business Days from receipt of the notice by the Registrar), failing which such transaction advice, statement or report shall be conclusive against the Bondholder. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date*."

(b) Transfers; Tax Status

Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Subject to the provisions of the Registry and Paying Agency Agreement, the relevant rules, conventions and guidelines of PDEX and PDTC, the Bondholders may not transfer their Bonds as follows:

- (a) Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a business day, provided however that transfers from a Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEX, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the four (4) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, 25% tax-withheld entities, and 30% tax-withheld entities. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented
- (b) transfers by Bondholders with deficient documents; and

- (c) transfers during a Closed Period. For purposes hereof, “Closed Period” means the period during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the final redemption amount of the Bonds; or (ii) the period when any of the Bonds have been previously called for redemption.

Transfers taking place in the Registry of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar. Please see the sections on “*Description of the Bonds –Tax-Exempt Status or Entitlement to Preferential Tax Rate*” of the Prospectus for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar, or the Underwriter of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corporation
37/F, Enterprise Centre, Tower 1, Ayala Ave., Makati City
Telephone no.: (632) 884-4425
Fax no.: (632) 757-6025
E-mail: baby_delacruz@pds.com.ph
Attention: Josephine F. Dela Cruz

(d) Secondary Trading of the Bonds

The Issuer intends to list the Bonds in PDEX for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for as long as any of the Bonds are listed on PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC, all of which shall be for the account of the Bondholders.

3. Ranking

The Bonds constitute direct, unconditional, unsubordinated, general, and unsecured obligations of the Issuer to the Bondholders, enforceable according to the terms and conditions thereof. The obligations of the Issuer shall at all times rank at least *pari passu* in all respects with all other unsecured obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation, or other similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity, other than the preference or priority established by Article 2244, paragraph 14(a), of the Civil Code of the Philippines, as the same may be amended.

4. Interest

(a) Interest Payment Dates

The Seven Year Bonds bear interest on its principal amount from and including Issue Date at the fixed rate of 5.7512% per annum, payable quarterly in arrears on 8 February, 8 May, 8 August, and 8 November of each year while the Bonds are outstanding (each of which, for purposes of this section is an “Interest Payment Date”) commencing on 8 November 2017 or the subsequent Business Day, without adjustment for accrued interest, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date. Should the Issue Date fall on a date other than 8 August 2017, the Interest Payment Dates shall be adjusted accordingly.

The Ten Year Bonds bear interest on its principal amount from and including Issue Date at the fixed rate of 6.2255% per annum, payable quarterly in arrears on 8 February, 8 May, 8 August, and 8 November of each year while the Bonds are outstanding (each of which, for purposes of this section is an “Interest Payment Date”) commencing on 8 November 2017 or the subsequent Business Day, without adjustment for accrued interest, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date. Should the Issue Date fall on a date other than 8 August 2017, the Interest Payment Dates shall be adjusted accordingly.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the “Record Date”), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(b) Interest Accrual

Each Bond shall cease to bear interest, net of applicable withholding taxes, from and including the relevant Maturity Date, as defined in the discussion on “*Final Redemption*”, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*”) shall apply.

(c) Determination of Interest Amount

The interest shall be calculated on the basis of a European 30/360-day count.

5. Early Redemption Option

(a) Early Redemption Option

The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), the outstanding Bonds on the following relevant dates. The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of:

- (i) accrued interest computed from the last Interest Payment Date up to the relevant Early Redemption Option Date; and
- (ii) the product of the principal amount of the Bonds being redeemed and the Early Redemption Price in accordance with the following schedule:

Early Redemption Option Date on Seven Year Bonds	Early Redemption Price
Five (5) Years and Six (6) Months from Issue Date	101.0%
Six (6) Years from Issue Date	100.5%
Early Redemption Option Date on Ten Year Bonds	Early Redemption Price
Seven (7) Years from Issue Date	102.0%
Eight (8) Years from Issue Date	101.0%

The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds to the Trustee, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Option Date stated in such notice.

(b) Exercise of an Early Redemption Option

The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Bonds to the Trustee, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Early Redemption Option Date stated in such notice.

6. Redemption and Purchase

(a) Final Redemption

The Bonds shall be redeemed at 100% of face value, plus any outstanding interest, on their respective Maturity Dates, unless earlier redeemed by the Company.

(b) Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.

Upon receipt by the Trustee of a redemption notice from the Issuer hereunder, the Trustee shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice and the Trustee shall transmit the same notice to all registered Bondholders of the intended redemption.

(c) Purchase and Cancellation

The Issuer may at any time, purchase any of the Bonds in the open market or by tender or by contract, in accordance with PDEX Rules, as may be amended from time to time, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

(d) Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change of Law or Circumstance") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Indenture and the Bonds:

- (i) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.
- (ii) Any provision of the Trust Indenture or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Indenture or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.
- (iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated,

or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to constitute a Material Adverse Effect.

- (iv) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not constitute a Material Adverse Effect.

In the event the Issuer should invoke this section, the Issuer shall provide the Trustee an opinion of legal counsel confirming the occurrence of the relevant event and the consequences thereof as consistent herewith, such legal counsel being from a recognized law firm reasonably acceptable to the Trustee. Thereupon, the Trustee shall confirm that the Issuer may redeem the Bonds in whole, but not in part, on any Banking Day (having given not more than sixty (60) nor less than thirty (30) days' notice to the Trustee) at par plus accrued interest.

The Trustee shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice and the Trustee shall transmit the same notice to all registered Bondholders.

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer, net of final taxes and fees (if any) to the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts; Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty percent (30%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- (a) The final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the "Tax Code"); provided, that all Bondholders are required to provide the Issuer through the Paying Agent their validly issued tax identification numbers issued by the BIR.
- (b) Gross Receipts Tax under Section 121 of the Tax Code;
- (c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

9. Tax-Exempt Status or Entitlement to Preferential Tax Rate

A Bondholder who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the

Issuer as being sufficient in form and substance:

- a. A BIR-certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the BIR or a Certificate of Residence for Tax Treaty Relief ("CORTT Form"), as applicable, confirming the exemption or preferential rate;
- b. A duly notarized undertaking (in substantially the same form as Annex D/D-1 of the Underwriting Agreement) declaring and warranting that the same Bondholder named in the tax exemption certificate or CORTT Form described in (a) above, is specifically exempt from the relevant tax or is specifically subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation or modification of its tax exemption or treaty privileges and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and
- c. If applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the Underwriter) who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

10. Financial Ratios

The Issuer shall maintain, for as long as any of the Bonds remain outstanding, maintain the following financial ratios:

- (i) a Current Ratio of 1.0x;
- (ii) a maximum total Debt-to-Equity Ratio of 2.50x; and
- (iii) a Debt Service Coverage Ratio of not less than 1.0x.

For purposes of computing the above ratios, the following shall have the following meanings:

"Current Ratio" means current assets over current liabilities.

"Debt" means any indebtedness for or in respect of: (a) monies borrowed; (b) any debenture, bond, note, loan stock, or any similar instrument; (c) any amount raised by acceptance under any acceptance credit facility; (d) any obligation in respect of a standby or documentary letter of credit or any other similar instrument issued by a bank or financial institution; (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); (f) any amount of any liability under an advance or deferred purchase agreement, if one of the primary reasons behind entering into that agreement is to raise financing or that agreement is in respect of the supply of assets or services; (g) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease; (h) marked to market liability amount of any currency swap, or interest rate swap, cap or collar arrangement, or any other derivative instrument other than those qualified for hedged accounting under the GAAP; (i) any amount raised under any other transaction having the commercial effect of a borrowing, provided that for the avoidance of doubt, perpetual capital securities or similar instruments having an equity accounting treatment under PFRS shall not be considered Debt; and/or (j) any guarantee or indemnity or other assurance against financial loss of any Person, excluding any endorsements for collection or deposit in the ordinary course of business; and/ or (k) all obligations secured by any Lien on any property, whether or not such obligations have been assumed;

"Debt-to-Equity Ratio" means the ratio of current Debt of Issuer against its total equity as shown in the Issuer's consolidated financial statements.

"Debt Service Coverage Ratio (DSCR)" means the (a) consolidated Issuer and Subsidiaries' EBITDA divided by (b) the consolidated Issuer and Subsidiaries' Debt Service; provided that for the year 2018, 2019, and 2022 where substantial principal payments are required, the consolidated EBITDA shall include the beginning balance of investments (which includes short and long term cash investments, available for sale investments, and held to maturity investments) for purposes of computing the Debt Service Coverage Ratio or DSCR, provided further, that Debt Service payments made for the period pertaining to refinancing activities and rediscounting of receivables transactions sold on a with recourse basis shall be excluded from

the consolidated debt service calculation.

“Debt Service” means debt principal amortizations, interest payments, financing fees and charges during such period.

“EBITDA” is computed as consolidated net income before interest and other financing charges, provision for income taxes, depreciation and amortization excluding loss on settlement of loans, foreign exchange losses – net and loss on write down of available-for-sale financial assets.

11. Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Bondholders who hold, represent or account for more than fifty percent (50%) of the principal amount of the Bonds then outstanding (the “Majority Bondholders”), permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer’s properties for the purpose of securing its or its Affiliate’s obligation (a “Lien”) in favor of any creditor or class of creditors without providing the Bondholders with a Lien, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that, this restriction shall not prohibit “Permitted Liens,” which are:

- i) Liens for taxes, assessments or governmental charges or levies, including custom duties, on the assets of VLL which are being contested in good faith;
- ii) Liens arising by operation of law (including, for the avoidance of doubt, any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines existing prior to the date of this Agreement) on any property or asset of VLL, including, without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman or other similar liens arising in the ordinary course of business or arising out of pledges or deposits under workers’ compensation laws, unemployment, insurance and other social security laws;
- iii) Liens incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations or regulatory requirements, performance or return of money bonds, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, leases, government contracts and similar obligations) and deposits for the payment of rent;
- iv) Liens created on VLL’s shareholdings in Subsidiaries or affiliates (whether now existing or acquired hereafter) to secure any debt incurred by such Subsidiaries or affiliates for project financing;
- v) Liens created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which VLL has established adequate reserves on its books in accordance with PAS/PFRS;
- vi) Liens arising from leases or subleases granted to others, easements, building and zoning restrictions, rights-of-way and similar charges or encumbrances on real property imposed by applicable Law or arising in the ordinary course of business that are not incurred in connection with the incurrence of a Debt and that do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of VLL;
- vii) Liens incidental to the normal conduct of the business of VLL or ownership of its properties and which are not incurred in connection with the incurrence of a Debt and which do not in the aggregate materially impair the use of such property in the operation of the business of VLL or the value of such property for the purpose of such business;
- viii) Liens upon tangible personal property (by purchase or otherwise) granted by VLL to (i) the vendor, supplier, any of their affiliates or lessor of such property, or (ii) other lenders arranged to secure Debt representing the costs of such property, or incurred to refinance the same principal amount of such debt outstanding at the time of the refinancing, and not secured by any other asset other than such property;
- ix) Pre-existing Liens on after-acquired property of VLL;

- x) Liens arising from financial lease, hire purchase, conditional sale arrangements or other agreements for the acquisition of assets on deferred payment terms to the extent relating only to the assets which are subject of those arrangements, subject to such financial leases, hire purchase, conditional sale agreements or other agreements for the acquisition of such assets on deferred payment terms;
- xi) Liens arising over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by VLL in the ordinary course of business; (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset; or (iv) the rediscounting of receivables or securitization of assets of VLL;
- xii) Liens established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets;
- xiii) Rights of set-off arising in the ordinary course of business between the VLL and its suppliers, clients or customers;
- xiv) Netting or set-off arrangement entered into by VLL in the ordinary course of business of its banking arrangements for the purpose of netting debt and credit balances;
- xv) Title transfer or retention of title arrangement entered into by VLL in the ordinary course of business;
- xvi) Liens on property of, or on shares of capital stock or debt of, any person existing at the time such person becomes, or becomes a part of, a subsidiary of the Issuer;
- xvii) Liens created in substitution for any Lien otherwise permitted provided such Lien is over the same asset and the principal amount so secured following the substitution does not exceed the principal amount secured on such asset immediately prior to such substitution;
- xviii) Liens securing indebtedness under hedging transactions (including foreign currency and interest rate swap and derivative transactions) entered into in the ordinary course of business and designed solely to protect VLL or its affiliates from fluctuations in interest rates or currencies or commodities and not for speculation;
- xix) Liens constituted for any obligation or credit facility, incurred for the purpose of pursuing any infrastructure project or investment therein, undertaken by VLL itself, by its Subsidiaries, and/ or by VLL or its subsidiaries;
- xx) Liens in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other judicial entities, which secure a preferential financing obtained by VLL (or any of its Subsidiaries) under a governmental program, and which cover assets of VLL which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding ₱5,000,000,000.00;
- xxi) The assignment, transfer or conveyance of the right of VLL (or any of its Subsidiaries) to receive any of its income or revenues from receivables arising out of the sale of property held for sale by VLL (or any of its Subsidiaries) in the ordinary course of business (“Project Receivables”);
- xxii) The assignment, transfer or conveyance of the right of VLL (or any of its Subsidiaries) to receive any income or revenues other than from Project Receivables; provided that, the constitution by VLL (or any of its Subsidiaries) of such lien shall not cause the Company to exceed the ratio of the amount of indebtedness of VLL secured by any lien on non-current assets of the Company to the non-current assets of VLL (as computed in accordance with PFRS and based on the most recent audited financial statements of the Issuer) which ratio shall not be more than 0.5:1;
- xxiii) Any Lien to be constituted on the assets of VLL after the date of the Trust Agreement, which is disclosed in writing by VLL to the Trustee prior to the execution of the Trust Agreement or any Lien for an aggregate loan accommodation not exceeding the equivalent of 10% of the market

value of the consolidated assets of VLL as reflected in the latest appraisal report submitted by an independent and reputable appraiser;

- xxiv) The assignment, transfer or conveyance by way of security (in any case without recourse) of VLL's right to receive any income or revenues from asset/s of VLL not used in the ordinary course of business; *provided that* such assets have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding ₱5,000,000,000.00;
- xxv) Any Lien created over (i) deposits made by VLL (or any of its Subsidiaries) with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or financial instruments denominated in foreign currency owned by VLL (or any of its Subsidiaries), in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos, granted to VLL (or any of its Subsidiaries) in an aggregate principal amount not exceeding the amount of the deposit or the face amount (or value) of the financial instrument;
- xxvi) Liens existing as of the date of the Prospectus which is disclosed in writing by VLL or in its financial statements; and
- xxvii) Liens created with the prior written consent of the Majority Bondholders

12. Events of Default

The Issuer shall be considered in default under the Bonds and the Trust Indenture in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Bondholders under the Trust Indenture and the Bonds, unless such failure, (i) arises as a result of an administrative or technical error or Disruption Event, or (ii) is due to causes other than the willful misconduct or gross negligence of the Issuer, and payment is made within five (5) Business Days from the date on which such amount fell due;

For purposes of this section, a Disruption Event shall mean either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (1) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (2) communicating with other relevant parties (including, but not limited to, the Trustee and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement.

(b) Representation/Warranty Default

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect.

(c) Other Default

The Issuer fails to perform or violates any other provision, term of the Trust Indenture and the Bonds (other than by reason of paragraph (a) above), and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days (or such longer period granted to the Issuer by the Majority Bondholders) from the date of occurrence of the said violation.

(d) Cross Default

The Issuer violates any material term or condition of any contract executed by the Issuer with any bank,

financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days] from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Indenture and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds ₱1,500,000,000.00.

(e) Insolvency Default

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect unless such petition filed against the Issuer, it is contested in good faith by the Issuer in appropriate proceedings or otherwise dismissed by the relevant court within sixty (60) days from the filing of such petition; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties, unless contested in good faith by the Issuer in appropriate proceedings; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer, through a senior management officer, of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets

(f) Judgment Default

Any final and executory judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000.00 or its equivalent in any other currency is rendered by a court of competent jurisdiction against the Issuer from which no appeal may be made for the payment of money and (i) such judgment, decree, or arbitral award remain unsatisfied or undischarged after thirty (30) days or (ii) the enforcement of the said final judgment, decree, or arbitral award is not stayed, paid, discharged, or duly bonded within thirty (30) days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(g) Writ and Similar Process Default

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) days (or such longer period as is granted by the Majority Bondholders) after its issue or levy.

13. Notice of Default

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in "*Payment Default*," the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

14. Consequences of Default

- (a) If any one or more of the Events of Default shall have occurred and be continuing, either the Trustee, upon the written instructions of the Majority Bondholders and by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything

contained in the Trust Indenture or in the Bonds to the contrary notwithstanding.

- (b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.
- (c) At any time after any Event of Default shall have occurred, the Trustee may:
 - (i) by notice in writing to the Issuer, require the Registrar and Paying Agent to:
 - (aa) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Paying Agency and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Indenture in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or
 - (bb) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation; and
 - (ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, provision (bb) above and the Issuer's positive covenant to pay principal and interest, net of applicable withholding taxes, on the Bonds, more particularly set forth in the Trust Indenture, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

15. Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay penalty interest on the defaulted amount(s) at the rate of one percent (1.00%) per month (the "Penalty Interest") from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default unless remedied within the relevant period provided under the Terms and Conditions of the Bonds, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal, net of applicable withholding taxes, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other

provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows:

- (i) *first*, to the payment to the to the Trustee, the Registrar and Paying Agent, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith;
- (ii) *second*, to the payment of the interest, net of applicable withholding taxes, in default, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Bondholders;
- (iii) *third*, to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, net of applicable withholding taxes, with Penalty Interest, which payment shall be made pro-rata among the Bondholders; and
- (iv) *fourth*, the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. For this purpose, the Paying Agent shall deliver to the Trustee a joint certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

18. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Indenture and these Terms and Conditions to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion below on “*Ability to File Suit*.”

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, net of applicable withholding taxes, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter’s name; (iii) the Trustee, for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive in writing submitted to the Trustee any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	China Banking Corporation - Trust and Asset Management Group
Attention:	Susan U. Ferrer Asst. Vice President, Division Head–Portfolio Management Division
Subject:	Vista Land & Lifescapes, Inc. Fixed Rate Bonds Due 2024/2027
Address:	8 th Floor, China Bank Building 8745 Paseo de Roxas corner Villar Street Makati City, Philippines
Facsimile:	[•]

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters must be communicated by the Bondholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the Bondholder shall pay to the Trustee upfront a fee of ₱1,000 (the “Activity Fee”) plus the costs of legal review, courier and the like. The Activity Fee may be adjusted from time to time, at the discretion of the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within thirty (30) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

(b) Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the Securities and Exchange Commission on a matter relating to the Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

23. Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture.
- (b) The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture.
- (c) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture or which are reasonably necessary to perform such duties.
- (d) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in the Trust Indenture, with the care, prudence and diligence necessary under the circumstances then prevailing that a prudent man, acting in like capacity and familiar with such matters, would exercise in the conduct of an enterprise of like character and with similar aims, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.
- (e) Unless a fixed period is otherwise specified in the Trust Indenture and in the absence of a period specifically agreed to by the Trustee and the Issuer and in the case of notices required to be sent by the Trustee to Bondholders, the Trustee shall act promptly in the sending of such notices but in any case shall have a period of not more than thirty (30) days to complete the sending of all such notices in the manner allowed by this Trust Indenture.
- (f) Notwithstanding the above, the Trustee, on its own discretion, may send notices or disclose to the Bondholders any fact, circumstance or event, which would have the effect of effectively reducing the principal amount of the Bonds outstanding, including changes in Laws.
- (g) The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- (h) None of the provisions contained in this Terms and Conditions Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving ninety (90) days' prior written notice to the Issuer and to the Bondholders of such resignation.

Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Bondholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a

successor, or any Bondholder who has been a bona fide holder for at least six (6) months (the “Bona Fide Bondholder”) may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

- (b) Upon the acceptance of any appointment as trustee by a successor trustee, such successor trustee shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Trustee, and the resigning Trustee shall be discharged from its duties and obligations. The resigning Trustee shall cooperate with the successor trustee and the Bondholders in all reasonable ways to ensure an orderly turnover of its functions and the records in its custody.
- (d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.
- (e) The Majority Bondholders may at any time remove the Trustee for cause, by giving thirty (30) day prior written notice, and appoint a successor Trustee, by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Bondholders in the Terms and Conditions of the Bonds.
- (f) Any resignation or removal of the Trustee and the appointment of a successor Trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture (the “Resignation Effective Date”); provided however that, until such successor Trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor Trustee promptly upon the appointer thereof by the Issuer; provided finally that, such successor Trustee possesses all the qualifications as required by pertinent laws.

25. Successor Trustee

- (a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- (b) No successor trustee shall accept appointment unless at the time of acceptance, such successor trustee shall be qualified and eligible.
- (c) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

26. Reports to the Bondholders

- (a) Only upon the occurrence of (i) or (II) below, then The Trustee shall submit to the Bondholders on March 31 of each year, or on the next working day, if the date falls on a non-working day or holiday, from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
 - (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.
- (b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least 10% of the aggregate outstanding principal amount of the Bonds at such time.
- (c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee with at least fifteen (15) calendar days prior written notice of the intended date of inspection:
 - (i) Trust Indenture
 - (ii) Registry and Paying Agency Agreement
 - (iii) Articles of Incorporation and By-Laws of the Company
 - (iv) Registration Statement of the Company with respect to the Bonds
 - (v) Opinions of the legal counsel with respect to the Issuer and the Bonds

27. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least 25% of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within 10 days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least 25% of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

- (i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.
- (ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 30 (Amendments), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

29. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and

warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

30. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on the Bonds;
- (c) reduce the principal of or extend the Maturity Date or vary the Early Redemption Option Dates of the Bonds;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed;
- (f) make the Bonds payable in money other than that stated in the Bonds;
- (g) subordinate the Bonds to any other obligation of the Issuer;
- (h) release any security interest that may have been granted in favor of the Bondholders;
- (i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or
- (j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "Notice to the Bondholders."

31. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Issuer with respect to the Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the Cities of Makati and Las Piñas, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

33. Waiver of Preference

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

34. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the Bonds have the meanings ascribed to them in the Trust Indenture.

- (a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.
- (b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.
- (c) **Lien** means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or its Affiliates' obligation.
- (d) **Majority Bondholders** means the holders of more than fifty percent (50%) in principal amount, of the Bonds then outstanding.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

All legal opinions/matters in connection with the Offer will be passed upon by Picazo Buyco Tan Fider & Santos (“**Picazo Law**”) for the Company and Romulo Mabanta Buenaventura Sayoc & de los Angeles for the Underwriters (“**Romulo Law**”). Picazo Law and Romulo Law have no direct or indirect interest in Vista Land. Picazo Law and Romulo Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and Romulo Law provide such services to its other clients.

INDEPENDENT AUDITORS

SGV & Co., independent auditors, audited the consolidated financial statements of the Group as at 31 December 31 2016 and 2015 and for each of the three years ended 31 December 2016 and reviewed the Group’s unaudited interim condensed consolidated financial statements as of 31 March 2017 and for the three-month periods ended 31 March 2017 and 2016 without qualification, all included in this Prospectus. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing. Consequently, it does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the unaudited interim condensed consolidated financial statements. SGV & Co. has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate or to subscribe to the securities of the Company, in accordance with the professional standards on independence set by the Board of Accountancy and Professional Regulation Commission.

The aggregate fees billed by SGV & Co. are shown below (with comparative figures for 2015):

	<i>(Amount in millions of Pesos)</i>	
	2016	2015
Audit and Audit Related Fees	₱19,060	₱19,878

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

DESCRIPTION OF THE BUSINESS

OVERVIEW

Vista Land is one of the leading integrated property developers in the Philippines and the largest homebuilder in the country overall. The Company believes that it is one of the few leading integrated property developers in the Philippines that is focused on the mass market. In 2014, 2015, 2016 and three months ended 31 March 2017, the Company recorded consolidated revenues from real estate sales of ₱22,320.71 million, ₱24,502.15 million, ₱25,025.21 million and ₱7,116.80 million, respectively. Vista Land provides a wide range of residential products to its customers across all income segments and has recently expanded into the mass market retail mall and BPO segments via the acquisition of Starmalls. Since it commenced operations in 1977, Vista Land has built almost 400,000 homes.

Vista Land's primary business has historically been the development and sale of horizontal real estate projects, which comprise residential lots and units in the low-cost and affordable, upper mid-cost and high-end housing segments. In addition, Vista Land develops and sells vertical residential projects, including low- to high-rise condominium developments. Approximately 77% of residential sales are house and lot sales while the remaining 23% are sales of condominium units as of 31 March 2017. For the same period, the Company believes that its market share in the "house and lot" segment is approximately 45%. The Company harnesses 40 years of professional expertise in residential real estate development and believes it has established a nationwide presence, superior brand recognition and proven track record in homebuilding. Its projects include master-planned developments and stand-alone residential subdivisions which offer lots, house and lots and condominium units to customers in the low-cost and affordable, upper mid-cost and high-end market segments. The Company has developed numerous "themed" housing and land development projects inspired by Mediterranean, Swiss, Italian, American, Caribbean and American Southern architecture and design. The Company believes that strict attention to detail in the execution of these themed communities helps to distinguish it from other companies.

On 10 November 2015, the Company signed an agreement to acquire approximately 88.25% of the outstanding common capital stock of Starmalls from Fine, Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar. On 22 December 2015, the Company acquired common shares representing approximately 79.43% of the total outstanding capital stock of Starmalls. On 23 February 2016, the Company acquired additional common shares in Starmalls representing 8.82% of the latter's total outstanding capital stock.

Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines and is widely recognized as an early mover in this market segment, focusing on establishing operating malls in densely populated areas underserved by similar retail malls and located in close proximity to transport hubs and key infrastructure. It also develops and operates BPO commercial centers.

At the time of its acquisition, Starmalls, through its subsidiaries, owned and operated 10 retail malls in key cities and municipalities in the Philippines and two BPO commercial centers in Metro Manila, with a combined GFA of 509,385 square meters. The Company believes that the recent acquisition of Starmalls has transformed the Company into a fully integrated property developer, having and continuing leadership in horizontal residential projects combined with a sizeable and growing retail mall and BPO platform and a clear focus on community developments across the Philippines. With the acquisition of Starmalls, the retail malls, commercial strips and BPO offices are combined under the division "Vista Land Commercial Group". The Company plans to grow its commercial assets to over 1.3 million square meters in GFA by the end of 2018 via enhancements to existing assets and new developments.

The Company is currently developing Vista Alabang, an integrated urban development that combines lifestyle retail, prime office space, university town, themed residential developments, and leisure components. The Vista Alabang project covers a total of 1,500 hectares strategically located where the cities of Muntinlupa and Las Piñas, and the provinces of Cavite and Laguna, meet. Vista Alabang is an example of the Company's transition to the community development model, or fully integrated developments with residential, retail and BPO components along with additional components such as utilities and township infrastructure, hotels, healthcare facilities and

educational institutions. The Company intends to make Vista Alabang a template for its future communities. As of 31 March 2017, the Company has identified about 100 areas (excluding sites earmarked for Starmalls' development) covering approximately 600 hectares from its existing projects around the country, including areas in the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao, that are suitable for integrated developments.

As of 31 March 2017, the Company's developments could be found in 107 cities and municipalities in 44 provinces throughout the Philippines. Most of the Company's developments are outside major central business districts. In the 1st Quarter of 2017, the Company launched 11 projects in 11 cities and municipalities in 8 provinces located throughout the Philippines, including the Mega Manila areas. The Company also has an extensive nationwide land bank available for future development. As of 31 March 2017, the Company owned approximately 2,267.60 hectares of raw land ready for development, with an additional 336.20 hectares available for development under joint venture agreements. See "*Business — Joint Ventures.*" The acquisition of Starmalls added 46.9 hectares of commercial land bank well-suited for the development of mass market retail malls and BPO facilities given their location in attractive areas with sizeable local catchments and proximity to infrastructure. With the acquisition of Starmalls, the Company believes that it has one of the largest land banks among property developers in the Philippines.

The Company operates its residential property development business and commercial property development business through six distinct business units. Camella Homes, Communities Philippines, Crown Asia, Brittany, and Vista Residences are focused on residential property development, while Starmalls is involved in commercial property development. Briefly, these business units may be distinguished as follows:

- Camella Homes. For 40 years, Camella Homes has serviced the low-cost and affordable housing segment (houses priced below ₱4.0 million) in the Mega Manila area. Camella Homes markets its houses primarily under the "Camella" brand. According to the November 2015 Philippine Survey and Research Center ("PSRC") "MANA 2" Study, Camella was acknowledged as the most preferred brand overall in the Philippine housing market, with a brand awareness rate and brand preference rate of 98% and 50%, respectively. As of 31 March 2017, Camella Homes recorded ₱2,159.74 million in real estate revenues, representing 30.35% of the Company's total real estate revenues;
- Communities Philippines. Communities Philippines and its subsidiaries offer residential properties outside the Mega Manila area under the "Camella" brand. In the last three years, majority of Communities Philippines new projects were launched under the "Camella" brand, the Company's low-cost and affordable housing brand. The Company believes that Communities Philippines and its subsidiaries have the widest coverage of developments in the regions outside Mega Manila by any homebuilder in the Philippines and utilizes Camella Homes' expertise and designs to offer houses in areas outside of the Mega Manila area that it believes are on par, in terms of quality, with the developments in the Mega Manila area. As of 31 March 2017, Communities Philippines and its subsidiaries recorded ₱3,174.06 million in real estate revenues, representing 44.60% of the Company's total real estate revenues;
- Crown Asia. Crown Asia caters to the middle-income housing segment in Mega Manila, primarily offering houses priced between ₱4.0 million and ₱12.0 million. As of 31 March 2017, Crown Asia recorded ₱236.63 million in real estate revenues, representing 3.32% of the Company's total real estate revenues;
- Brittany. Brittany caters to the high-end market segment in Mega Manila, offering luxury houses in master-planned communities, priced at ₱12.0 million and above. As of 31 March 2017, Brittany recorded ₱107.24 million in real estate revenues, representing 1.51% of the Company's total real estate revenues;
- Vista Residences. Vista Residences offers vertical residential projects in the Mega Manila area in the low to upper mid-cost housing segments. Vertical home projects generally involve longer project development periods as well as facilities, amenities and other specifications not often found in horizontal homes. As of 31 March 2017, Vista Residences recorded ₱1,439.13 million in real estate revenues, representing 20.22% of the Company's total real estate revenues;
- Starmalls. Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines and also develops and operates BPO commercial centers. As of 31 March 2017, Starmalls, through its subsidiaries, owned and operated 14 retail malls in key cities and

municipalities in the Philippines and 3 BPO commercial centers in Metro Manila. Starmalls, through its subsidiaries, recorded ₱1,219.41 million in rental revenues representing 13.87% of the Group's total revenue as of 31 March 2017.

As of 31 March 2017, the Company launched a total of 11 projects comprising mostly of projects for the low-cost and affordable housing market. Ten of these projects are located in areas outside Metro Manila, including Rizal, Cavite, Batangas, Agusan del Norte, Iloilo, Davao del Sur and Leyte.

In 2014, 2015, 2016 and for the three months ended 31 March 2017, respectively, Vista Land recorded:

- ₱25,639.42 million, ₱28,848.91 million, ₱30,995.69 million and ₱8,794.32 million of total revenue;
- ₱8,021.18 million, ₱9,543.43 million, ₱11,080.18 million and ₱3,075.54 million of total operating income; and
- ₱6,286.44 million, ₱7,187.00 million, ₱8,100.37 million and ₱2,312.14 million of net income.

As of 31 December 2014, 2015 and 2016, and 31 March 2017, respectively, Vista Land had:

- ₱124,987.53 million, ₱152,894.78 million, ₱174,768.24 million and ₱180,568.60 million of total assets; and
- ₱60,730.29 million, ₱82,929.69 million, ₱98,272.94 million and ₱101,857.31 million of total liabilities.

The following tables sets out the contribution of each housing subsidiary as a percentage of total real estate sales for the periods indicated.

	For the years ended 31 December			For the three months ended 31 March 2017
Development	2014	2015	2016	
	(%)	(%)	(%)	(%)
Camella Homes, Inc.		27.78	32.77	30.35
Communities Philippines, Inc.		49.52	52.32	44.60
Crown Asia Properties, Inc.		5.36	3.94	3.32
Brittany Corporation		4.01	2.58	1.51
Vista Residences, Inc.		13.32	8.4	20.22

HISTORY

Vista Land & Lifescapes, Inc. was incorporated in the Republic of the Philippines on 28 February 2007 and is the holding company of a group of six directly-owned subsidiaries that are engaged mainly in developing residential subdivisions and constructing housing and condominium units in the Philippines. The sixth subsidiary, Starmalls, Inc., is engaged in the operation and development of commercial properties for lease.

<u>Corporate Name</u>	<u>Date of Incorporation</u>	<u>Business Unit</u>
Camella Homes, Inc.	December 8, 1994	Camella Homes
Communities Philippines, Inc.	April 12, 1996	Communities Philippines
Crown Asia Properties, Inc.	August 31, 1995	Crown Asia
Brittany Corporation	May 29, 1984	Brittany
Vista Residences, Inc.	October 29, 2009*	Vista Residences, Inc.
Starmalls, Inc.	22 December 2015	Starmalls, Inc.

* *Date acquired.*

The Company offers a range of products from low-cost and affordable housing to middle income and high-end housing, as well as various types of subdivision lots, vertical condominium developments, retail malls and BPO offices .

On 29 March 2007, the Company entered into an exchange agreement with Fine, Polar Property Holdings Corp., Adelfa Properties, Inc., Althorp Holdings, Inc. and Cambridge Group, Inc. whereby those companies sold all of their shares in the Company's subsidiaries to the Company in exchange for 4,528,801,106 shares issued by the Company out of its capital stock. This resulted in the Company owning substantially all of the outstanding shares of its directly-owned subsidiaries including Brittany, Crown Asia Properties (North), Inc., Crown Asia Properties, Inc., Crown Communities Holdings, Inc., Crown Communities (Davao), Inc., Crown Communities (Iloilo), Inc., Crown Communities (Cebu), Inc. and Crown Communities (Pampanga), Inc.

On April 25, 2007, the Company entered into an agreement with Fine and Brittany whereby Fine subscribed to 3,020,149,650 common shares of the Company, and Fine and Brittany transferred to the Company 3,020,149,650 shares of Camella Homes. The Company subsequently acquired 1,858,241,046 shares of Camella Homes from shareholders other than Fine and Brittany through a tender offer whereby each share in Camella Homes was exchanged for one share in the Company. Following the share transfer from Fine and Brittany and tender offer, the Company owned 4,878,390,696 shares in Camella Homes representing 99.34% of the total outstanding capital stock of Camella Homes as of June 15, 2007.

On May 24, 2007, the PSE approved the listing by way of introduction of the entire outstanding capital stock of the Company, consisting of 6,388,042,152 common shares. The Company's common shares were listed on the First Board of the PSE on June 25, 2007.

On October 29, 2009, the Company acquired Polar Mines Realty Ventures, Inc., and subsequently changed its name to Vista Residences, Inc. in order to strengthen Vista Land's presence in the vertical housing segment.

On 22 December 2015, the Company acquired common shares representing approximately 79.43% of total the outstanding capital stock of Starmalls, Inc. from Fine, Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar. On 23 February 2016, the Company acquired additional common shares in Starmalls representing 8.82% of the latter's total outstanding capital stock. Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates BPO commercial centers. At the time of its acquisition, Starmalls, through its subsidiaries, owned and operated 10 retail malls in key cities and municipalities in the Philippines with an aggregate GFA of 378,385 square meters and two BPO commercial centers in Metro Manila, with a combined GFA of 131,000 square meters and leases with BPO tenants employing approximately 15,000 employees. See "— *Starmalls*."

SUBSIDIARIES AND AFFILIATES

Camella Homes. The operations of Camella Homes can be traced back to 1977 through its wholly owned subsidiary, Household Development Corporation ("**HDC**"). HDC is focused on the development of low-cost standardized housing targeted at homebuyers who rely on Government-assisted financing. At the time, HDC conducted its activities in southern and south-western Metro Manila as well as the surrounding areas, and its homes were marketed as "Camella Homes." In 1983, Camella Homes established a wholly owned subsidiary, Palmera Houses, Inc., to focus on real estate development activities in northern and eastern Metro Manila and the surrounding areas. In 1991, Camella Homes widened the scope of its activities to include the development of larger planned communities with the commencement of the first phase of Springville City in the province of Cavite, a development which now encompasses approximately 240 hectares. In 1993, Camella Homes expanded its operations to include socialized housing developments, marketing these homes under the "Carissa" brandname. Camella Homes was listed on the PSE in 1995 as "C&P Homes." On October 30, 2007, the SEC approved the merger between Palmera Homes, Inc., Eastridge Estates, Inc., Ridgewood Estates, Inc. and HDC, the latter being the surviving entity. All of these entities are within the group of Camella Homes.

Communities Philippines. Communities Philippines and its subsidiaries offer residential properties outside the Mega Manila area in the low-cost, affordable and middle-income segments. Communities Philippines' regional development efforts started in Cebu, Cagayan de Oro and Pangasinan. In 1996, Communities Philippines extended its nationwide presence by making its initial investment in Northern Luzon. Since then, Communities Philippines has launched a number of projects in 30 provinces, covering most of the Philippines' main urban areas including Pangasinan, Pampanga, Bulacan, Batangas, Iloilo, Cebu, Leyte, Misamis Oriental, Davao del Sur and General Santos.

Crown Asia. Crown Asia Properties, Inc. and Crown Asia Properties (North), Inc. were established to cater primarily to the middle-income housing segment. Since 1996, Crown Asia Properties, Inc. and Crown Asia Properties (North), Inc. have launched a large proportion of their projects under the “Crown Asia” brand name. Among these developments are La Mediterranea in Dasmariñas, Cavite, Maia Alta in Antipolo City, La Brea in Fairview, Quezon City, Citta Italia in Imus, Cavite and Residenza in Bacoor, Cavite. On August 13, 2008, the SEC approved the merger between Symmetrical Ventures, Inc., Crown Asia Properties (North), Inc. and Crown Asia Properties, Inc., the latter being the surviving entity.

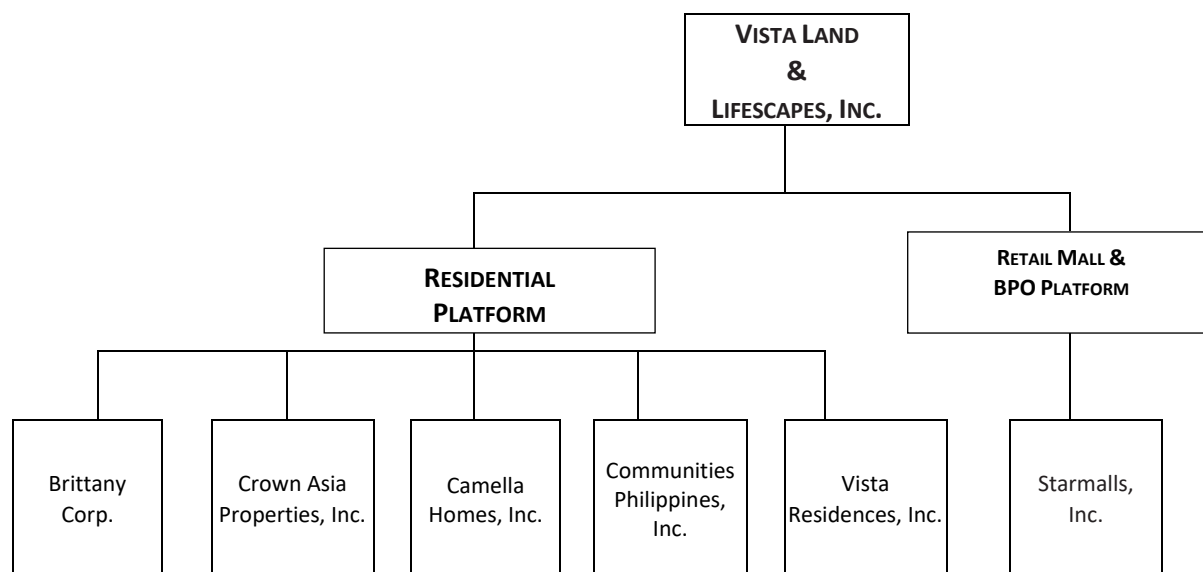
Brittany. Established in 1984, Brittany Corporation was initially engaged primarily in the land banking business through direct acquisitions and joint venture arrangements. Brittany’s first development, the La Residencia de Bacoor, was launched in 1993. From 1995 to 2000, Brittany launched successive signature projects including Belle Reve in Laguna, Crosswinds in Tagaytay City, Promenade and Fontamara in Laguna and Island Park in Dasmariñas, Cavite. Brittany expanded its operations in the high-end market with the launch of La Posada at Brittany Bay in 2001 and Portofino Heights in 2002. In 2004, Brittany entered the condominium market with the launch of its first residential condominium project called “Viera at Brittany Bay” located at Sucat, Muntinlupa.

Vista Residences. The Company acquired 100% of the voting shares of Polar Mines Realty Ventures, Inc. from Polar Property on October 29, 2009. On December 4, 2009, the Company’s Board of Directors approved the change of the corporate name from “Polar Mines Realty Ventures, Inc.” to “Vista Residences, Inc.” and on 29 January 2010, the SEC approved the change of name. Vista Land had only begun developing vertical homes five years before the acquisition of Polar Mines Realty Ventures, Inc., which had a particular focus on the development and sales of residential high-rise condominium projects across the Philippines. The acquisition of Polar Mines Realty Ventures, Inc. was designed to increase Vista Land’s presence in the vertical homes segment. The name change to Vista Residences, Inc. was designed to consolidate the development and sales of all of Vista Land’s vertical and high-rise condominium projects under the brand name “Vista Residences,” thus creating a uniform, clear and strong market identity for the Company’s vertical development projects.

Starmalls. Starmalls, Inc. (formerly Polar Property Holdings, Corp.) was incorporated in 1969 to engage in mineral exploration. In 2012, the SEC approved the change in name of Polar Property Holdings Corp. to Starmalls, Inc. and the corresponding change in its primary business — to engage in the investment, real estate and leasing business. Starmalls’ two subsidiaries, Masterpiece Asia Properties, Inc. and Manuela Corporation are both engaged in the operation and development of commercial properties for lease. The Company believes that the acquisition of Starmalls will create substantial synergies with its existing residential development platform that will enhance its integrated real estate development model. On 22 December 2015, the Company acquired common shares representing approximately 79.4% of the total outstanding capital stock of Starmalls from Fine, Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar, who are also among the principal shareholders of the Company. On 23 February 2016, the Company acquired additional common shares in Starmalls representing 8.82% of the latter’s total outstanding capital stock. Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates BPO commercial centers. See “— *Starmalls.*”

CORPORATE STRUCTURE

As of the date of this Prospectus, the Company has six directly-owned operating subsidiaries, five of which are focused on residential development while the sixth is focused on commercial development. The Company's operating and corporate structure is set forth in the chart below.



COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

Integrated property developer with market leadership in horizontal residential projects targeted towards end users and mass market retail malls with strong brand recognition across the Philippines.

Horizontal residential projects

The Company is the Philippines' largest homebuilder in the horizontal residential market with a presence in 107 cities and municipalities in 44 provinces around the country as of 31 March 2017 and having built over 300,000 homes since operations commenced in 1977.

- **Clear focus on end-users:** The Philippine residential market is dominated by end-users residing in horizontal properties; according to BMI Research, 20.6 million households resided in detached, semidetached houses or townhouses out of an estimated total occupied dwelling units of 21.5 million in the Philippines in 2012. The Company believes that it is considered the largest residential developer in the Philippines focused on this end-user market nationwide. The Company has historically been able to achieve strong take-up rates for its developments by targeting OFWs and domestic end-users who are looking to purchase property for the purposes of occupation instead of speculative or investment purposes.
- **Strong brand recognition nationwide:** The Company's market leading position in the horizontal residential market has fostered strong brand recognition, with the "Camella", "Crown Asia" and "Brittany" brands being three of the most recognized brands in the Philippine real estate market. According to the PSRC "PROJECT MANA 2" Study, the Company's "Camella", "Crown Asia" and "Brittany" brands collectively had an awareness rate of 100%, which the Company believes is well above that of its peer companies which average approximately 50%. The Company believes that this strong brand recognition demonstrates its track record of consistently developing quality products for its customers.
- **Barriers to competition:** The Company's strong local regulatory know-how, solid execution track record and nationwide footprint are difficult to replicate, serving as a strong barrier to competition at a national level from other property developers. As such, there is no other end-user focused residential developer in the Philippines which has the geographical reach and scale comparable to that of the Company.

Mass market retail malls and BPO commercial centers

The Company, via the Vista Land Commercial Group including Starmalls, has also achieved an early mover advantage in the mass market retail mall segment, currently owning a portfolio of various retail malls and commercial strips and BPOs with a combined GFA of 951,533 square meters as of 31 March 2017. As an early mover in this underserved segment, the Company believes that Starmalls has been able to benefit from a lack of direct competition for many of its mass market retail malls given that other retail mall developers have predominantly focused on income segments above the mass market. For example, the Company, via Starmalls, established Starmall EDSA Shaw in Mandaluyong City in 1988 before any other retail mall developer had entered the area, enabling it to establish its position as the dominant mass market retail mall in the area. Since then, Mandaluyong City has seen the entry of several other retail mall operators, though the Company believes that such other operators' focus remains on consumers in the upper income brackets.

Enjoying high footfall as well as a strong average occupancy rate of, the Company's retail malls target the mass market and are strategically located in areas in close proximity to transport hubs and other key infrastructure in growth markets such as Las Piñas City, Mandaluyong City and the province of Bulacan. For example, the Company's flagship mall in Muntinlupa City, Starmall Alabang, is directly connected to the Philippine National Railway ("PNR") Alabang station, a major railway terminal in the south of Metro Manila. In addition, the same mall houses major bus terminals which serve as nodes for people transiting between Metro Manila and the southern provinces.

The Company believes that its growth plans for this business, which will consist of new developments as well as asset enhancements to existing mass market retail malls, will underpin the Company's position as the leader in the mass market retail mall space in the Philippines.

Integrated developments – Communities

The Company's integrated developer model enhances its ability to leverage on the diverse skill sets of its various business segments to extract value across the real estate value chain, from the development of residential projects to the development and incubation of mass market retail malls and BPO facilities and the development of communities which stretch across several asset classes. Supported by recurring income from its mass market retail malls and other commercial assets, the Company believes that an integrated model will enable it to diversify its revenue streams while continuing to develop communities. As an example, the Company's Vista Alabang development is an integrated urban development that combines lifestyle retail, prime office space, university town, healthcare, themed residential developments, and leisure components. Vista Alabang, the most expansive integrated urban development in the southern part of Metro Manila, has over 45,000 households as of 31 March 2017 and covers a total area of approximately 1,500 hectares strategically located where the cities of Muntinlupa and Las Piñas, and the provinces of Cavite and Laguna meet. Vista Alabang's 15 kilometer radius catchment area has more than 1 million households, or a population of approximately 4.7 million. Vista Alabang has over 700 hectares still to be developed into new residential areas under Vista Land's Brittany, Crown Asia and Camella brands, together with mall and retail developments, including the existing Evia Lifestyle Center and other real estate classes. The aim is for Vista Alabang to attract residents in the upper, mid-range and starter home categories, as well as a range of commercial locators, BPO, IT and other similar businesses, healthcare entities, leisure facilities, and innovative educational institutions such as corporate universities and schools for new technologies. The Company intends to make Vista Alabang a template for its future community developments across the Philippines. As of 31 March 2017, the Company has identified about 100 areas (excluding sites earmarked for Starmalls' development) covering approximately 600 hectares from its existing projects around the country, including areas in the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao, that are suitable for integrated developments.

Well positioned to benefit from synergies between the Vista Land residential platform and the newly-acquired Starmalls mass market retail mall and BPO platform and enhanced scale and stability from the integration of these two businesses, strengthening Vista Land's position as a top four integrated property developer.

The Company believes that its acquisition of Starmalls, with the latter's mass market retail mall and BPO platform, will create substantial synergies between the two businesses, strengthen Vista Land's position as a top four integrated property developer and enhance the Company's scale and stability achieved by the acquisition.

Synergies

The Company believes that the combination of its residential platform and Starmalls' mass market retail mall and BPO platform has the potential to create strong synergies as the Company transitions to a new, integrated developer model, particularly given that future mass market retail mall and BPO assets can be located within Vista Land communities:

- **Enhanced and more recurring revenue opportunities:** The Company believes that shifting to an integrated developer model, where residential developments are complemented by mass market retail malls, BPO facilities and other commercial assets, will enhance its revenue streams. For example, the Company believes that there will be stronger demand from homebuyers, who will be willing to pay a premium for homes located in communities with convenient access to mass market retail malls for their everyday shopping needs or BPO facilities where they can work, resulting in higher residential selling prices and sales velocity. Likewise, the Company also believes that there will be stronger demand from tenants in retail malls located within communities due to a larger catchment area and stronger and more regular footfall from the resident population, resulting in higher rental rates and occupancy rates. In addition, the Company believes that BPO operators will be willing to pay higher rental rates, since locating in a community provides them greater access to potential employees and enhances employee productivity. Moreover, the Company believes that Vista Land and Starmalls target the same Filipino mass market consumer base, including OFWs and OFW-dependent customers, and have complementary expertise and product offerings, which the Company believes is crucial for integrated developments. For example, Camella Homes and Communities Philippines, the Company's low-cost and affordable housing segments, accounted for 30.35% and 44.60%, respectively, or 74.95% collectively, of the Company's real estate revenue for the three months ended 31 March 2017. See "*— Residential Housing and Land Development.*" These market segments are similar to the markets served by Starmalls. Specifically, Starmalls caters to the B, Upper C, Broad C and D markets, which constitute the Philippine mass market, and attracts quality tenants which cater to the same market.
- **Funding synergies:** The Company also believes that its access to additional funding sources stemming from the shift towards communities will provide greater flexibility in funding future developments. For example, proceeds from pre-sales of residential units in a particular community can be directed to fund the construction of mass market retail malls or BPO commercial centers in the same community, thus lowering overall borrowing requirements as well as reducing interest expense and refinancing risk to the Company. In addition, following the integration of the Starmalls platform, the Company's enhanced scale and recurring cash flow profile is expected to improve its credit profile and associated leverage metrics, allowing for a lower cost of capital going forward.
- **Lower land costs for mass market retail mall and BPO projects:** The Company can substantially reduce Starmalls' land costs by locating future Starmalls developments within Vista Land communities. Such developments will also benefit from the existing infrastructure at Vista Land communities. The Company's extensive land bank and established nationwide platform will also allow the Company to accelerate the expansion of Starmalls' retail mall and BPO portfolio as compared to pre-acquisition.

Enhanced scale

In addition, the enhanced scale of the Company due to the acquisition of Starmalls also benefits the Company while eliminating potential conflicts of interest. For example, the Company's larger balance sheet and community capabilities enable it to embark on larger projects than before, thus resulting in economies of scale and greater bargaining power with land owners and suppliers. The Company believes that this greater scale will result in greater brand equity for Vista Land projects around the country. Finally, while the Company will initially focus on mass market retail malls and BPO facilities in its communities, it also believes that further developing capabilities outside of its traditional residential platform will provide a segue into adding new forms of utilities and township infrastructure to its communities in the future, such as hotels, educational institutions and healthcare facilities.

Enhanced recurring income contribution and profitability from the Starmalls mass market retail mall and BPO platform.

The newly-acquired Starmall platform, with its focus on mass market retail malls and BPO commercial centers as well as its strong growth outlook, will benefit the Company. The Vista Land Commercial Group, given its focus on recurring income, will diversify the Company's revenue streams and increase recurring revenue contribution; for example, the recurring revenue contribution for the Company for the year ended 31 March 2017 is 16%%; the recurring revenue contribution is expected to increase going forward given the strong growth outlook for the Starmalls mass market retail and BPO platform.

The Company believes that there is limited execution risk in respect of the expected growth of its mass market retail mall and BPO platform. For example, the Company expects to be able to grow GFA its commercial; assets from 951,533 square meters as of 31 March 2017 to over 1.3 million square meters in GFA by the end of 2018 via enhancements to existing assets and new developments; adding GLA to existing assets is expected to provide higher returns and profitability versus greenfield projects given the benefit from the Company's existing assets' infrastructure and customer base. In addition, there is substantial scope for greater growth from greenfield mass market retail malls and BPO facilities in Vista Land communities with little to no need for further land acquisition given the breadth of Vista Land's land bank. The Company's existing commercial assets also enjoy high average occupancy rates with a host of repeat anchor and specialty tenants such as Puregold, Shopwise, Robinsons Retail and All Home, favourable rental terms including 8.0% per annum step-ups in most leases, exposure to variable rents, which provides for greater upside as retail spending rises further, and long lease terms for anchor tenants who collectively account for approximately 34% of the Company's total GFA as of 31 March 2017.

Well positioned to benefit from favorable Philippine demographic, economic and development trends, including continued demand from the OFW segment.

The Philippines has experienced robust economic growth in recent years, with GDP growth of 6.1% in 2014, 5.8% in 2015, 6.6% in 2016 and 6.4% in Q1 2017. Growth is expected to continue to be strong, with the International Monetary Fund's World Economic Outlook forecasting GDP growth of 6.8% in 2017 as announced on 17 January 2017.

The Company believes that the following positive macro environment and demographic profile will be instrumental to the continued growth in demand for housing and mass market retail space in the Philippines:

- a relatively young population (approximately 73.0% under the age of 39 and below; median age of 23.5 years) according to the CIA World FactBook;
- a growing population that increased at an average annual rate of 1.7% from 2010 to 2015 and is forecast to grow at a rate of 1.6% from 2015 to 2020 according to the Philippine National Statistical Coordination Board;
- a rising middle class, as evidenced by GDP per capita that grew at a compound annual growth rate of 9.3% from U.S.\$1,837 in 2009 to U.S.\$2,871 in 2014 according to the World Bank;
- robust household consumption on the back of stable consumer confidence; the BSP consumer confidence survey in Q2 2015 reflected a healthy buying outlook for big ticket items including real estate as the index rose to 30.3% quarter-on-quarter from 28.4% in Q1 2015;
- rising discretionary spending, which increased by 5.1% from Q4 2013 to Q4 2014 according to the Philippine Statistics Authority, with spending on clothing and footwear rising 6.0% over the same period;
- a persistently low interest rate environment, with 364-day treasury bill rates averaging 1.6% in October 2015 according to the BSP;
- a relatively low mortgage penetration rate of 3.1% mortgage-to-GDP as compared to regional peers according to the Housing Finance Information Network; and

- consistent growth in remittances from OFWs, with the BSP reporting U.S.\$226.3 billion remitted through official channels in 2016, representing a compound annual growth rate of 6.2% between 2009 and 2016.

Official data on annual housing demand from the Housing and Urban Development Coordinating Council and annual housing supply from the HLURB indicate that there is a structural supply shortage of housing in the Philippines. The Company believes that this structural imbalance is most acute in the market for low-cost and affordable housing, in which its “Camella” brand is a market leader. By targeting domestic end users who are looking to purchase property for the purposes of occupation instead of for investment, the Company has historically been able to achieve strong takeup rates for its developments and communities. The Company believes that these permanent populations will further contribute to consistent retail footfall in their respective local communities, which will provide greater growth for the Company mass market retail malls going forward given the Company’s focus on communities.

The Company’s developments are also well-positioned to benefit from the progress in ongoing infrastructure and development works nationwide. For example, the completion of the Muntinlupa-Cavite Expressway (“MCX”, formerly known as the Daang Hari-SLEX connector road) is expected to provide direct access to the Vista Alabang community development in Daang Hari, whereas the planned Cavite-Laguna Expressway is expected to improve accessibility to the Company’s land bank in Cavite. Strategically positioning the Company’s developments near key infrastructure networks has also been shown to positively impact selling prices. For example, selling prices of Portofino lots in Vista Alabang have almost tripled from approximately ₱23,000.0 per square meter when the notice of the construction of the MCX in December 2011 was issued to approximately ₱35,000.0 per square meter in 2013 after construction of the Evia Lifestyle Center was commenced, and to approximately ₱56,000.0 per square meter upon the completion and launch of the MCX in July 2015.

The Company also believes that it is well positioned to benefit from growth in OFW remittances as a key driver of growth in the consumption of real estate in the Philippines. The Company believes it has one of the Philippines’ most extensive global marketing networks, comprising approximately 2,568 marketing teams, 2,449 accredited licensed realtors, 51 direct marketing teams and 23,500 active agents located throughout the Philippines and approximately 162 partners and 4,289 independent agents located in countries and regions with large OFW populations, including the United States, as of 31 March 2017. In addition, demand from the OFW market has remained historically resilient, allowing the Company to maintain its strong reservation sales momentum even during the Global Financial Crisis of 2008; the Company’s nationwide footprint of developments in over 107 cities and municipalities in 44 provinces across the Philippines is critical in this regard since many OFWs are purchasing homes in locations outside of the Metro Manila area. As of 31 March 2017, approximately 55.0% of the Company’s sales originated from OFWs primarily from Europe and the Middle East.

Diverse product offerings in order to benefit from growth in different market segments and to capitalize on demand across the full spectrum of homebuyers.

The Company believes that it is one of the few homebuilders in the Philippines that is strategically positioned to target specific consumer groups with carefully marketed brands, offering a full spectrum of residential housing products with prices that range from ₱0.5 million to ₱80.0 million. The following table illustrates the Company’s key brand offerings targeting specific segments across the income spectrum. The Company has a customized pricing strategy, with products priced to sell based on the end users’ affordability threshold.

	Camella	Communities Philippines	Crown Asia	Brittany	Vista Residences
Market segment	Low-cost and affordable	Low-cost and affordable (provincial)	Upper mid-cost	High-end	Affordable to upper mid-cost
Price range	Less than ₱4.0 million	Mostly below ₱4.0 million	₱4.0 – 12.0 million	₱12.0 million and above	₱2.0 – 16.0 million
Offering	Housing & lots	Housing & lots	Housing & lots	Housing & lots	Condominiums
1Q2017 Real Estate Revenue Contribution (in millions)	₱2,159.74	₱3,174.06	₱236.63	₱107.24	₱1,439.13

Percentage of 1Q 2017 Real Estate Revenue	30.35%	44.60%	3.32%	1.51%	20.22%

In 2009, the Company acquired Polar Mines Realty Ventures, Inc. to increase its presence in the vertical home segment. Rebranded Vista Residences, the Company has since consolidated the development and sales of all its condominium projects, establishing a consistent, clear and strong market identity. In addition, Camella launched additional projects with house and lot packages at the sub-**₱**1 million price point to further address the growing housing backlog in such segment. The Company believes that its diverse product portfolio places it in a prime position to take advantage of market changes and to mitigate risks from negative market trends going forward.

With the integration of its Starmalls mass market retail mall and BPO platform, the Company plans to locate upcoming commercial developments in or around its communities in order to enhance attractiveness to potential residential customers and mass market retail mall and BPO tenants. In doing so, the Company aims to further mitigate risks from adverse market movements. As of 31 March 2017, the Company has obtained rezoning approvals for those projects to be developed immediately.

Geographically diverse project portfolio and land bank across the Philippines, with strong nationwide footprint.

The Company owns an extensive land bank, most of which is located in areas in close proximity to major roads and primary infrastructure. As of 31 March 2017, the Company owned approximately 2,267.60 hectares of raw land ready for development, with an additional 336.20 hectares available for development under joint venture agreements. Significantly, the Company's land bank is distributed nationally:

- A significant portion of the Company's raw land inventory, approximately 1,804.29 hectares of aggregate land, is located in the growing Mega Manila area, including Vista Alabang;
- In Luzon (excluding Mega Manila), the Company owns 248.81 hectares of land available for development;
- In Visayas, the Company owns 287.07 hectares of prime land, including a property in Iloilo with an area of approximately 193.73 hectares located near the recently completed international airport; and
- In Mindanao, the Company holds 263.62 hectares of raw land available for development.

The majority of the Company's land bank is adjacent to or near its existing projects, facilitating future expansion into communities. The integration of the Company's newly-acquired mass market retail mall and BPO platform has further contributed 46.9 hectares of commercial land bank to the Company's existing land bank, well suited to the development of mass market retail malls and BPO facilities given their location in attractive areas with sizeable local catchments and proximity to infrastructure. The Company believes that its current land bank is sufficient for its existing and planned residential, commercial and community developments for the next nine years.

The Company has an extensive nationwide presence. As of 31 March 2017, the Company's projects are spread over 107 cities and municipalities in 44 provinces, covering most of the Philippines' main urban areas. Brittany, Crown Asia, Camella Homes and Vista Residences operate in Mega Manila while Communities Philippines is the Company's vehicle for operations in other parts of Luzon, the Visayas and Mindanao.

The Company believes it has the largest and most diverse geographical footprint of all real estate companies in the Philippines. This not only enhances brand recognition across the Philippines, but also places the Company in a favorable position to react to market and population trends and provides a strong barrier to competition; for example, the Company's nationwide footprint places it in strong position with OFWs, many of whom purchase homes outside of the Metro Manila area. The Company's size and wealth of experience working with various authorities, suppliers, contractors and brokers on a national, regional and even local scale, has also been instrumental in developing specialized industry expertise and has contributed to its ability to control and reduce costs by taking advantage of economies of scale and its strong bargaining power. As an integrated developer with a comprehensive product offering, the Company is well poised to take advantage of its status as an early entrant into the development of communities outside of Mega Manila.

Prudent financial management and stronger balance sheet providing headroom for capital expenditure and expansion plans.

The integration of the Company's mass market retail mall and BPO platform further strengthened the Company's balance sheet, providing it with further debt headroom as well as flexibility in financing its commercial operations via residential pre-sales. The Company believes that its stronger balance sheet boosted by a large asset and equity base will allow it to move quickly to acquire additional land bank and other real estate assets. The Company expects its credit profile and associated cost of funding to further improve on the back of a stronger combined balance sheet, a more stable cash flow profile supported by the steady recurring income of the Starmalls platform and lower third party funding requirements due to the use of residential pre-sales to partially fund the construction of commercial assets within communities.

The Company believes it has adopted a prudent financial management policy, as primarily evidenced by its diverse domestic and international funding sources and what it believes to be a strategy to maintain relatively conservative leverage levels. The Company believes that its financial prudence has created sufficient headroom to take advantage of opportunities to expand its businesses through external financing and other means. The Company will continue to actively manage its capital structure as well as opportunistically access the debt and equity markets.

Strong and experienced management team with a demonstrated execution track record.

The Company has a highly experienced management team with an average 24 years of sound operational and management experience in real estate, particularly in the horizontal housing, mass market retail mall and BPO markets. The Company's management team has extensive experience in, and in-depth knowledge of, the Philippine real estate market and has also developed positive relationships with key market participants, including construction companies, regulatory agencies and local government officials in the areas where the Company's projects are located.

BUSINESS STRATEGY

The Company's strategy is premised on three key pillars: (i) strengthening its market position as an integrated property developer with a key focus on horizontal residential developments and mass market retail mall and BPO operations; (ii) diversification of revenue streams through the integration of its commercial platform while enhancing the value and attractiveness of its properties; and (iii) improvement in capital efficiency and financial flexibility.

Pursue an integrated developer model with market leadership and strong brand recognition in the Philippines.

The Company plans to continue to capitalize on its leadership position in the horizontal residential housing market and in mass market retail malls but with a focus on creating communities. In that respect, the Company intends to (i) develop synergies; (ii) integrate commercial assets into communities; and (iii) enhance project attractiveness.

Develop synergies with the Starmalls mass market retail mall and BPO platform.

The Company believes that synergies arising from its combined scale and expertise across multiple real estate segments place it in a unique position to undertake larger and higher-value projects. In addition, the Company intends to lower its financial expense by partially financing its mass market retail mall and BPO assets using residential pre-sales as opposed to debt financing. Furthermore, there is significant value to be unlocked from its unutilized land bank, most of which has received development approvals for the construction of commercial assets, given the close proximity to existing residential developments. Similar to Vista Alabang, the Company's strategic plan of integrating themed residential developments with commercial establishments is expected to significantly improve community planning, reduce land acquisition costs, enhance property values and, more importantly, improve returns to the Company.

Integrate other commercial assets in its communities.

The Company intends to integrate other commercial asset classes beyond mass market retail malls and BPO facilities into its communities, such as hospitality assets and healthcare and educational institutions, which it

believes will further enhance these integrated developments and thus further attract homebuyers as well. For example, Vista Alabang already contains a comprehensive suite of facilities, including a retail segment and a university town. The Company has also received commendation awards for Best Retail Development and Best Architectural Design from the Philippines Property Awards in respect of ongoing developments at Evia Lifestyle Center in 2015. The Company intends to further establish its reputation as an integrated developer, while diversifying its revenue to encompass a greater variety of sources of recurring income.

Enhance project attractiveness.

The Company has adopted the concept of communities as an overarching strategy spanning across its various business segments. The Company believes that the inclusion of amenities such as retail malls, hotels, healthcare facilities and educational institutions early in the development phase of its projects will complement its residential developments, making its developments more attractive to potential home buyers. For instance, the Vista Alabang development is an integrated urban development that combines lifestyle retail, prime office space, university town, healthcare, themed residential developments, and leisure components. Vista Alabang, the most expansive integrated urban development in the southern part of Metro Manila, has over 45,000 households as of 31 March 2017 and covers a total area of approximately 1,500 hectares strategically located where the cities of Muntinlupa and Las Piñas, and the provinces of Cavite and Laguna meet. Vista Alabang's 15 kilometer radius catchment area has more than 1 million households, or a population of approximately 4.7 million. Vista Alabang has over 700 hectares still to be developed into new residential areas under Vista Land's Brittany, Crown Asia and Camella brands, together with mall and retail developments, including the existing Evia Lifestyle Center and other real estate classes.

The Company intends to make Vista Alabang a template for its future community integrated developments across the Philippines. As of 31 March 2017, the Company has identified about 100 areas (excluding sites earmarked for Starmalls' development) covering over 600 hectares from its existing projects around the country, including areas in the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao, that are suitable for integrated developments.

Strengthen market leadership in horizontal residential projects while expanding the Company's retail mall and BPO footprint.

With the acquisition of Starmalls, Vista Land is now a top four integrated property developer in the Philippines, and intends on further improving its ranking. The Company believes that its transition to an integrated developer model is rooted in its strong market leadership in horizontal residential projects, which it will continue to strengthen while simultaneously expanding its commercial portfolio through (i) continuing to focus on key market segments; (ii) improving project execution efficiency; (iii) continuing to capture demand from OFWs; and (iv) generating a strong pipeline of retail malls and BPO commercial centers that can be developed within existing Vista Land communities.

Continue to focus on key market segments.

The Company believes it has identified certain niches within certain income segments which it believes are not adequately covered, including the low-cost and affordable housing market as well as the mass market retail mall and BPO segment, for which it believes there continues to be growing demand. The Company intends to continue focusing on its offerings in these sub-segments and fortify its market-leading positions through its highly-recognized brands, Camella Homes and Starmalls. The Company will also continue to focus on the end-user market for residential real estate in the Philippines.

Improve project execution efficiency.

In order to take advantage of the growing Philippine property market, the Company intends to accelerate the development of its residential and commercial projects. The Company believes that it can maximize its revenues by shortening its project development cycle and exercising greater bargaining power with landowners and suppliers due to its enhanced scale. In addition, the integration of the Company's commercial platform is likely to improve the attractiveness of residential projects, potentially leading to higher average selling prices and sales velocity.

Capture demand from overseas Filipinos.

The Company intends to continue expanding and developing new projects outside the Metro Manila area to cater to the growing demand from OFWs for real estate located in their hometown provinces. With the BSP reporting approximately U.S.\$25.6 billion remitted from OFWs through official channels in 2015 and U.S.\$26.3 billion in 2016, the Company aims to leverage and grow its global marketing network to capture a sizeable, resilient and high-growth market.

Generate a strong pipeline of retail malls and BPO facilities that can be developed within existing Vista Land communities.

The Company plans to actively develop a pipeline of retail malls and BPO facilities which can be developed on a standalone basis or integrated within Vista Land communities, the latter of which supports the Company's shift to an integrated developer model and complements the Company's residential developments. The Company plans to increase its GFA of commercial assets to over 1.3 million square meters by the end of 2018. Further, the Company believes that it has the flexibility develop more projects should market conditions allow.

Diversify revenue base.

The Company aims to diversify its revenue base, with particular focus on increasing rental revenue by (i) increasing investment in mass market retail malls and other commercial assets; (ii) increasing mid-rise residential developments; and (iii) continuing to opportunistically invest in high-rise vertical projects.

Increasing investment in retail malls and other commercial assets.

The Company plans to aggressively expand its newly-acquired mass market retail mall and BPO platform, with the goal of growing GFA of its commercial assets from 915,533 square meters as of 31 March 2017 to over 1.3 million square meters by the end of 2018 via enhancements to existing assets and new developments, with further growth to come from locating such assets within Vista Land's communities. Apart from traditional retail and commercial developments, the Company intends to expand into other niche property development projects and township infrastructure such as in the hospitality, education and healthcare sectors by developing the relevant industry expertise, and in time, allocating a proportion of its capex budget to a comprehensive offering of niche commercial developments. The Company believes that doing so will enable it to further build its brand equity across the Philippines while adding a sizeable pool of mature, income-generating assets to further grow the Company's recurring income contribution.

Increasing mid-rise residential developments.

The Company believes that there is sufficient demand and growth potential for mid-rise residential development projects, which are less capital intensive and are completed more quickly than traditional vertical developments.

Continuing to opportunistically invest in high-rise vertical projects.

The Company believes there is also growth potential in certain segments of the vertical residential project market, mainly driven by OFWs. The Company believes that this provides a good platform for future development. The Company aims to continue leveraging its existing extensive marketing network and strong brand names to continue to opportunistically grow its market share in this segment.

Improve capital efficiency for land banking activities and financial flexibility.

The Company plans to take advantage of joint ventures, focus on diversifying funding sources and increase recurring rental income while utilizing proceeds from residential pre-sales to improve capital efficiency.

Optimize use of joint ventures for capital efficiency.

The Company intends to improve margins while maintaining a lean balance sheet by capitalizing on opportunities to acquire and jointly develop land for new developments with various landowners as joint venture partners. The

integration of the Company's mass market retail mall and BPO platform contributes to greater operational scale, enabling the Company to negotiate and enter into joint ventures for larger and higher-value plots of land.

Focus on diversifying funding sources.

The Company also intends to diversify its funding sources and lower its cost of capital by monitoring the markets for favorable opportunities to build up its capital resources through various financing options such as loans and public debt issuances, among others. In addition, as a result of the Company's focus on integrated developments with a residential component, pre-sale proceeds from the sale of residential units can be used to partially fund the development costs of the project components.

Improve credit profile and cost of funding.

Following the Company's acquisition of the Starmalls mass market retail mall and BPO platform, the Company intends to improve its credit profile and thus reduce cost of funding by growing a steady stream of recurring rental income while utilizing residential pre-sales to reduce overall funding needs within its communities.

RESIDENTIAL HOUSING AND LAND DEVELOPMENT

The Company's core business is developing and selling residential subdivisions, as well as individual housing and condominium units in the Philippines. The Company sells a diverse group of products across the low-cost and affordable, upper mid-cost and high-end housing markets.

The following table sets out the contribution of each market segment as a percentage of total real estate sales for the periods indicated.

Development	For the years ended 31 December			For the three months ended 31 March 2017
	2014	2015	2016	
	(%)	(%)	(%)	(%)
Low-cost and affordable		77.31	85.08	74.95
Middle-income		18.68	12.34	23.55
High-end		4.01	2.58	1.50

Note:

(1) The projects that cover the low-cost and affordable segment are Camella and Communities Philippines. The projects that cover the affordable to upper mid-cost segment are Crown Asia and Vista Residences. The project that covers the high-end segment is Brittany.

The Company's residential product lines are categorised based on internal criteria fixed by the Company. In determining whether a project will be considered a low-cost and affordable, upper mid-cost or high-end project, the Company takes into consideration factors such as the price point and target market for each project.

The Company operates its residential housing and land development business through five distinct and independently operated business units: Brittany, Crown Asia, Camella Homes, Communities Philippines and Vista Residences. Brittany, Crown Asia, Camella Homes and Communities Philippines were combined under the Vista Land umbrella on 29 March 2007. The Company acquired the company now known as Vista Residences, Inc. on 29 October 2009.

As of 31 March 2017, the Company had the following real estate inventories of horizontal and vertical residential projects in various stages of developments:

**For the three months ended
31 March 2017**

Camella Homes, Inc.	₱ 8,154.49
Communities Philippines, Inc.	15,363.80
Crown Asia Properties, Inc.	2,882.35

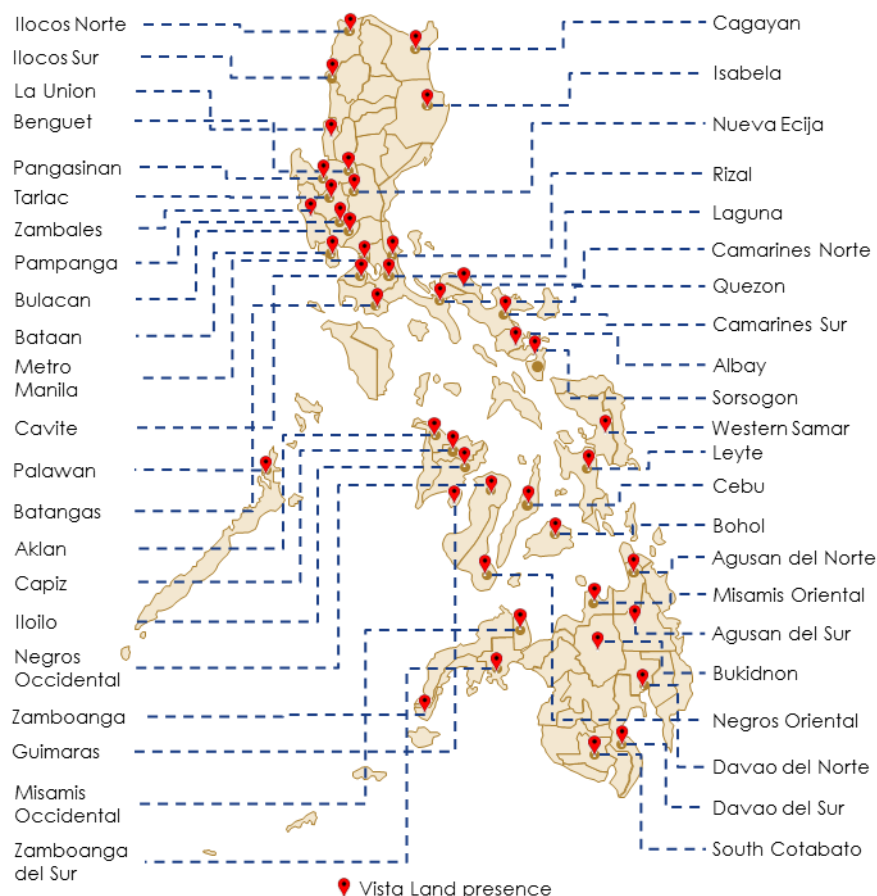
Brittany Corporation	3,822.35
Vista Residences, Inc.	2,431.77
Sub-total	32,654.76
Less: Estimated Land Development Cost & Cost to Complete	9,605.59
TOTAL INVENTORY AVAILABLE	₱ 23,049.17

Moreover, as of 31 March 2017, the Company launched a total of 11 projects comprising mostly of projects for the low-cost and affordable housing market. Ten of these projects are located in areas outside Metro Manila, including Rizal, Cavite, Batangas, Agusan del Norte, Iloilo, Davao del Sur and Leyte.

In an effort to further diversify its revenue base, the Company has recently targeted the construction of medium-rise developments, which the Company believes allows it to recognise revenue quicker than typical high-rise vertical developments.

The Company has also adopted as one of its main strategies the integration of its various residential developments into communities, wherein core residential developments are supplied with amenities such as community centers, schools and health care centers, among others, to enhance the attractiveness of its developments and create large-scale mixed-use communities comprising residential, leisure and commercial facilities that cater to a range of market segments and demographics. These communities are not confined to a single business unit or development of the Company, but may be integrated across several of the Company's developments and business units according to the area. See "*— Communities and Ongoing Strategies — Vista Alabang*".

The following map shows the different provinces in which the Company has ongoing residential development projects.



Camella Homes

Established 40 years ago, Camella Homes has grown to become the largest builder of affordable and low-cost horizontal housing in the Philippines by volume of homes.

Camella Homes develops and markets its low-cost and affordable housing projects (houses priced below ₱4.0 million) predominately under its “Camella” brand. Through 40 years of operations, Camella Homes has attained, as evidenced by the PSRC “PROJECT MANA 2” Study that proclaimed Camella as the most preferred brand overall in the Philippine housing market, following a strategy of building high quality yet affordable housing in planned residential subdivisions that incorporate the facilities and amenities traditionally found only in upscale developments. The Company targets young families and Filipinos working or residing abroad.

The typical product offerings of the affordable residential developments include:

- lots-only with areas ranging from 108 to 200 square meters;
- townhouses with floor areas ranging from 42 to 63 square meters and lots of 50 to 60 square meters;
- single-attached homes, usually with two floors, floor areas of 44 to 156 square meters and lot areas of 70 to 150 square meters; and
- bungalows with floor areas of 26 to 50 square meters and lots of 50 to 115 square meters.

Camella Homes’ low-cost housing projects provide basic inexpensive dwelling units in properly developed communities. These developments generally provide, among others, adequate road networks, complete water and power facilities, modest community, sports and recreational facilities and ensured security with perimeter walls and gates.

In the years ended 2014, 2015, 2016 and three months ended 31 March 2017, Camella Homes recorded real estate revenue totalling ₱6,257.39 million, ₱6,807.46 million, ₱8,199.79 million and ₱2,159.74 million, which accounted for 28.03%, 27.78%, 32.77% and 30.35%, respectively, of the Company’s total real estate revenue during these periods.

Camella Homes’ projects follow specific development themes, drawing architectural inspirations from Italy, Spain, the Mediterranean and the United States. Projects are located in strategic sites north, south, and east of Mega Manila, in close proximity to major employment zones, including business and industrial estates, commercial centers, schools and medical facilities. The projects are also strategically located near major public transportation routes.

Initially, Camella Homes sold units through a domestic marketing network, but starting in 1997 it expanded its operations and established its international network to better service the OFW communities. Through the years, sales to OFWs represented a majority of Camella Homes sales.

The following table sets forth selected financial and operating data of Camella Homes for the periods indicated:

	For the years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2017	2016
	(in millions, except for ratios)				
FINANCIAL DATA					
Real estate revenue	₱ 6,257.39	₱ 6,807.46	₱ 8,199.79	₱ 2,159.74	₱ 2,033.30
Costs of real estate	3,216.56	3,494.24	4,133.99	1,081.18	1,034.28
Gross profit on real estate	3,040.83	3,313.22	4,065.81	1,078.56	999.02
Gross margin on real estate	48.60%	48.67%	49.58%	49.94%	49.13%

Camella Homes’ three largest low-cost and affordable housing projects, by volume of sales, are Camella Cerritos, Nova Romania and Tierra Nevada described in more detail below.

Camella Cerritos

Camella Cerritos is an affordable housing development located at Bacoor, Cavite. This project combines the exclusivity and privacy of a themed, master-planned community with proximity to shopping malls, schools, churches, membership clubs, golf courses and health care facilities.

The development is located strategically near major access routes, commercial centers and the Ninoy Aquino International Airport. It is also located within a two-minute drive from the SM Hypermart in Molino and less than 30 minutes from other major business and commercial areas, including the Alabang Commercial Districts, Cavite, the Aguinaldo Highway, the main avenue linking Cavite and Metro Manila and the Ninoy Aquino International Airport.

The development has a total land area of 54.4 hectares and 2,326 house-and-lot units contained in six phases.

Set out below is a photo at Camella Cerritos, which may not necessarily represent the current condition of the actual properties.



Nova Romania

Nova Romania is an Italian-inspired 30-hectare residential development located at Deparo, North Caloocan City, an established community in the northern part of Metro Manila.

Nova Romania is conveniently located near schools, hospitals, churches, malls and other commercial areas, particularly the SM City at Fairview. The established road and transportation systems surrounding the development connect residents to the other parts of Metro Manila, particularly the Makati and Ortigas business centers.

Nova Romania targets the housing needs of the middle-income; affordable and low income market, particularly those homeowners who prefer to reside in northern Mega Manila. This market is comprised of new families, entrepreneurs, managers and professionals working in the major business centers of Metro Manila in general, and Quezon City and the Bulacan-based industries in particular.

Set out below is a photo of a home in Nova Romania, which may not necessarily represent the current condition of the actual properties.



Communities Philippines

The Company offers low-cost and affordable and middle-income housing projects outside the Mega Manila area through its Communities Philippines unit. Communities Philippines and its subsidiaries offer housing under the “Camella” brand and utilizes Camella Homes’ expertise and designs to offer houses outside of the Mega Manila area that are on par, in terms of quality, with the developments in the Mega Manila area. All sales outside of Mega Manila under the “Camella” brand are attributable to Communities Philippines while sales under the “Camella” brand within Mega Manila are attributable to the Camella Homes business unit.

In the years ended 2014, 2015, 2016 and three months ended 31 March 2017, Communities Philippines recorded real estate revenue totalling ₱10,373.31 million, ₱12,134.67 million, ₱13,092.72 million and ₱ 3,174.06 million, respectively, which accounted for 46.47%, 49.52%, 52.32% and 44.60%, respectively, of total real estate revenue during these periods.

The following table sets forth selected financial and operating data of Communities Philippines and its subsidiaries for the periods indicated:

	For the years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2017	2016
	(in millions, except for ratios)				
FINANCIAL DATA					
Real estate revenue	₱ 10,373.31	₱ 12,134.67	₱ 13,092.72	₱ 3,174.06	₱ 3,435.63
Costs of real estate	4,974.43	5,944.00	6,384.70	1,496.72	1,698.68
Gross profit on real estate	5,398.88	6,190.67	6,708.02	1,677.34	1,736.95
Gross margin on real estate	52.05%	51.02%	51.23%	52.85%	50.56%

The Communities Philippines projects are located in major cities and municipalities covering a significant portion of the Philippines’ main urban areas, including the provinces of Pangasinan, Pampanga, Bulacan, Batangas, Leyte, Iloilo, Cebu, Cagayan de Oro and Davao. Examples of these developments are Plantacion Meridienne in Batangas and Savannah in Iloilo.

Plantacion Meridienne, Batangas

Plantacion Meridienne, Batangas is a project of Communities Philippines, inspired by the grand hacienda homes of the southern United States. It is located near Lipa City and is comprised of several enclaves that cater to a wide range of income classes by offering low-cost and affordable housing and middle-income housing.

Launched in 1997, the first phase offered lots on just 13.3 hectares. The project has since grown to 43 hectares and now offers house and lot packages as well. Housing unit floor areas range in size from 40 to 72 square meters for bungalow units and from 54 to 211 square meters for two-storey houses.

In this project, the Company offers 16 home models: Jade, Pearl, Sapphire, Emerald, Ruby, Lalique, Murano, Lladro, Marvela, Carmela, Drina, Elaisa, Chamomile, Cranberry, Citronella and Celandine.

Plantacion Meridienne offers various facilities including complete electrical facilities, a centralized water system, an underground drainage system, perimeter walls with a 24-hour security system, a multi-purpose clubhouse, a swimming pool, basketball and tennis courts, and children's parks and playgrounds.

Set out below is a photo of a home at Plantacion Meridienne, which may not necessarily represent the current condition of the actual properties.



Plantacion Meridienne Clubhouse with Pool in Batangas

Savannah, Iloilo

Savannah, located in Iloilo, Panay Island, is a Communities Philippines development catering to both the low-cost and affordable segment and the middle-income segment. The project is inspired by the “old world” communities and Victorian home style of Georgia in the United States.

The Company believes Iloilo serves as the regional hub of Western Visayas and the centre for education, medical attention, commercial servicing, government transactions and business.

Savannah was launched in 2000. The project covers a total of 400 hectares, of which 300 hectares are designated as residential areas and 100 hectares are designated as public and commercial areas. As part of this project, Communities Philippines offers almost 12 different housing products with floor areas ranging from 40 square meters to 250 square meters.

The current development has five enclaves catering to various income brackets: Savannah Glen, Orchard and Savannah Trails for the affordable segment and Savannah Glades and Savannah Crest for the middle-income segment. As part of this project, Communities Philippines offers almost 18 different housing products with floor areas ranging from 40 square meters to 250 square meters.

Set forth below is a photo of a home of Savannah, Iloilo, which may not necessarily represent the current condition of the actual properties.



Crown Asia

The Company targets the middle-income housing market (houses priced from ₱4 million to ₱12 million) principally through its Crown Asia unit.

Under its “Crown Asia” brand, the Company caters to the middle-income market by offering quality master-planned residential communities that feature distinct architectural themes. Historically, the Company’s middle-income housing developments have ranged in size from approximately 5 to 50 hectares and have been developed in phases typically comprising approximately 250 lots. Sales prices for a lot typically range from ₱2.5 million to ₱9.0 million and sales prices for a house and a lot normally range from ₱7.2 million to ₱22.0 million per unit. Lot sizes generally range from 110 to 300 square meters. A typical home in the Company’s upper mid-cost projects has two floors with a total floor area of approximately 84 to 242 square meters. The Company also designs and constructs homes in this sector with the capacity and structural integrity to allow owners to add extensions to the existing structure. Construction of a house is usually completed approximately six to eight months from commencing construction.

For the years ended 2014, 2015, 2016 and three months ended 31 March 2017, Crown Asia recorded real-estate revenues of ₱2,327.93 million, ₱1,314.02 million, ₱985.13 million and ₱ 236.63 million, respectively, which accounted for 10.43%, 5.36%, 3.94% and 3.32%, respectively, of total real estate revenue during these periods.

The following table sets forth selected financial and operating data of Crown Asia for the periods indicated:

	For the years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2017	2016
(in millions, except for ratios)					
FINANCIAL DATA					
Real estate revenue	₱ 2,327.93	₱ 1,314.02	₱ 985.14	₱ 236.63	₱ 221.01
Costs of real estate	1,151.36	652.34	399.80	112.02	82.77
Gross profit on real estate	1,176.57	661.68	585.34	124.61	138.24
Gross margin on real estate	50.54%	50.36%	59.42%	52.66%	62.55%

Two of Crown Asia’s largest upper mid-cost housing projects, in terms of total historical sales, are Ponticelli and Citta Italia.

Ponticelli

Ponticelli is a middle-income residential development inspired by Italy's countryside towns. The development is located in an enclave within the Springville Subdivision of Bacoor, Cavite. With a total land area of 24 hectares, Ponticelli's first phase covers 10 hectares. Each of the 336 units has an average lot area of 160 square meters. Ponticelli's second phase covers 9.5 hectares with an average lot area of 150 square meters over its 330 units.

The development's location next to the Daang Hari roadway provides residents with convenient access to regional areas via the South Luzon Expressway to Manila and Calabarzon or via the Dasmarias-Molino road to various parts of Cavite.

Set out below is a photo of Ponticelli, which may not necessarily represent the current condition of the actual properties.



Citta Italia

Designed after Italy's "old world" communities, Citta Italia is located in Bacoor and Imus, Cavite. Citta Italia caters to middle-income professionals that need to be close to either Metro Manila or the Calabarzon area.

The location puts Citta Italia close to the various commercial, recreation and entertainment areas in the Bacoor and Imus city centre, including Robinsons Place, Imus and the SM Mall, Bacoor and the Mall of Asia.

The developed area covers 102 hectares and is currently on its eighteenth phase.

Set out below is a photo of homes at Citta Italia, which may not necessarily represent the eventual state of the actual properties.



Brittany

Operating through Brittany, the Company builds premium master-planned communities and leisure projects for the high-end market. Brittany is one of the leading providers of high-end luxury homes in the Philippines. The Company believes that Brittany's thorough and creative execution of its themed developments sets it apart from its competitors.

In 2004, Brittany entered the market for high-rise residential condominiums with the launch of Marfori Tower in Muntinlupa City, Metro Manila. It has since launched five additional vertical projects including Mosaic and KL Mosaic in the Makati Central Business District and Avant at the Bonifacio Global City in Taguig. These high-end residential housing projects emphasise strategic locations, expansive living spaces, luxurious finishes, first-rate amenities, exclusivity, comfort, security, and privacy.

Project land area required for this style of development ranges in size from approximately 10 to 60 hectares and is typically developed in phases of five to ten hectare segments. Selling prices for lots only are typically above ₱10.5 million with lot sizes averaging 300 square meters. Sales prices for a house-and-lot start at ₱12.0 million with a typical home in the high-end projects having two or three floor levels and a floor area range of 200 to 625 square meters.

For the years ended 2014, 2015, 2016 and three months ended 31 March 2017, Brittany recorded real estate revenue totaling ₱1,203.5 million, ₱ 981.86 million, ₱645.44 million and ₱ 107.24 million, respectively, which accounted for 5.39%, 4.01%, 2.58% and 1.51%, respectively, of the Company's total real estate revenue during these periods.

The following table sets forth selected financial data of Brittany for the periods indicated:

	For the years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2017	2016
	(in millions, except for ratios)				
FINANCIAL DATA					
Real estate revenue.....	₱ 1,203.44	₱ 981.86	₱ 645.44	₱ 107.24	₱ 144.32
Costs of real estate.....	542.78	371.14	242.18	33.00	52.33
Gross profit on real estate.....	660.66	610.72	403.26	74.24	91.99
Gross margin on real estate	54.90%	62.20%	62.48%	69.23%	63.74%

Two examples of Brittany's high-end residential projects are Portofino and Crosswinds. Portofino is an Italian-inspired upscale residential development, which takes up 300 hectares of the 1,500 hectare master-planned community, Vista City, in the Daang Hari area. It is accessible mainly via the newly opened MCX. In 2014, it was

recognized as the Best Housing Development in Metro Manila by the Philippines Property Awards while Amore at Portofino received the same recognition in 2015.

Portofino offers lots only and house-and-lot packages, with lots ranging from 250 to 1,200 square meters, and includes premium features. Housing unit floor areas range in size from 211 square meters (Leandro model) to 625 square meters (Michelangelo model). Unit pricing for the Portofino houses and lots range from ₱20.0 million to ₱24 million for the Angelico model, and up to ₱80.0 million for the Da Vinci model.

Set out below is a photo of a home at Portofino, which may not necessarily represent the eventual state of the actual properties.



Crosswinds

Crosswinds is the Company's first leisure development project and is located in Barangay Iruhin Central, Tagaytay City. With an elevation of approximately 2,500 feet, Crosswinds offers a scenic view of Batangas and Laguna and is approximately an hour's drive away from Manila.

The total project land area for Crosswinds is 100 hectares, although certain adjacent property owners have shown interest in partnering with the Company to include their land in a potential expansion of the project. Currently, the project is in its twelfth phase and more than 85 hectares have been developed.

Set out below is a photo of Crosswinds, which may not necessarily represent the current condition of the actual properties.



Vista Residences

Vista Residences develops and sells vertical residential projects in the Mega Manila area in the low to high-end housing segments priced between ₱1.9 million to ₱16.0 million. Vertical home projects generally involve longer project development periods as well as facilities, amenities and other specifications not often found in horizontal homes. Vista Residences expects to develop additional low- and mid-rise condominium projects in the next several years, mostly in Southern Luzon, to increase its existing portfolio of vertical development projects. Vista's community, Presidio, which is part of the 60-hectare Vista Lakefront master-planned community at Sucat in Paranaque, is expected to be one of the sites for these additional residential condominiums; the Company has already completed six of the seven mid-rise buildings in the resort-themed Presidio enclave.

In the years ended 2014, 2015, 2016 and three months ended 31 March 2017, Vista Residences recorded real estate revenue totaling ₱2,073.32 million, ₱ 3,264.15 million, ₱2,102.11 million and ₱ 1,439.13 million, respectively, which accounted for 9.29%, 13.32%, 8.40% and 20.22% respectively, of total real estate revenue during these periods.

The following table sets forth selected financial data of Vista Residences for the periods indicated:

	For the years ended 31 December			Three months ended 31 March	
	2014	2015	2016	2017	2016
(in millions, except for ratios)					
FINANCIAL DATA					
Real estate revenue	₱ 2,073.31	₱ 3,264.15	₱ 2,102.11	₱ 1,439.13	₱ 606.27
Costs of real estate	1,147.15	1,792.16	1,160.33	773.91	331.93
Gross profit on real estate	926.16	1,471.99	941.78	665.22	274.34
Gross margin on real estate	44.67%	45.10%	44.80%	46.22%	45.25%

Set out below are renditions of some of Vista Residences' projects, which may not necessarily represent the current condition of the actual properties



STARMALLS

On 22 December 2015, the Company acquired common shares representing approximately 79.43% of the total outstanding common capital stock of Starmalls from Fine Properties, Inc., Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar. Vista Land and Starmalls are both principally owned by the family of Mr. Manuel B. Villar, Jr. On 23 February 2016, the Company acquired additional common shares in Starmalls representing 8.82% of the latter's total outstanding capital stock.

Starmalls is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates BPO commercial centers. At the time of its acquisition, Starmalls, through its subsidiaries, owned and operated 10 retail malls in key cities and municipalities in the Philippines and 2 BPO commercial centers in Metro Manila, with a combined GFA of 509,385 square meters. With the acquisition of Starmalls, the retail malls, commercial strips and BPO offices are combined under the division "Vista Land Commercial Group".

As of 31 March 2017, Vista Land Commercial Group owned and operated various retail malls and commercial strips in key cities and municipalities in the Philippines with an aggregate GFA of 770,744 square meters of retail malls, commercial centers, and 180,789 GFA of BPO centers in Metro Manila, which leases with BPO tenants employing approximately 15,000 employees. Selected investment properties amounting to ₱3,907 million secures certain bank loans of Manuela Corporation and Masterpiece Asia Properties, Inc.

Retail Malls

Retail malls have become popular because of their value-for-money proposition, one-stop shopping concept and diverse tenant mix. The Company believes that it is well-placed to face the increased competition in the retail mall industry because of its competitive advantages including, among other things, the location of its existing retail malls (including proximity of a number of its malls beside major transport hubs), the existing land bank of the Group, its balance sheet strength, diverse tenant mix, proven tenant selection criteria and the presence of the key tenants within each of its retail malls. As an early mover in the underserved mass consumer retail segment, the Company believes that it has been able to benefit from a lack of direct competition for many of its mass market retail malls given that other retail mall developers have predominantly focused on income segments above the mass market. For example, Starmalls established Starmall EDSA Shaw in Mandaluyong City in 1988 before any other retail mall developer had entered the area. Since then, Mandaluyong City has seen the entry of several other retail mall operators, however their focus remain on consumers in the upper income brackets.

Two examples of Starmalls' retail malls are Starmall Alabang and Vista Mall Sta. Rosa.

Starmall Alabang

Starmall Alabang opened in 1997. It is the largest mall in the portfolio. Between 2009 and 2011, Starmall Alabang underwent major redevelopment, including the construction of bridgeways on the ground floor and third level, increasing net leasable area. Other enhancements included the improvement of the retail mall's facade, major repairs of the air-conditioning and lighting systems and the re-tiling of floors.

Starmall Alabang has four levels of retail, food and entertainment outlets and approximately 4,000 square meters of office space located at the third and fourth floors. It is considered by the Company as a destination mall for families,

office employees, students and teens and residents of nearby residential subdivisions. A major attraction of Starmall Alabang is an indoor theme park and indoor swimming pool that attracts students and families. For 2016, it had a daily average footfall of approximately 73,000.

Starmall Alabang is located along the South Luzon Expressway which is a network of two six-lane highways that connects Metro Manila to the provinces in the Calabarzon region, and is accessible by public and private transport.

Set out below is a photo of Starmall Alabang, which may not necessarily represent the current condition of the actual properties.



Vista Mall Sta. Rosa

Vista Mall Sta. Rosa opened in April 2015 and the Company believes that it is the most prime BPO hub in Southern Luzon. Vista Mall Sta. Rosa is located along the busy Sta. Rosa-Tagaytay National Road and is anchored by the All Home Center, attracting residents and visitors from neighboring communities to shop for their home and everyday needs.

Phase two of Vista Mall Sta. Rosa opened in the first quarter of 2016. Offering supermarket, department store, cinema and amusement, food court, foreign and local fashion, international and native cuisines, IT hub, services, government satellite offices, among others.

Set out below is a photo of Vista Mall Sta. Rosa, which may not necessarily represent the current condition of the actual properties.



Starmalls also develops commercial centers designed for BPOs as anchor tenants. Food outlets and other retail establishments located at BPO commercial centers provide 24-hour support to BPO tenants and their employees. An example of this is the Worldwide Corporate Center (“WCC”) is Shaw Boulevard, Mandaluyong City.

WCC houses (i) large tenants requiring customized office space, including BPO centers and a media company; (ii) smaller corporate offices, such as residential real estate marketing offices, management offices and a direct marketing company; and (iii) retail outlets designed to cater to the other tenants in the building, such as restaurants, convenience stores and service shops. In 2007, WCC was repositioned as a BPO center. It is strategically located in the vicinity of EDSA, Metro Manila’s main thoroughfare, and is connected to transportation terminals, including the MRT, bus terminals and other forms of public transportation.

Manuela constructed WCC on land leased from Leca Realty Corporation (“Leca”) pursuant to the terms of a long term lease contract originally expiring in July 2020. In August 2011, Leca and Manuela entered into an agreement to extend the lease for another 10 years (up to July 2030) and granted Manuela a right of first refusal to purchase the land subject of the lease in the event that Leca decides to sell the land.

WCC has a GFA of 118,0000 square meteres, four levels of office space, and has a range of retail and food outlets. WCC also contains multi-level basement parking with 532 spaces. It is positioned for BPO operators as well as retail and food and beverage outlets that support the BPO tenants. As of 31 March 2017, it has an occupancy rate of 99%

Set out below is a photo of WCC, which may not necessarily represent the current condition of the actual properties.



Starmalls' BPO business has a diverse tenant mix of more than 120 tenants, including major tenants such as Sykes Marketing, Convergys, Acquire Asia, CNN Philippines, Solar Entertainment, Vista Land Group, Interglobe Technologies, Brady Philippines, Regus, Unisys Phils, AllDay Convenience Store, Coffee Project, Starbucks, Tokyo Tokyo and Tramway Buffet.

COMMUNITIES AND ONGOING STRATEGIES

Vista Alabang

Vista Alabang is an integrated urban development that combines lifestyle retail, prime office space, university town, healthcare, themed residential developments, and leisure components. Vista Alabang, the most expansive integrated urban development in the southern part of Metro Manila, has over 45,000 households as of 31 March 2017 and covers a total area of approximately 1,500 hectares strategically located where the cities of Muntinlupa and Las Piñas, and the provinces of Cavite and Laguna meet. Vista Alabang's 15 kilometer radius catchment area has more than 1 million households, or a population of approximately 4.7 million. Vista Alabang has over 700 hectares still to be developed into new residential areas under Vista Land's Brittany, Crown Asia and Camella brands, together with mall and retail developments, including the existing Evia Lifestyle Center and Vistamall Daang Hari.

The Company intends Vista Alabang to serve as a template for its future community developments. As of 31 March 2017, the Company has identified about 100 areas (excluding sites earmarked for Starmalls' development) covering approximately 600 hectares from its existing projects around the country, including the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao, that are suitable for communities.

Vista Alabang will also have its own spaces for sports, health, higher learning, even religious worship. Encompassing 100 hectares in total, a fully-integrated university town is already in the works, as well as sophisticated health facilities, a sports mecca, and a country club.

Set out below is the proposed perspective of the Vista Alabang development.



Vista City Iloilo

Vista City Iloilo is the Company's flagship integrated real estate development in the Visayas region. Plans for Vista City Iloilo include retail malls, hotels, office buildings for the BPO industry and hospitals. It is a 500 hectare community, which is strategically spread over the municipalities of Oton, Pavia and San Miguel on Panay Island. It is close to the University of the Philippines Visayas, Central Philippine University, University of San Agustin, and West Visayas University, as well as the Western Visayas Medical Center and The Medical City Iloilo. It established its presence in Iloilo in September 2000 when it opened Savannah Glades.

Savannah is the largest residential community in Panay Island. The residential community is supported by numerous amenities, including a school (Georgia Academy, which offers primary to secondary education), five clubhouses, four basketball courts, one tennis court, jogging and biking paths and numerous gazebos, parks and children's playground. The project has seven residential enclaves covering more than 300 hectares.

The integration of the residential project with the commercial development will complete Vista City Iloilo's transformation into a community with adequate security and convenient transportation services.

As part of its integrated real estate development strategy, the Company plans to create more communities. As an initial step, the Company believes that a Starmalls mass market retail mall or BPO facility can be readily developed in its existing communities which have already allocated portions of land for commercial developments. These include its communities in the provinces of Davao, Iloilo, Cavite and Bulacan, and the cities of Cabanatuan in Northern Luzon and Cagayan de Oro in Mindanao.

PROJECT DEVELOPMENTS AND ONGOING STRATEGIES

Medium-Rise Developments

The Company has adopted a strategy to further diversify its product offerings and additionally focus on the development of medium-rise buildings ranging from five to ten stories. The Company has identified areas such as New Manila, Cubao, Pasig, Taguig and Sucat in Metro Manila for its medium-rise projects, as well as Davao City in Mindanao. The Company believes there is sufficient demand and growth potential for mid-residential development projects, which are less capital intensive and completed more quickly than traditional vertical developments. Notwithstanding the mid-rise developments already launched through the other subsidiaries, the Company will primarily conduct its operations in the mid-rise development market, which will encompass projects across different segments of the Philippine residential market.

LAND BANK

It is an integral part of the Company's strategy to maintain an extensive land bank at all times to ensure that it has adequate land to cover its succeeding years of development for its residential and commercial development activities.

For its residential business, the Company's land bank consists of vacant or undeveloped land primarily in Metro Manila, Calabarzon, and in other major towns and cities in various provinces of the Philippines. The Company has

invested in properties situated in what the Company believes are prime locations across the Philippines for existing and future housing and land development projects. As of the date of this Offering Circular, some properties in the Company's raw land inventory are subject to material liens or encumbrances.

In addition to directly acquiring land for future projects, the Company has also adopted a strategy of entering into joint venture arrangements with land owners for the development of raw land into future project sites for housing and land development projects. This allows the Company to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development. As of 31 March 2017, the Company has a land bank of approximately 2,267.60 hectares of raw land for the development of its various projects, in addition to approximately 336.20 hectares (attributable to the Company) of land under joint venture agreements. The Company believes that its current land bank will be sufficient for its existing and planned projects and developments for the next nine years.

Details of the Company's raw land inventory as of 31 March 2017 are set out in the "*Description of Properties*" section of this Prospectus.

The Company intends to acquire land in various parts of the Philippines for future development, either directly or pursuant to joint venture agreements.

LAND ACQUISITION

The Company sources land for its projects either through direct purchase or through joint venture arrangements with land owners. As a matter of policy, the Company conducts due diligence before acquiring any property or entering into any joint venture. The evaluation process focuses on four major factors:

- legal documents (e.g. title) related to the property;
- property valuation;
- technical characteristics of the property (e.g. location of fault lines); and
- other factors impacting the suitability and feasibility of developing future projects.

Before the Company acquires land or enters into joint ventures to develop land, the Company conducts extensive checks on both the owner and the land itself, with a particular focus on the veracity of the title covering the land and whether it can be traced back to the original judicial decree granting title over the land. As and when needed, the Company also engages third parties, such as surveyors and engineers, to verify that the land it seeks to acquire is covered by the technical description of the title.

Before the Company acquires land or enters into joint ventures to develop land, the Company also conducts its own valuation of the property based on, among other factors, other similar properties in the market and an assessment of the potential income derivable from any development suitable for the property.

Before directly acquiring land or entering into a joint venture arrangement with a land owner, the Company also conducts engineering and environmental assessments in order to determine if the land is suitable for construction. The land must be topographically amenable to housing development.

The Company has developed specific procedures to identify land that is suitable for its needs and performs market research to determine demand for housing in the markets it wishes to enter. These factors include:

- the general economic condition of the environment surrounding the property;
- suitable land must be located near areas with sufficient demand or that the anticipated demand can justify any development;
- the site's accessibility from nearby roads and major thoroughfares;
- the availability of utility infrastructure, such as electric transmission facilities, telephone lines and water systems; and

- the overall competitive landscape and the neighbouring environment and amenities.

The Company also considers the feasibility of obtaining required governmental licenses, permits, authorisations, and adding necessary improvements and infrastructure, including sewage, roads and electricity against a purchase price that will maximise margins within the limits of available financing.

JOINT VENTURES

Historically, the Company has grown its land bank primarily through direct purchases. In the past several years, however, the Company has begun to enter into joint venture agreements with land owners for its residential development business. These joint venture arrangements offer certain advantages to the Company, particularly because the Company is not required to pay for the land in advance. The Company's interests in these joint ventures vary depending on the value of the land against the estimated development cost. The Company holds a majority interest under most of its existing joint venture arrangements.

Historically, the Company has not experienced any material difficulties in identifying and engaging joint venture partners to supply land and currently does not expect to experience any such difficulties in the future. The Company believes that this is due to its track record of reliability and success, particularly in the suburban areas where many of the Company's projects have been located, thus giving its joint venture partners confidence in the future success of their projects. Further, there is a prevalence of land owners in the Philippines who wish to develop their land but who may not have the financial resources and expertise to do so. The Company has also entered into joint venture agreements with commercial banks, such as Banco de Oro ("BDO"), Union Bank of the Philippines and a wholly-owned subsidiary of United Coconut Planters Bank ("UCPB"), to develop specific assets of the banks.

The Company's joint venture arrangements typically require the joint venture partner to contribute the land to the project, with the Company bearing all costs related to land development and the construction of subdivision facilities. The Company and its joint venture partner then agree on which of the resulting subdivided saleable lots will be allocated to the Company and which lots will be allocated to the joint venture partner, in accordance with their respective joint venture interests.

Sales and marketing costs are allocated to both the Company and the joint venture partner, with the joint venture agreement specifying a percentage of the contract price (typically 12.0% to 15.0%) for the lots allocated to the joint venture partner as the sales and marketing costs (including commissions to brokers) attributable to the sale of such lots. However, the Company is responsible for organising and conducting actual sales and marketing activities.

The joint venture partner is also required to warrant his/her title over the land and, if necessary, to clear the land of tenants and informal occupants before the Company commences development work on the land. All costs relating to clearing the land of tenants and informal occupants are the responsibility of the joint venture partner, although the Company may provide cash advances to cover a portion of these costs, which will then be deducted from any sale proceeds attributable to the joint venture partner.

For a discussion of certain risks associated with these joint venture arrangements see *"Risk Factors — Risks Relating to the Company's Business — The interests of joint venture partners for the Company's projects may differ from the Company's, and they may take actions that adversely affect the Company."*

SITE DEVELOPMENT AND CONSTRUCTION

Residential Development Business

For its housing development activities, site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as site development work, contracts are awarded on the basis of competitive bidding. For smaller-scale projects, such as the construction of certain structures within a project or of specific housing and condominium units, the Company will directly contract specific contractors based on its previous experience with such contractor for a specific type of project. In all cases, the Company's accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company maintains relationships with over 317 accredited independent contractors and deals with each of them on an arm's-length basis. The Company is not and does not expect to be dependent upon one or a limited number of suppliers or contractors.

The Company does not enter into long-term arrangements with contractors. The awarded contracts typically cover the provision of contractor's services in relation to a particular project or particular housing and condominium units. To ensure compliance with Company requirements and to maintain the quality of the developments, the Company has a team of project engineers who perform the following functions:

- directly managing site development and construction activities;
- coordinating the activities of the Company's contractors and suppliers;
- overseeing quality and cost controls; and
- ensuring compliance with zoning and building codes and other regulatory requirements.

Typically, the Company enters into fixed-price contracts with its contractors, with the cost of materials included as part of the price.

Housing unit construction will typically take three to 12 months to complete depending on the size.

Most construction materials are provided by the contractors themselves in accordance with the terms of their contracts. In certain cases, the Company guarantees payment to the Company-specified suppliers for purchases by contractors of construction materials. In these cases, the Company makes direct payments to such suppliers, with the amounts paid by the Company for construction materials deducted from payments to the contractors.

Progress payments are made to contractors during the term of the contract based on the accomplishment of pre-determined project performance milestones. The Company usually retains 10.0% of each progress payment in the form of a guarantee bond or cash for up to one year from the date the contracted work is completed and accepted by the Company. The amounts retained are used to meet contingency costs, such as addressing claims from purchasers thereby limiting the financial burden on the Company.

Retail Mall Development and BPO Commercial Center Business

Site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as major repair or construction work, contracts are awarded on the basis of competitive bidding. For operational repairs and maintenance projects, contractors are hired without a competitive process based on our previous experience with the contractor. In all cases, the accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. Starmalls maintains relationships with over 100 accredited independent contractors and deal with each of them on an arm's length basis.

Starmalls' business and project development group is responsible for identifying sites for the construction of new retail malls, which in many cases are sites that are within the Group's properties. The business and project development group determines the viability of a potential plot of land for a new retail mall based on the demographics of the area, including the size of the population, its income levels, local government and local infrastructure and, in particular, accessibility to public transportation. Starmalls also evaluates the presence of other retail commercial developments in the area. Once a suitable site is selected, the corporate planning group determines the absorbable size of the retail mall to be constructed and the GFA, which typically ranges from 20,000 to 70,000 square meters. The group then proceeds to secure all relevant government permits for the project, as well as all architectural and engineering schematics. The securing of permits and licenses and the completion of preliminary design works typically takes about two months. The construction of each retail mall is generally awarded on the basis of competitive bidding. The bid process and the preparation of detailed drawings and costings generally takes about three months. Starmalls supervises the construction of each retail mall, which typically takes about six months to one year.

SALES AND MARKETING

Residential Development Business

The Company believes it has one of the most extensive marketing networks of all Philippine housing development companies.

Local Marketing Network

The Company's local marketing and distribution network of independent contractors and agents for its housing development activities consists of approximately 2,568 teams, with a combined total of approximately 23,500 active agents. Of these marketing teams, 2,449 are accredited licensed realtors and 51 teams are direct marketing groups.

The Company believes that it offers its marketing teams competitive compensation terms. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure.

The Company's exclusively contracted marketing teams are compensated through a monthly allowance and are provided administrative support by the Company, including office space and expense allowances. Broker companies are compensated with relatively higher commissions with funding allocations for business development programmes.

International Marketing Network

The Company believes that the OFW population constitutes a significant portion of the demand for its housing and land development projects. The demand comes from both the direct purchase by the OFW or purchase by relatives of the OF financed by OF remittances. As such, the Company seeks to adequately service and reach the OFW and international markets. For that purpose, the Company has established an extensive international marketing network.

This network consisted of 162 partners 4,289 independent agents located in countries and regions with large OFW populations, including the United States, as of 31 March 2017.

Through this network, the Company is well-represented in key cities abroad with the highest concentration of OF communities. The Company's presence is significant in countries and regions such as North America, Europe, Middle East and Asia including Japan. These international brokers are established in their respective areas and serve as the Company's marketing and promotion agents in their territories, to promote the Company and its products. In addition, some of these agents who bought houses from the Company in the past. The Company believes that its long standing relationships with these agents over the years distinguish it from its competitors.

The Company, together with these international brokers and agents, regularly sponsors roadshows and participates in international fairs and exhibits, Filipino social and professional gatherings, and other OF-related events.

Awareness efforts are primarily conducted through periodic TV advertising on Philippine primetime television and sustained TV advertising on The Filipino Channel, as well as print advertising on national and geo-based publications. As added support, the Company through a special division called Prime Properties International has set up support marketing groups focused on and dedicated to servicing the international market.

Modes of Payments

The Company's customers for its housing projects can generally purchase the Company's products through:

- cash purchases;
- bank financing;
- in-house (Company-provided) financing; and
- Government-assisted financing.

Under these four major modes of payments, the Company designs flexible and creative financing packages for its customers to make their acquisitions possible.

Cash-basis acquisitions are usually given special discounts. Negotiated discounts are also allowed for accelerated payment schedules and other bulk payments. This is to encourage capable buyers to pay upfront for their property acquisition.

Mortgage loans from private banks are available. These are offered to buyers who are perceived to be acceptable credit risks. To streamline the loan processing application, the Company has arrangements with several banks regarding the processing of applications with respect to the financing of unit purchases. As of 31 March 2017, majority of the Company's buyers opt for bank financing to finance their housing purchases.

The Company also offers in-house financing to buyers. There are cases wherein in-house financing schemes serve as stepping stones to facilitate transactions. In these instances, the buyers use the in-house financing facility but convert to bank financing within a certain period.

There are also instances where customers of the Company obtain financing from the Government. Government-subsidised loans under the government financial institution programmes still continue to be the largest source of purchaser financing for the socialised market.

Mortgage Loans

Mortgage loans from commercial banks are available to individuals who meet the credit risk criteria set by the relevant bank and those individuals who are able to comply with such bank's documentary requirements and credit investigation. To assist prospective buyers obtain mortgage financing from commercial banks, the Company has arrangements with several commercial banks, such as BDO, BPI Family Bank, Planters Bank, Philippine Saving Bank, Unionbank of the Philippines, UCPB, RCBC Savings Bank, Security Bank, Bank of Commerce, Malayan Bank, and China Bank Savings. Further, the Company ensures that all of its units are properly and completely documented to adequately comply with the bank's requirements.

In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). The HGC is a Government-owned and controlled corporation that operates a credit guaranty programme in support of the Government's efforts to promote home ownership. It provides risk guarantees and fiscal incentives for loans and credit facilities for residential purposes provided by banks and financial institutions. In the event a buyer defaults in connection with an HGC-registered loan or credit facility, the HGC guarantees the payment to the extent of the outstanding balance, interest and yield. The interest and yield on loans and credits guaranteed by the HGC is exempt from taxation.

In-House Financing

The Company has established processes and procedures designed to screen homebuyers applying for in-house financing to ensure that they are financially capable of paying their monthly amortizations. The Company conducts strict and thorough credit checks which include but are not limited to:

- employment/career/business background checks;
- credit card verification using national credit databases; and
- conducting physical verification of claims regarding residences and properties owned by the buyer.

The Company typically finances 80.0% to 85.0% of the total purchase price of the property being sold. The loans are then repaid through equal monthly instalments over periods ranging from five to 15 years. The interest rates charged by the Company for in-house financing typically range from 16.0% per annum to 19.0% per annum, depending on the term of the loan, with the financing agreement providing for an escalation of the interest rate in the event of a general rise in interest rates charged by the banks and other financial institutions.

Where a buyer has obtained in-house financing for a purchase, the Company will retain the title to the property until full payment of the loan. During this period, if the buyer defaults on the payment of the monthly instalments due, the Company has the right to cancel the sale and retain payments already made by the buyer. See *"Risk Factors — Risks Relating to the Company's Business — The inability of the Company's in-house financing customers to meet their payment obligations could have a material adverse effect on the Company's business and prospects."*

Customer Service and Warranties

The Company believes it is important to ensure that quality service is afforded to homebuyers throughout and after the relevant sales period, including during house lay-out, construction, move-in and introduction to the homeowners' association. The Company's Customer Care Department has qualified staff dedicated to addressing these concerns.

Apart from the standard contractual warranties on the purchased unit, for each project the Company engages the services of a professional property management group which oversees the affairs of the homeowners' association. This helps homebuyers to achieve a smooth introduction to their new neighborhood and further enhances good

customer relations. The property management group's functions include financial management, security, landscape maintenance and association social activities.

Retail Mall Development and BPO Commercial Center Business

Leasing Policies

Retail Mall Development

The Company's leasing policy for tenant selection follows its target market strategy. The Vista Land Commercial Group mall leasing team is responsible for tenant selection. Tenants are evaluated in terms of their product offering, store concept, compliance with regulatory requirements and operational and financial capacity. All leases include arm's-length commercial terms, including those with the Company's affiliates. The high demand for tenancies within Starmalls' retail malls means that it generally has a sufficient tenant pipeline to cover any vacancies that may arise in the retail malls.

Retail leases are generally granted for a term of two years with an average escalation of 8.0%, with the exception of some of the larger tenants, which are granted initial lease terms of three to five years with an escalation of 5.0% to 7.0%, renewable upon expiry for a similar period thereafter. Sixty days' notice is required of tenants for termination of their leases. Starmalls generally requires payment of four months' rent as a security deposit and two months' advance rental prior to the commencement of a lease. Upon renewal of a lease, the rental rates are adjusted to reflect the prevailing market rent.

The table below sets forth a summary of the expiration of the Company's leases as of 31 March 2017:

Lease Expiry	Percentage (%)
1-3 years	28%
3-5 years	27%
5-10 years	40%
Over 10 years	5%

BPO Commercial Centers

Tenant sourcing for WCC, Polar EDSA, BPO Las Pinas and Vista Hub BGC is conducted by the BPO division, augmented by reputable brokers, such as Colliers Philippines, Jones Lang Lasalle Leechiu, and CB Richard Ellis Philippines. Before the Company enters into lease contracts with BPO tenants, it seeks to understand their fit-out requirements for the rental space and evaluate the economics of such requirements. The Company directly engages in tenant sourcing for auxiliary food and beverage and service spaces and follows the evaluation process generally applied for retail mall tenants. Tenancies are generally granted for a term of one to three years, with the exception of larger tenants operating nationally, which are granted initial lease terms of two to ten years, renewable for a five year term thereafter.

Management of the retail malls

The Company manages the development, leasing and marketing of its retail malls internally, rather than outsourcing these functions. The malls are managed by a mall operations team consisting of the mall manager, building administrator and tenant relations officer. Operational services, including maintenance, security and janitorial services are outsourced to reputable third-party service providers and contracts with these providers are reviewed annually.

COMPETITION

Residential Development Business

The residential development market in the Philippines is intensely competitive. The Company has significant competitors for its residential housing and land development business. Compared to the commercial real estate and high-rise residential building markets, which require the resources to acquire land in expensive urban areas and the experience to manage these projects successfully, real property companies can more easily develop horizontal residential housing and land development projects in certain areas. Nevertheless, the Company's strong regulatory know-how, solid execution track record and nationwide footprint are difficult to replicate and effectively serve as a strong barrier against competition on a nationwide level. Because of the availability of joint venture arrangements with landowners and the ability to finance these projects through unit pre-sales, it is relatively easy for smaller

players to enter into this business. There is, therefore, competition for land that is suitable for project development. There is also competition among various developers for residential real estate brokers.

Currently, the Company's competitors in its residential development business include companies such as Filinvest Land, Inc., Extraordinary Development Corporation, Sta. Lucia Realty, Megaworld Corporation, Robinsons Land Corporation ("Robinsons") and others. On the basis of publicly available information and its own market knowledge, the Company believes that it is the leading integrated property developer in the Philippines that is focused on the mass market. The Company's management also believes that the Company is able to offer competitive commissions and incentives for brokers and that the Company is able to compete on the basis of the pricing of its various products, which span all income segments, as well as brand recognition.

The Company also faces strong competition in the condominium market. The Company believes that its main competitors in these markets include companies such as Ayala Land Inc., DMCI Development Homes, Inc., Megaworld Corporation, Robinsons, SM Residences Corporation and others.

Retail Mall Development and BPO Commercial Center Business

Starmalls' retail mall business competes with other retail malls in the geographic areas in which they operate. The other major retail mall operators in the Mega Manila area are Robinsons, SM Prime and Ayala Land. These national mall operators serve principally the "A", "B" and "upper C" segments of the population. In the mass market retail segment, where Starmalls serves the "B", "Upper C", "Broad C" and "D" segments, Starmalls' competitors consist principally of smaller mall operators such as the Ever Gotesco Group and City Malls. Starmalls believes that its well positioned to face increased competition in the retail mall industry given its competitive advantages including, among other things, the location of its existing retail malls, the land bank of the Group, a successful tenant mix and selection criteria and synergies within the Group.

The Company is also in the mall business serving the "A", "B" and "upper C" segments of the population through the Evia Lifestyle Center.

For further discussion of certain risks associated with competition, see "Risk Factors — Risks Relating to the Company's Business — The Company operates in a highly competitive market, and any inability to effectively compete could limit the Company's ability to maintain or increase its market share and maintain or increase profitability" and "Risk Factors — Risks Relating to the Company's Business — The Company may not be able to acquire land for new projects."

EMPLOYEES AND LABOR

As of 31 March 2017, the Company and its subsidiaries, had 1,540 employees broken down by function as follows:

Function	Number of employees
Operations.....	395
Administrative	638
Technical	507
Total.....	<u>1,540</u>

The Company recognizes that there may be a need to hire additional personnel to handle increase in the volume of business over the next twelve months. However, all such hiring decisions will be made taking into account the uncertainties surrounding the current market environment in addition to the long-term requirements of the business. As such, the Company does not anticipate a significant increase in the number of employees this year.

The Company has no collective bargaining agreements with its employees and none of the Company's employees belongs to a union. The Company believes it has a good relationship with its employees and no key employees have left the Company during the past three years.

The Company provides employees with on-the-job-training and other development programmes that assist them in effectively carrying out their jobs and that prepare them for career advancement in the Company.

The Company continuously strives to position itself as an employer of choice in the Philippine real estate industry. It offers what it believes to be competitive salary and benefits packages that allow it to compete in the job market for quality employees. The Company has no employee stock option plan.

RESEARCH AND DEVELOPMENT

While the Company engages in research and development activities focusing on the types of construction materials used for its housing and condominium units, construction methodology, value-engineering for its projects and quality assurance, as well as market studies on potential new retail malls and BPO commercial centers and gathering data on target retail customer base, the expenses incurred by the Company in connection with these activities are not material. The Company's research and development activities include organising regular trips for its operations personnel, architects and engineers to various cities in America, Europe and Asia to enable them to become more attuned to high quality developments and latest trends from overseas.

INTELLECTUAL PROPERTY

The Company and its subsidiaries have a number of trademarks for its development projects as well as applications for the registration of various trademarks of its property developments pending with the Philippine Intellectual Property Office. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to the success of the Company's and its subsidiaries' property developments. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

The Company has also registered a number of the business names it uses for its property developments with the Department of Trade and Industry. Registering a business name with the Department of Trade and Industry precludes another entity engaged in the same or similar business from using the same business name as one that has been registered. A registration of a business name shall be effective for five years from the initial date of registration and must be renewed within the first six months following the expiration of the five-year period from the date of original registration. Pursuant to the Philippine Department of Trade and Industry Administrative Order No. 11 (Series of 2008), where the business name of a corporation appears in its articles of incorporation as the corporate name, registration is no longer necessary. A corporation may also use a business name or style different from its corporate name provided such name or style appears in its articles of incorporation.

Trademark	Registrant	Registration Date	Term	Principal Condition/s
VISTA LAND	Vista Land & Lifescapes, Inc.	09 June 2008	10 Years	(1) Renewable upon payment of the prescribed fee and filing of request (2) Registrant must file a declaration of actual use within 3 years from the filing of the Application and pay the required fee (3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within 1 year from the 5th Anniversary of the date of registration/renewal and pay the required fee
CROWN ASIA YOUR HOME OF CHOICE	Crown Asia Properties, Inc.	04 February 2008	10 Years	
CAMELLA HOMES & COMMUNITIES	Camella Homes, Inc.	04 February 2008	10 Years	
BRITTANY	Brittany Corporation	11 February 2008	10 Years	
COMMUNITIES PHILIPPINES	Camella Homes, Inc.	03 March 2008	10 Years	
VISTALAND HOMEBUILDER BOND	Vista Land & Lifescapes, Inc.	28 August 2014	10 Years	
STARMALLS, INC.	Starmalls, Inc.	14 February 2013	10 Years	
STARMALL	Manuela Corporation	16 August 2012	10 Years	
VISTA RESIDENCES	Vista Residences, Inc.	11 March 2016	10 Years	
STARMALL (revised design)	Starmalls, Inc.	28 May 2015	10 Years	
MELLA	Vista Residences, Inc.	03 December 2016	10 Years	

Trademark	Registrant	Registration Date	Term	Principal Condition/s
VISTA CITY	Brittany Corporation	13 April 2017	10 years	1) Renewable upon payment of the prescribed fee and filing of request (2) Registrant must file a declaration of actual use within 3 years from the filing of the Application and pay the required fee (3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within 1 year from the 5th Anniversary of the date of registration/renewal and pay the required fee.
VISTA ALABANG	Brittany Corporation	13 April 2017	10 years	
VISTA SAVANNAH	Communities Iloilo, Inc.	13 April 2017	10 years	
VISTA ILOILO	Communities Iloilo, Inc.	13 April 2017	10 years	

INSURANCE

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company's insurance policies include coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public and construction works. For its vertical projects, the Company has also obtained insurance with various general contractors. The Company does not carry business interruption insurance. See "Risk Factors — Risks Relating to the Philippines — Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance."

LEGAL PROCEEDINGS

The Company and its subsidiaries, from time to time, are subject to various civil lawsuits and legal actions arising in the ordinary course of business. Typical cases include adverse claims against a subsidiary's title over parcels of land and claims brought by buyers seeking the return of deposits or cancellations of sales. The Company believes that none of the lawsuits or legal actions to which it is currently subject will materially affect the daily operations of its business nor will they have a material adverse effect on the Company's consolidated financial position and results of operations.

REGULATORY AND ENVIRONMENTAL MATTERS

Presidential Decree No. 957, otherwise known as The Subdivision and Condominium Buyer's Protective Decree, and Batas Pambansa Blg. 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 DAR, as applicable, conversion or exemption orders as discussed below.

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. 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 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 low-cost 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 is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision 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. To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 20% of the total area of the main subdivision project or allocate and invest an amount equal to 20% 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, in development of a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage programme, the undertaking a joint-venture projects and the building of a large socialized housing project to build a credit balance.

Under the current Investment Priorities Plan issued by the Board of Investments, mass housing projects are eligible for government incentives subject to certain policies and guidelines.

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 installments are granted a grace period of one month for every year of paid installments 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 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.

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.

Shopping Malls

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor’s permit or municipal license before operating. Shopping mall operators must also comply with the provisions of Republic Act No. 9514 of the Fire Code, and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health. Those that discharge commercial wastewater must further apply for a wastewater discharge permit from the DENR and pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism (“**DOT**”). A shopping mall can only be accredited upon compliance with the minimum physical, staff and service requirements promulgated by the DOT.

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 June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

SPECIAL ECONOMIC ZONE

PEZA is a Government corporation that operates, administers and manages designated special economic zones (“**Ecozones**”) around the country. Ecozones, which are generally created by proclamation of the President of the

Philippines, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centres. PEZA-registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

Some of the Company's investment properties are located in Ecozones. Tenants of those properties may register with PEZA to avail themselves of certain benefits under Republic Act No. 7916 and its Implementing Rules and Regulations, such as income tax holidays or a preferential rate of 5% with respect to gross income taxation, thereby making tenancy in such properties potentially more attractive.

Enterprises offering IT services (such as call centers and other BPO firms using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area which has been developed into a complex capable of providing infrastructure and support facilities required by IT enterprises, as well as amenities required by professionals and workers involved in IT enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities and amenities.

PEZA requirements for the registration of an IT Park or IT Building differ depending on whether it is located within or outside Metro Manila. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board and the DENR.

ENVIRONMENTAL LAWS

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain 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 are 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.

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 AND NATIONALITY RESTRICTIONS

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, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Ninth Regular Foreign Investment Negative List, provide 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.

Considering the foregoing, for as long as the Company or any of its subsidiaries own land in the Philippines, or continue to conduct property development in the Philippines, foreign ownership in the Company shall be limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, the Company shall disallow the issuance or the transfer of shares to persons other than Philippine

Nationals and shall not record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above. Philippine National, as defined under the Foreign Investment Act, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and the entitlement to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals.

Compliance with the required ownership by Philippine Nationals of a corporation is determined on the basis of its outstanding capital stock whether fully paid or not, but only such stocks which are generally entitled to vote are considered.

In the case of *Express Investments v. Bayan Telecommunications, Inc.* (G.R. No. 174457-59) (the “**Express Investments Case**”), the Supreme Court ruled that “the term ‘capital’ in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors.”

On 20 May 2013, the SEC, however, issued Memorandum Circular No. 8 or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities. The Circular provides that for purposes of determining compliance with nationality restrictions, 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, which seems to contradict the *Express Investments Case* above. A petition questioning the constitutionality of the SEC issuance is currently pending with the Supreme Court.

More recently, in the case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580) and its corresponding motions for reconsideration (the “**Narra Nickel Case**”), the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as part of Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders’ own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (1) if the corporation’s Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (2) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (3) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

On 28 January 2015, the Supreme Court issued a Resolution dismissing with finality the Motion for Reconsideration of its decision in the *Narra Nickel Case*. Thus, the Supreme Court affirmed that the Grandfather Rule is to be used jointly and cumulatively with the Control Test, as follows: (1) if the Filipino equity of the corporation falls below 60%, it is immediately considered foreign-owned, applying the Control Test; (2) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (3) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Thus, although the *Narra Nickel Case* in no way abandons the use of the Control Test and the Foreign Investments Act provisions in determining the nationality of a corporation, it appears to expand and/or modify the doctrine laid in the *Gamboa Case* cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

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.

DESCRIPTION OF PROPERTIES

Details of the Company's raw land inventory, segregated into those properties directly owned by the Company and those properties subject to joint venture agreements, as of 31 March 2017 are set out in the table below.

Location		Area (in has.)		
		Owned	JV ¹	Total ²
Metro manila	Luzon	565.4	205.5	770.9
Cavite	Luzon	563.1	37.3	600.4
Bulacan	Luzon	170.1	39.1	209.2
Batangas	Luzon	90.6	-	90.6
Laguna	Luzon	61.0	27.6	88.6
Bataan	Luzon	48.9	-	48.9
Rizal	Luzon	44.6	-	44.6
Nueva Ecija	Luzon	44.2	-	44.2
Daet	Luzon	43.4	-	43.4
Palawan	Luzon	22.9	-	22.9
Pangasinan	Luzon	22.8	-	22.8
Naga	Luzon	19.7	-	19.7
Subic	Luzon	12.1	-	12.1
Sorsogon	Luzon	10.0	-	10.0
Pampanga	Luzon	9.8	-	9.8
Quezon	Luzon	5.1	-	5.1
Tarlac	Luzon	3.1	-	3.1
Laoag	Luzon	2.2	-	2.2
Candon	Luzon	2.1	-	2.1
Legaspi	Luzon	1.6	-	1.6
Tuguegarao	Luzon	0.9	-	0.9
Iloilo	Visayas	193.7	-	193.7
Cebu	Visayas	45.5	16.5	62.0
Bacolod	Visayas	9.8	-	9.8
Dumaguete	Visayas	9.4	-	9.4
Aklan	Visayas	-	5.0	5.0
Roxas City	Visayas	4.1	-	4.1
Leyte	Visayas	1.6	-	1.6
Bohol	Visayas	1.3	-	1.3
Davao	Mindanao	123.4	5.2	128.6
Cagayan de Oro	Mindanao	78.1	-	78.1
Butuan	Mindanao	32.9	-	32.9
Pagadian	Mindanao	12.4	-	12.4
Koronadal	Mindanao	9.6	-	9.6
General Santos City	Mindanao	2.0	-	2.0
Total		2,267.6	336.2	2,603.8

Note:

(1) Raw land inventory in Joint Venture arrangements attributable to the Company.

(2) Includes Starmalls landbank of approximately 46.9 hectares suitable for commercial development.

The land and improvements are not used to secure the borrowing of VLL and its subsidiaries (see note 13 of the 2016 Audited Financial Statements).

Property Acquisitions

With 2,603.8 hectares in its land bank as of 31 March 2017, Vista Land believes that it has sufficient properties for development of sellable inventory units in the next 8 to 10 years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

Real Estate Inventories

The Company's real estate inventory consists of the following as of 31 March 2017:

Real Estate Property	Value
Subdivision land for sale and development	₱ 16,993.12 million
Residential house units for sale and development	967.29 million
Condominium units for sale and development	5,088.75 million

Subdivision land for sale and development represents real estate subdivision projects in which the Vista Group has been granted license to sell by the HLURB and raw land inventories.

Real estate inventories recognized as cost of sales amounted to ₱11,032.28 in 2014, ₱12,253.89 in 2015, ₱12,321.00 in 2016 and ₱3,496.82 in 1st Quarter 2017, and are included as cost of real estate sales in the consolidated statements of comprehensive income. Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Liabilities for Purchased Land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Vista Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Vista Group only upon full payment of the real estate loans.

LEGAL PROCEEDINGS

The Company's subsidiaries are subject to various civil lawsuits and legal actions arising in the ordinary course of business. Typical cases include adverse claims against a subsidiary's title over parcels of land and claims brought by buyers seeking the return of deposits or cancellations of sales. In the opinion of the Company's management, none of the lawsuits or legal actions to which it is currently subject will materially affect the daily operations of its business nor will they have a material adverse effect on the Company's consolidated financial position and results of operations.

MARKET PRICE OF AND DIVIDENDS ON VLL'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common shares have been listed on the Philippine Stock Exchange (PSE) since 2007. The common shares (PSE: VLL) closed at ₱ 5.08/share on 31 March 2017.

DIVIDENDS

The declaration and payment of dividends are subject to certain conditions under the Company's existing long term loan agreements with various banks and other. Under said loan agreements, the Company may declare and pay dividends provided: (a) all payments (including pre-payments) due on said loan and premiums on insurance of assets are current and updated; (b) all financial covenants set forth therein are satisfied; (c) certain financial ratios are met and such payment will not result in the violation of the required financial ratios under the loan agreements; (d) no event of default as provided in the loan agreements shall exist or occur as a result of such payment; and (e) the total amount of the cash dividends does not exceed 20% of the Company's net income after taxes for the fiscal year preceding the declaration.

The Company intends to maintain an annual cash dividend payment ratio for its Shares of approximately 20% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Company's Board, may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

As of the date hereof, none of the Subsidiaries have a formal dividend policy. However, the Company and its management, to the extent permissible under applicable law and consistent with the Company's and each subsidiary's fiscal requirements, generally procures that up to 100% of each subsidiary's unrestricted retained earnings are declared, distributed and paid by such subsidiary to the Company.

CASH DIVIDEND

₱0.1185 per share Regular Cash Dividend

Declaration Date: September 28, 2016

Record date: October 13, 2016

Payment date: October 28, 2016

₱0.1357 per share Regular Cash Dividend

Declaration Date: September 15, 2015

Record date: September 30, 2015

Payment date: October 15, 2015

₱0.11858 per share Regular Cash Dividend

Declaration Date: September 15, 2014

Record date: September 30, 2014

Payment date: October 24, 2014

₱0.102 per share Regular Cash Dividend

Declaration Date: September 11, 2013

Record date: September 26, 2013

Payment date: October 22, 2013

₱0.0839 per share Regular Cash Dividend

Declaration Date: September 17, 2012

Record date: October 02, 2012

Payment date: October 26, 2012

₱0.04 per share Special Cash Dividend

Declaration Date: June 15, 2012

Record date: July 02, 2012

Payment date: July 26, 2012

₱0.07 per share Regular Cash Dividend

Declaration Date: September 13, 2011

Record date: September 28, 2011

Payment date: October 24, 2011

₱0.035 per share Special Cash Dividend

Declaration Date: May 17, 2011

Record date: June 01, 2011

Payment date: June 28, 2011

HIGH AND LOW SHARE PRICES

The market capitalization of VLL as of 31 December 2016 based on the closing price of ₱4.95/share was approximately ₱63.6 Billion.

As of 31 March 2017, VLL's market capitalization stood at ₱65.2 billion based on the ₱5.08/share closing price.

Quarter	2017			2016			2015			2014		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1 st	5.10	4.65	5.08	5.00	3.65	4.66	8.59	6.80	8.59	5.47	5.07	5.27
2 nd	-	-	-	5.48	4.55	5.34	8.42	6.30	6.35	6.44	5.30	6.12
3 rd	-	-	-	6.45	5.12	5.39	7.30	5.03	5.03	6.26	5.81	6.17
4 th	-	-	-	5.39	4.82	4.95	5.83	5.03	5.18	7.20	5.89	7.20

As of 31 March 2017, the foreign equity ownership of the Company is 21.84% of the total issued common shares of 12,826,926,076 and 17.37% of the total issued shares of **16,126,926,076**

The number of shareholders of record as of 31 March 2017 was 966. Common shares outstanding as of 31 March 2017 were 12,826,926,076.

As of 31 March 2017, the Top 20 stockholders of VLL own an aggregate of 16,125,361,599 common and preferred shares or 99.99% of outstanding share capital.

The following are the top 20 holders of the securities of the Company:

Common

	Name	No. of Shares	Percentage ¹
1	FINE PROPERTIES, INC. ²	9,950,638,065	61.70%
2	PCD NOMINEE CORPORATION (FOREIGN)	2,774,223,795	17.20%
3	ALTHORP HOLDINGS, INC. ³	1,235,292,469	7.66%
4	PCD NOMINEE CORPORATION (FILIPINO)	863,858,785	5.36%
5	MANUELA CORPORATION ⁴	752,208,215	4.66%
6	MANUEL B. VILLAR, JR. ⁴	293,969,986	1.82%
7	MANUEL PAOLO A. VILLAR ⁵	222,796,324	1.38%
8	BESTIMES INVESTMENT LIMITED	26,814,493	0.17%

9	JOHN T. LAO	2,853,000	0.02%
10	SULFICIO TAGUD JR. &/OR ESTER TAGUD	401,000	0.00%
11	TOMAS L. CHUA	400,000	0.00%
12	FEDERAL HOMES, INC.	324,850	0.00%
13	ACRIS CORPORATION	300,000	0.00%
14	CHRISTIAN A. AGUILAR	290,617	0.00%
15	BENJAMARIE THERESE N. SERRANO	200,000	0.00%
16	MARIBETH TOLENTINO	200,000	0.00%
17	CHERYL JOYCE YOUNG	200,000	0.00%
18	LUCIO W. YAN &/OR CLARA Y. YAN	150,000	0.00%
19	FRANCISCO A. UY	120,000	0.00%
20	MAXIMO S. UY &/OR LIM HUE HUA	120,000	0.00%
	Total	16,125,361,599	99.99%
	Others	1,564,477	0.01%
	TOTAL OUTSTANDING, ISSUED AND SUBSCRIBED	16,126,926,076	100.00%

¹ based on the total outstanding, issued and subscribed shares of 12,826,926,076 as of March 31, 2017

² Includes 3,188,590,904 lodged under PCD Nominee Corp. (Filipino)

³ Includes 10,983,363 shares owned by ML&H Corporation which have been merged with Althorp Holdings, Inc. and 1,224,309,106 lodged under PCD Nominee Corp. (Filipino)

⁴ Lodged under PCD Nominee Corp. (Filipino)

⁵ Includes 222,596,324 lodged under PCD Nominee Corp. (Filipino)]

Preferred

	Name	No. of Shares	Percentage
1	FINE PROPERTIES, INC.	3,300,000,000	100.00%
	Total outstanding, issued and subscribed	3,300,000,000	100.00%

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING EXEMPT TRANSACTIONS

Corporate Notes

Pursuant to a Corporate Notes Facility Agreement dated 20 April 2012, as supplemented on 27 June 2013, the Company issued 5-year fixed-rate corporate notes in the aggregate principal amount of ₱4,500,000,000.00, payable in equal quarterly amortizations on agreed principal repayment dates. The corporate notes bear interest at the rate of 7.27% per annum with maturity in 2017. The obligation evidenced by the corporate notes constitute direct, unconditional and unsubordinated Peso-denominated obligations of the Issuer, enforceable in accordance with its terms and conditions, and will at all times rank *pari passu* and ratably without any preference among themselves and at least *pari passu* with all other present and future direct, unconditional and unsubordinated Peso-denominated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine law. BDO Capital & Investment Corporation and Investment & Capital Corporation of the Philippines acted as the joint underwriter of the private placement of the aforesaid corporate notes. The corporate notes were issued to primary institutional lenders, including BDO Unibank, Inc., China Banking Corporation, Union Bank of the Philippines, BDO Leasing and Finance, Inc., BDO Private Bank, Inc. – Wealth Advisory and Trust Group, BSP Provident Fund, and Maybank.

Pursuant to a Corporate Notes Facility Agreement dated 28 December 2016, the Company issued 10-year fixed-rate corporate notes facility amounting to ₱5,150,000,000.00, payable in equal quarterly amortizations on agreed principal repayment dates. On 3 May 2017, the Company further issued corporate notes in the amount of

₱4,850,000,000.00. The corporate notes bear interest at the rate of 6.23% per annum with maturity in 2026. The obligation evidenced by the corporate notes constitute direct, unconditional and unsubordinated Peso-denominated obligations of the Issuer, enforceable in accordance with its terms and conditions, and will at all times rank *pari passu* and ratably without any preference among themselves and at least *pari passu* with all other present and future direct, unconditional and unsubordinated Peso-denominated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine law. China Bank Capital Corporation acted as the Mandated Lead Arranger for the first drawdown, while China Bank Capital Corporation and RCBC Capital Corporation acted as lead arrangers for the second drawdown, of the aforesaid corporate notes. of the private placement of the aforesaid corporate notes. The corporate notes were issued to primary institutional lenders, including China Banking Corporation.

The corporate notes were offered exclusively to, and are held by primary institutional lenders in the Philippines, pursuant to Section 10.1 of the SRC and Rule 10.1.4 of the SRC implementing rules and regulations. As such, the corporate notes are considered exempt securities and no notice of exemption from the registration requirements under the SRC was required to be filed with the SEC in relation to the sale of these corporate notes.

Common Shares

Pursuant to the terms and conditions relating to the acquisition by the Company of 88.3% ownership in STR (the “**STR Acquisition**”), the Company issued a total of 4,575,395,762 common shares to Fine, Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar in November 2015 and February 2016, respectively. The issuance of such shares is an exempt transaction under Section 10.1(k) of the SRC.

On 23 February 2016, Fine sold a total of 2,119,227 listed common shares of VLL to certain minority shareholders of Starmalls which availed of the reinvestment option, as part of the terms and conditions of the tender offer conducted by the Company in relation to the STR Acquisition. The foregoing sale of shares by Fine is exempt from registration requirements pursuant to Section 10.2 of the SRC, as confirmed by the SEC in a letter dated 16 December 2015.

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

Results of operations covering 3-months of 2017 vs. 3-months of 2016

Revenues

Real Estate

The Group recorded revenue from real estate sales amounting to ₱7,117 million for the 3-months of 2017 an increase of 10% from ₱6,441 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly Vista Residences, Crown Asia and Camella Homes. The Company uses the percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue from Vista Residences increased by 137% to ₱1,439 million for the 3-months of 2017 from ₱606 million for the 3-months of 2016. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the period. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Crown Asia increased by 7% to ₱237 million for the 3-months of 2017 from ₱221 million for the 3-months of 2016. This increase was principally attributable to the increase in the number of sold middle-income housing units completed or under construction in the Mega Manila area during the period.
- Real estate revenue of Camella Homes increased by 6% to ₱2,160 million for the 3-months of 2017 from ₱2,033 million for the 3-months of 2016. This increase was principally attributable to the increase in the number of sold low-cost and affordable housing units completed or under construction in the Mega Manila area during the period.
- Real estate revenue of Communities Philippines decreased by 8% to ₱3,174 million for the 3-months of 2017 from ₱3,436 million for the 3-months of 2016. This decrease was principally attributable to the slight decline in the number of sold low-cost and affordable housing units completed or under construction outside the Mega Manila area during the period.
- Real estate revenue of Brittany decreased by 26% to ₱107 million for the 3-months of 2017 from ₱144 million in the same period last year. This decrease was principally attributable to the decrease in the number of sold high-end housing units completed or under construction in the Mega Manila area, which was a reflection of the Company's focus on meeting the increased demand for housing in the low-cost and affordable as well as in the middle-income housing segments serviced by its other business units.

Rental income

Rental income increased by 45% from ₱892 million for the 3-months of 2016 to ₱1,298 million for the 3-months of 2017. The increase was primarily attributable to the increase in occupancy and rental rates of the existing malls and additional gross floor area of the new commercial assets for the period.

Interest income

Interest income increased by 21% from ₱308 million for the 3-months of 2016 to ₱372 million for the 3-months of 2017. The increase was primarily attributable to the increase in interest from the company's various cash, HTM and AFS investments although there was a decline in the interest income from the company's in-house financed sales as more buyers are opting to get bank financing.

Miscellaneous income

Miscellaneous income decreased by 7% from ₱269 million for the 3-months of 2016 to ₱249 million for the 3-months of 2017. The increase was primarily attributable to the decrease in forfeitures for the period.

Costs and Expenses

Cost and expenses increased by 14% to ₱5,719 million for the 3-months of 2017 from ₱5,022 million for the 3-months of 2016.

- Cost of real estate sales increased by 9% from ₱3,200 million for the 3-months of 2016 to ₱3,497 million for the 3-months of 2017 primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 22% from ₱1,822 million for the 3-months of 2016 to ₱2,222 million for the 3-months of 2017 primarily due to the following:
 - an increase in depreciation from ₱205 million for the 3-months of 2016 to ₱332 million for the 3-months of 2017 resulting from the increase in the Company's depreciable assets specifically its investment properties.
 - an increase in commissions from ₱352 million for the 3-months of 2016 to ₱412 million for the 3-months of 2017 resulting from the increase sales for the period.
 - an increase in repairs and maintenance from ₱210 million for the 3-months of 2016 to ₱236 million for the 3-months of 2017 due to the increase in new projects that the Company maintains.

Interest and other financing charges

Interest and other financing charges increased by 33% from ₱512 million for the 3-months of 2016 to ₱683 million for the 3-months of 2017. The increase was primarily attributable increase in the interest bearing debt of the Company for the period.

Provision for Income Tax

Provision for income tax increased by 9% from ₱297 million for the 3-months of 2016 to ₱323 million for the 3-months of 2017 due to a higher tax base for the period.

Net Income

As a result of the foregoing, the Company's net income increased by 11% to ₱2,079 million for the 3-months of 2017 from ₱2,312 million for the 3-months of 2016.

For the 3-months of 2017, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of March 31, 2017 vs. December 31, 2016

Total assets as of March 31, 2017 were ₱180,568 million compared to ₱174,768 million as of December 31, 2016, or a 3% increase due to the following:

- Receivables from related parties increased by 13% from ₱3,917 million as of December 31, 2016 to ₱4,406 million as of March 31, 2017 due primarily to advances made to related parties during the period.
- Property and equipment increased by 46% from ₱822 million as of December 31, 2016 to ₱1,204 million as of March 31, 2017 due to acquisitions made during the period.

Total liabilities as of March 31, 2017 were ₱101,857 million compared to ₱98,273 million as of December 31, 2016, or an 4% increase. This was due to the following:

- Accounts payable increased by 17% from ₱11,400 million as of December 31, 2016 to ₱13,309 million as of March 31, 2017 due accruals pertaining to constructions for the period.
- Income tax payable increased by 36% from ₱134 million as of December 31, 2016 to ₱182 million as of March 31, 2017 due primarily to the current provision for the period.

- Pension liabilities decreased by 18% to ₱81 million as of March 31, 2017 from ₱98 million as of December 31, 2016 due to actuarial adjustments for the period.
- Other noncurrent liabilities increased by 26% from ₱2,378 million as of December 31, 2016 to ₱2,989 million as of March 31, 2017 due to the increase in liabilities for purchase land from acquisition of land on account.

Total stockholder's equity increased by 3% from ₱76,495 million as of December 31, 2016 to ₱78,711 million as of March 31, 2017 due mainly to the income recorded during the period.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	03/31/2017	12/31/2016
Current ratio ^(a)	2.79 :1	3.28:1
Liability-to-equity ratio ^(b)	1.29 :1	1.28:1

	03/31/2017	03/31/2016
Interest expense/Income before Interest expense ^(c)	20.6%	17.7%
Return on assets ^(d)	5.1%	4.8%
Return on equity ^(e)	11.8%	10.9%

Notes:

- (a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (b) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (c) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (d) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (e) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio decreased due primarily to a higher current portion of notes payable balance as of March 31, 2017 compared to the December 31, 2016.

Material Changes to the Company's Balance Sheet as of March 31, 2017 compared to December 31, 2016 (increase/decrease of 5% or more)

Receivables from related parties increased by 13% from ₱3,917 million as of December 31, 2016 to ₱4,406 million as of March 31, 2017 due primarily to advances made to related parties during the period.

Property and equipment increased by 46% from ₱822 million as of December 31, 2016 to ₱1,204 million as of March 31, 2017 due to acquisitions made during the period.

Accounts payable increased by 17% from ₱11,400 million as of December 31, 2016 to ₱13,309 million as of March 31, 2017 due accruals pertaining to constructions for the period.

Income tax payable increased by 36% from ₱134 million as of December 31, 2016 to ₱182 million as of March 31, 2017 due primarily to the current provision for the period.

Pension liabilities decreased by 18% to ₱81 million as of March 31, 2017 from ₱98 million as of December 31, 2016 due to actuarial adjustments for the period.

Other noncurrent liabilities increased by 26% from ₱2,378 million as of December 31, 2016 to ₱2,989 million as of March 31, 2017 due to the increase in liabilities for purchase land from acquisition of land on account.

Material Changes to the Company's Statement of income for the 3-months of 2017 compared to the 3-months of 2016 (increase/decrease of 5% or more)

Revenue from real estate sales amounting to ₱7,117 million for the 3-months of 2017 an increase of 10% from ₱6,441 million in same period last year primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly Vista Residences, Crown Asia and Camella Homes.

Rental income increased by 45% from ₱892 million for the 3-months of 2016 to ₱1,298 million for the 3-months of 2017. The increase was primarily attributable to the increase in occupancy and rental rates of the existing malls and additional gross floor area of the new commercial assets for the period.

Interest income increased by 21% from ₱308 million for the 3-months of 2016 to ₱372 million for the 3-months of 2017. The increase was primarily attributable to the increase in interest from the company's various cash, HTM and AFS investments although there was a decline in the interest income from the company's in-house financed sales as more buyers are opting to get bank financing.

Miscellaneous income decreased by 7% from ₱269 million for the 3-months of 2016 to ₱249 million for the 3-months of 2017. The increase was primarily attributable to the decrease in forfeitures for the period.

Cost of real estate sales increased by 9% from ₱3,200 million for the 3-months of 2016 to ₱3,497 million for the 3-months of 2017 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 22% from ₱1,822 million for the 3-months of 2016 to ₱2,222 million for the 3-months of 2017 primarily due to the increase in depreciation, commissions and repairs and maintenance

Interest and other financing charges increased by 33% from ₱512 million for the 3-months of 2016 to ₱683 million for the 3-months of 2017. The increase was primarily attributable increase in the interest bearing debt of the Company for the period.

Provision for income tax increased by 9% from ₱297 million for the 3-months of 2016 to ₱323 million for the 3-months of 2017 due to a higher tax base for the period.

The Company's net income increased by 11% to ₱2,079 million for the 3-months of 2017 from ₱2,312 million for the 3-months of 2016.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2016 VS YEAR END 2015

RESULTS OF OPERATIONS

Revenues

Real Estate

The Company recorded revenue from real estate sales amounting to ₱25,025.2 million for the year ended December 31, 2016 an increase of 2% from ₱24,502.2 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of Camella and Communities Philippines. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue of Camella Homes increased by 20% to ₱8,199.8 million for the year ended December 31, 2016 from ₱6,807.5 million for the year ended December 31, 2015. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the low-cost and affordable housing segment during the year.

- Real estate revenue of Communities Philippines increased by 8% to ₱13,092.7 million for the year ended December 31, 2016 from ₱12,134.7 million for the year ended December 31, 2015. This increase was principally attributable to the increase in the number of sold homes completed or under construction outside the Mega Manila area in the low-cost and affordable housing segment during the year.
- Real estate revenue of Crown Asia decreased to ₱985.1 million for the year ended December 31, 2016 from ₱1,314.0 million for the year ended December 31, 2015. This decrease was principally attributable to the decline in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.
- Real estate revenue of Brittany decreased by 34% to ₱645.4 million for the year ended December 31, 2016 from ₱981.9 million in the same period last year. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment, which was a reflection of the Company's focus on meeting the increased demand for housing in the low-cost and affordable segment serviced by its other business units.
- Real estate revenue from Vista Residences decreased by 36% to ₱2,102.1 million for the year ended December 31, 2016 from ₱3,264.1 million for the year ended December 31, 2015. This decrease was principally attributable to the decrease in the number of sold condominium units completed or under construction during the year. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.

Rental income

Rental income increased by 85% from ₱2,367.9 million for the year ended December 31, 2015 to ₱4,375.3 million for the year ended December 31, 2016. The increase was primarily attributable the additional gross floor area leased out of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable

Interest income from installment contract receivable decreased by 10% from ₱710.3 million for the year ended December 31, 2015 to ₱642.6 million for the year ended December 31, 2016. The decrease was primarily attributable decrease in the interest collected from buyers opting to get in-house financing as more of our buyers are getting bank mortgages to finance their purchase.

Miscellaneous Income

Miscellaneous income decreased by 25% from ₱1,268.6 million for the year ended December 31, 2015 to ₱952.5 million for the year ended December 31, 2016. The decrease was primarily attributable the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments

Interest income from investments increased by 46% from ₱593.0 million for the year ended December 31, 2015 to ₱864.4 million for the year ended December 31, 2016. The increase was primarily attributable to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities for the year.

Other income (expenses)

Other expense of ₱7.0 million for the year ended December 31, 2015 increased to ₱25.7 million for the year ended December 31, 2016. The increase in the other expense was primarily attributable increase in the foreign exchange losses recorded for the year from our interest payments to our dollar loans.

Costs and Expenses

Cost and expenses increased by 3% to ₱19,915.5 million for the year ended December 31, 2016 from ₱19,305.5 million for the year ended December 31, 2015.

- Cost of real estate sales increased by 1% from ₱12,253.9 million for the year ended December 31, 2015 to ₱12,321.0 million for the year ended December 31, 2016 primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 8% from ₱7,051.6 million for the year ended December 31, 2015 to ₱7,594.5 million for the year ended December 31, 2016 primarily due to the following:

- an increase in commissions from ₱1,247.6 million for the year ended December 31, 2015 to ₱1,376.4 million for the year ended December 31, 2016 resulting from increase in sales of the Company during the year.
- an increase in salaries, wages and employee benefits from ₱1,247.6 million for the year ended December 31, 2015 to ₱1,281.7 million for the year ended December 31, 2016 resulting from the increase in total number of employees hired to keep pace with the Company's expansion into new geographic areas and new projects in both commercial and residential segment.
- an increase in depreciation and amortization from ₱798.9 million for the year ended December 31, 2015 to ₱1,030.0 million in the year ended December 31, 2016 due to the increase in investment properties and additions to property and equipment for the year.

Interest and other financing charges

Interest and other financing charges increased by 15% from ₱1,941.4 million for the year ended December 31, 2015 to ₱2,236.3 million for the year ended December 31, 2016. The increase was primarily attributable increase in the interest bearing debt of the Company for the year.

Provision for Income Tax

Provision for income tax increased by 58% from ₱1,001.0 million for the year ended December 31, 2015 to ₱1,582.2 million for the year ended December 31, 2016 primarily due to a higher taxable base for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 13% to ₱8,100.4 million for the year ended December 31, 2016 from ₱7,187.0 million for the year ended December 31, 2015.

For the year ended December 31, 2016, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2016 vs. December 31, 2015

Total assets as of December 31, 2016 were 174,768.2 million compared to ₱152,894.8 million as of December 31, 2015, or a 14% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities) and held-to-maturity investments increased by 31% from ₱28,869.7 million as of December 31, 2015 to ₱37,933.4 million as of December 31, 2016 primarily due to the higher internal cash generated and net proceeds from the debt issuance for the year.
- Receivables including non-current portion increased by 10% from ₱34,254.5 million as of December 31, 2015 to ₱37,541.7 million as of December 31, 2016 due to an increase in the installment contracts receivables from the current year sale and increase in other non-trade receivables.
- Due from related parties increased by 14% from ₱3,425.8 million as of December 31, 2015 to ₱3,916.7 million as of December 31, 2016 due to advances made to the affiliates during the year.
- Investment properties increased by 20% from ₱26,676.3 million as of December 31, 2015 to ₱32,065.5 million as of December 31, 2016 due primarily to additions to commercial developments of both the Company and its newly acquired subsidiary Starmalls.
- Land and improvements increased by 9% from ₱27,864.7 million as of December 31, 2015 to ₱30,486.6 as of December 31, 2016 million due primarily to acquisitions of land made during the year.

- Investments and advances in project development costs increased by 13% from ₱2,854.9 million as of December 31, 2015 to ₱3,232.3 million as of December 31, 2016 due primarily to advances land owners for the year.
- Other assets including current portion increased by 8% from ₱4,831.0 million as of December 31, 2015 to ₱5,212.1 million as of December 31, 2016 due primarily to increase various deposits and input vat.

Total liabilities as of December 31, 2016 were ₱98,272.9 million compared to ₱82,929.7 million as of December 31, 2015, or a 19% increase. This was due to the following:

- Customers' advances and deposit decreased by 15% to ₱2,671.7 million as of December 31, 2016 from ₱3,130.5 million as of December 31, 2015 due to slower increase in the reservations sales for the year.
- Income tax payable decreased by 15% million from ₱158.2 million as of December 31, 2015 to ₱134.0 million as of December 31, 2016 due primarily to settlements for the year.
- Notes payable including non-current portion increased by 30% from ₱30,428.9 million as of December 31, 2015 to ₱39,525.1 million as of December 31, 2016 due primarily to the issuance of dollar notes and peso corporate notes for the year.
- Bank loans including non-current portion increased by 18% from ₱30,539.7 million as of December 31, 2015 to ₱36,087.2 million as of December 31, 2016 due to availments made during the period.
- Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, increased by 5% from ₱3,694.9 million as of December 31, 2015 to ₱3,887.3 million as of December 31, 2016 due to sale of receivables for the year.
- Pension liabilities decreased by 14% from ₱114.5 million as of December 31, 2015 to ₱98.1 million as of December 31, 2016 due to actuarial adjustments for the year.
- Deferred tax liabilities – net increased by 31% from ₱1,247.1 million as of December 31, 2015 to ₱1,628.5 million as of December 31, 2016 due to adjustments of previously recorded deferred tax liabilities.
- Other noncurrent liabilities increased by 13% from ₱2,097.4 million as of December 31, 2015 to ₱2,378.5 million as of December 31, 2015 due to payment of liabilities for purchase land.

Total stockholder's equity increased by 9% from ₱69,965.1 million as of December 31, 2015 to ₱76,495.3 million as of December 31, 2016 due to issuance of common stock, buyback of shares and the net income recorded for the year ended December 31, 2016.

Considered as the top five key performance indicators of the Company as shown below:

Notes:

Key Performance Indicators	12/31/2016	12/31/2015
Current ratio ^(a)	3.12:1	3.42:1
Liability-to-equity ratio ^(b)	1.28:1	1.19:1
Interest expense/Income before Interest expense ^(c)	18.8%	19.2%
Return on assets ^(d)	4.6%	4.7%
Return on equity ^(e)	10.6%	10.3%

- (f) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- (g) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- (h) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- (i) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- (j) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2016 decreased from that of December 31, 2015 due primarily to the increase in the current portion of bank loans and loans payable.

Liability-to-equity ratio increased due to the increase in the total liabilities brought by the proceeds from banks loans and notes payable.

Interest expense as a percentage of income before interest expense decreased in the year ended December 31, 2016 compared to the ratio for the year ended December 31, 2015 due to the lower interest expense for the year.

Return on asset remained constant for December 31, 2016 compared to that on December 31, 2015.

Return on equity slightly increased due primarily to the higher net income reported for the year ended December 31, 2016.

Material Changes to the Company's Balance Sheet as of December 31, 2016 compared to December 31, 2015 (increase/decrease of 5% or more)

Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities) and held-to-maturity investments increased by 31% from ₱28,869.7 million as of December 31, 2015 to ₱37,933.4 million as of December 31, 2016 primarily due to the higher internal cash generated and net proceeds from the debt issuance for the year.

Receivables including non-current portion increased by 10% from ₱34,254.5 million as of December 31, 2015 to ₱37,541.7 million as of December 31, 2016 due to an increase in the installment contracts receivables from the current year sale and increase in other non-trade receivables.

Due from related parties increased by 14% from ₱3,425.8 million as of December 31, 2015 to ₱3,916.7 million as of December 31, 2016 due to advances made to the affiliates during the year.

Investment properties increased by 20% from ₱26,676.3 million as of December 31, 2015 to ₱32,065.5 million as of December 31, 2016 due primarily to additions to commercial developments of both the Company and its newly acquired subsidiary Starmalls.

Land and improvements increased by 9% from ₱27,864.7 million as of December 31, 2015 to ₱30,486.6 as of December 31, 2016 million due primarily to acquisitions of land made during the year.

Investments and advances in project development costs increased by 13% from ₱2,854.9 million as of December 31, 2015 to ₱3,232.3 million as of December 31, 2016 due primarily to advances land owners for the year.

Other assets including current portion increased by 8% from ₱4,831.10 million as of December 31, 2015 to ₱5,212.1 million as of December 31, 2016 due primarily to increase various deposits and input vat.

Customers' advances and deposit decreased by 15% to ₱2,671.7 million as of December 31, 2016 from ₱3,130.5 million as of December 31, 2015 due to slower increase in the reservations sales for the year.

Income tax payable decreased by 15% million from ₱158.2 million as of December 31, 2015 to ₱134.0 million as of December 31, 2016 due primarily to settlements for the year.

Notes payable including non-current portion increased by 30% from ₱30,428.9 million as of December 31, 2015 to ₱39,525.1 million as of December 31, 2016 due primarily to the issuance of dollar notes and peso corporate notes for the year.

Bank loans including non-current portion increased by 18% from ₱30,539.7 million as of December 31, 2015 to ₱36,087.2 million as of December 31, 2016 due to availments made during the period.

Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, increased by 5% from ₱3,694.9 million as of December 31, 2015 to ₱3,887.3 million as of December 31, 2016 due to sale of receivables for the year.

Pension liabilities decreased by 14% from ₱114.5 million as of December 31, 2015 to ₱98.1 million as of December 31, 2016 due to actuarial adjustments for the year.

Deferred tax liabilities – net increased by 31% from ₱1,247.1 million as of December 31, 2015 to ₱1,628.5 million as of December 31, 2016 due to adjustments of previously recorded deferred tax liabilities.

Other noncurrent liabilities increased by 13% from ₱2,097.4 million as of December 31, 2015 to ₱2,378.5 million as of December 31, 2015 due to payment of liabilities for purchase land.

Total stockholder's equity increased by 9% from ₱69,965.1 million as of December 31, 2015 to ₱76,495.3 million as of December 31, 2016 due to issuance of common stock, buyback of shares and the net income recorded for the year ended December 31, 2016.

Material Changes to the Company's Statement of income for the year ended December 31, 2016 compared to the year ended December 31, 2015 (increase/decrease of 5% or more)

Revenue from real estate sales amounting to ₱25,025.2 million for the year ended December 31, 2016 an increase of 2% from ₱24,502.2 million in same period last year primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of Camella and Communities Philippines.

Rental income increased by 85% from ₱2,367.9 million for the year ended December 31, 2015 to ₱4,375.3 million for the year ended December 31, 2016 primarily attributable the additional gross floor area leased out of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable decreased by 10% from ₱710.3 million for the year ended December 31, 2015 to ₱642.6 million for the year ended December 31, 2016 primarily attributable decrease in the interest collected from buyers opting to get in-house financing as more of our buyers are getting bank mortgages to finance their purchase.

Miscellaneous income decreased by 25% from ₱1,268.6 million for the year ended December 31, 2015 to ₱952.5 million for the year ended December 31, 2016 primarily attributable the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments increased by 46% from ₱593.0 million for the year ended December 31, 2015 to ₱864.4 million for the year ended December 31, 2016 primarily attributable to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities for the year.

Operating expenses increased by 8% from ₱7,051.6 million for the year ended December 31, 2015 to ₱7,594.5 million for the year ended December 31, 2016 primarily due to the increase in commissions resulting from increase in sales for the year, increase in salaries, wages and increase in depreciation and amortization due to the increase in investment properties and additions to property and equipment for the year.

Interest and other financing charges increased by 15% from ₱1,941.4 million for the year ended December 31, 2015 to ₱2,236.3 million for the year ended December 31, 2016 primarily attributable increase in the interest bearing debt of the Company for the year.

Provision for income tax increased by 58% from ₱1,001.0 million for the year ended December 31, 2015 to ₱1,582.2 million for the year ended December 31, 2016 primarily due to a higher taxable base for the year.

The Company's net income increased by 13% to ₱8,100.4 million for the year ended December 31, 2016 from ₱7,187.0 million for the year ended December 31, 2015.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2015 VS YEAR END 2014

RESULTS OF OPERATIONS

Revenues

Real Estate

The Company recorded revenue from real estate sales amounting to ₱24,502.2 million for the year ended December 31, 2015 an increase of 10% from ₱22,320.7 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of Communities Philippines, Vista Residences and Crown Asia. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue from Vista Residences increased by 57% to ₱3,264.1 million for the year ended December 31, 2015 from ₱2,073.3 million for the year ended December 31, 2014. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the year. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Camella Homes increased to ₱6,807.5 million for the year ended December 31, 2015 from ₱6,257.4 million for the year ended December 31, 2014. This increase was principally attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the low-cost and affordable housing segment during the year.
- Real estate revenue of Communities Philippines increased by 17% to ₱12,134.7 million for the year ended December 31, 2015 from ₱10,373.3 million for the year ended December 31, 2014. This increase was principally attributable to the increase in the number of sold homes completed or under construction outside the Mega Manila area in the low-cost and affordable housing segment during the year.
- Real estate revenue of Crown Asia decreased to ₱1,314.0 million for the year ended December 31, 2015 from ₱2,327.9 million for the year ended December 31, 2014. This decrease was principally attributable to the decline in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.
- Real estate revenue of Brittany decreased by 18% to ₱981.9 million for the year ended December 31, 2015 from ₱1,203.4 million in the same period last year. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment, which was a reflection of the Company's focus on meeting the increased demand for housing in the low-cost and affordable as well as in the middle-income housing segments serviced by its other business units.

Rental income

Rental income increased by 51% from ₱1,567.8 million for the year ended December 31, 2014 to ₱2,367.9 million for the year ended December 31, 2015. The increase was primarily attributable the additional gross floor area of our

investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable

Interest income from installment contract receivable decreased by 7% from ₱760.6 million for the year ended December 31, 2014 to ₱710.3 million for the year ended December 31, 2015. The decrease was primarily attributable decrease in the interest collected from buyers opting to get in-house financing as more of our buyers are getting bank mortgages to finance their purchase.

Miscellaneous Income

Miscellaneous income increased by 28% from ₱990.3 million for the year ended December 31, 2014 to ₱1,268.6 million for the year ended December 31, 2015. The increase was primarily attributable the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments

Interest income from investments increased by 35% from ₱439.0 million for the year ended December 31, 2014 to ₱593.0 million for the year ended December 31, 2015. The increase was primarily attributable to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities.

Other income (expenses)

Other expense of ₱29.3 million for the year ended December 31, 2014 decreased by 76% to ₱7.0 million for the year ended December 31, 2015. The decrease in the other expense was primarily attributable decrease in the foreign exchange losses recorded for the year.

Costs and Expenses

Cost and expenses increased by 10% to ₱19,305.5 million for the year ended December 31, 2015 from ₱17,618.2 million for the year ended December 31, 2014.

- Cost of real estate sales increased by 11% from ₱11,032.3 million for the year ended December 31, 2014 to ₱12,253.9 million for the year ended December 31, 2015 primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 7% from ₱6,586.0 million for the year ended December 31, 2014 to ₱7,051.6 million for the year ended December 31, 2015 primarily due to the following:
 - an increase in commissions from ₱1,207.3 million for the year ended December 31, 2014 to ₱1,247.6 million for the year ended December 31, 2015 resulting from increase in sales of the Company during the year.
 - an increase in salaries, wages and employee benefits from ₱973.6 million for the year ended December 31, 2014 to ₱1,247.6 million for the year ended December 31, 2015 resulting from the increase in total number of employees hired to keep pace with the Company's expansion into new geographic areas and new projects.
 - an increase in depreciation and amortization from ₱722.1 million for the year ended December 31, 2014 to ₱798.9 million in the year ended December 31, 2015 due to the increase in investment properties and additions to property and equipment for the year.

Interest and other financing charges

Interest and other financing charges increased by 38% from ₱1,403.0 million for the year ended December 31, 2014 to ₱1,941.4 million for the year ended December 31, 2015. The increase was primarily attributable increase in the interest bearing debt of the Company for the year.

Provision for Income Tax

Provision for income tax increased by 35% from ₱741.4 million for the year ended December 31, 2014 to ₱1,001.0 million for the year ended December 31, 2015 primarily due to a higher taxable base for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 14% to ₱7,187.0 million for the year ended December 31, 2015 from ₱6,286.4 million for the year ended December 31, 2014.

For the year ended December 31, 2015, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2015 vs. December 31, 2014

Total assets as of December 31, 2015 were ₱152,894.8 million compared to ₱124,987.5 million as of December 31, 2014, or a 22% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding equity securities) and held-to-maturity investments increased by 4% from ₱27,687.9 million as of December 31, 2014 to ₱28,869.7 million as of December 31, 2015 primarily due to the net proceeds from the issuance of dollar notes for the year.
- Receivables including non-current portion increased by 22% from ₱27,985.8 million as of December 31, 2014 to ₱34,254.5 million as of December 31, 2015 due to an increase in the installment contracts receivables from the current year sale and increase in other non-trade receivables.
- Due from related parties decreased by 7% from ₱3,679.0 million as of December 31, 2014 to ₱3,425.8 million as of December 31, 2015 due to settlements made by the affiliates during the year.
- Real estate inventories increased by 28% from ₱17,926.0 million as of December 31, 2014 to ₱22,855.7 million as of December 31, 2015 due to the launching and opening of new projects during the year.
- Investment properties increased by 64% from ₱16,312.0 million as of December 31, 2014 to ₱26,676.3 million as of December 31, 2015 due primarily to additions to commercial developments of both the Company and its newly acquired subsidiary Starmalls.
- Land and improvements increased by 10% from ₱25,262.2 million as of December 31, 2014 to ₱27,864.7 million as of December 31, 2015 million due primarily to acquisitions of land made during the year.
- Property and equipment increased by 68% from ₱476.1 million as of December 31, 2014 to ₱801.0 million as of December 31, 2015 due to acquisitions made during the year.
- Investments and advances in project development costs increased by 80% from ₱1,583.8 million as of December 31, 2014 to ₱2,854.9 million as of December 31, 2015 due primarily to advances land owners for the year.
- Other assets including current portion increased by 36% from ₱3,432.5 million as of December 31, 2014 to ₱4,831.0 million as of December 31, 2015 due primarily to increase various deposits, goodwill and input vat.

Total liabilities as of December 31, 2015 were ₱82,929.7 million compared to ₱60,730.3 million as of December 31, 2014, or a 37% increase. This was due to the following:

- Accounts and other payables increased by 48% to ₱11,208.2 million as of December 31, 2015 from ₱7,558.5 million as of December 31, 2014 due to increase in trade payables and accruals made during the year.
- Income tax payable increased by 69% million from ₱93.4 million as of December 31, 2014 to ₱158.2 million as of December 31, 2015 due primarily to higher tax for the year.
- Bank loans including non-current portion increased by 120% from ₱13,873.6 million as of December 31, 2014 to ₱30,539.7 million as of December 31, 2015 due to availments made during the period.
- Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, increased by 37% from ₱2,692.8 million as of December 31, 2014 to ₱3,694.9 million as of December 31, 2015 due to sale of receivables for the year.

- Notes payable including non-current portion increased by 6% from ₱28,742.7 million as of December 31, 2014 to ₱30,428.9 million as of December 31, 2015 due primarily to the issuance of dollar notes for the year. The company also undertook a liability management exercise to extend the maturity of the Company's existing dollar notes in addition the Company fully paid its first dollar notes issued in 2010.
- Deferred tax liabilities – net decreased by 8% from ₱1,358.4 million as of December 31, 2014 to ₱1,247.1 million as of December 31, 2015 due to adjustments of previously recorded deferred tax liabilities.
- Other noncurrent liabilities decreased by 15% from ₱2,460.5 million as of December 31, 2014 to ₱2,097.4 million as of December 31, 2015 due to payment of liabilities for purchase land.

Total stockholder's equity increased by 9% from ₱64,257.2 million as of December 31, 2014 to ₱69,965.1 million as of December 31, 2015 due to issuance of common stock and the net income recorded for the year ended December 31, 2014.

Considered as the top five key performance indicators of the Company as shown below:

Notes:

Key Performance Indicators	12/31/2015	12/31/2014
Current ratio ^(a)	3.42:1	2.94:1
Liability-to-equity ratio ^(b)	1.19:1	0.95:1
Interest expense/Income before Interest expense ^(c)	19.2%	16.6%
Return on assets ^(d)	4.7%	5.0%
Return on equity ^(e)	10.3%	9.8%

(k) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*

(l) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*

(m) *Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*

(n) *Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*

(o) *Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2015 increased from that of December 31, 2014 due primarily to the increase in the current portion of receivables and real estate inventories.

Debt-to-equity ratio increased due to the increase in the total liabilities brought by the issuance of dollar notes.

Interest expense as a percentage of income before interest expense increased in the year ended December 31, 2015 compared to the ratio for the year ended December 31, 2014 due to the higher earnings for the year.

Return on asset decreased for December 31, 2015 compared to that on December 31, 2014 due primarily to the increase in total assets resulting primarily to the newly acquired subsidiary.

Return on equity increased due primarily to the higher net income reported for the year ended December 31, 2015.

Material Changes to the Company's Balance Sheet as of December 31, 2015 compared to December 31, 2014 (increase/decrease of 5% or more)

Receivables including non-current portion increased by 22% from ₱27,985.8 million as of December 31, 2014 to ₱34,254.5 million as of December 31, 2015 due to an increase in the installment contracts receivables from the current year sale and increase in other non-trade receivables.

Due from related parties decreased by 7% from ₱3,679.0 million as of December 31, 2014 to ₱3,425.8 million as of December 31, 2015 due to settlements made by the affiliates during the year.

Real estate inventories increased by 28% from ₱17,926.0 million as of December 31, 2014 to ₱22,855.7 million as of December 31, 2015 due to the launching and opening of new projects during the year.

Investment properties increased by 64% from ₱16,312.0 million as of December 31, 2014 to ₱26,676.3 million as of December 31, 2015 due primarily to additions to commercial developments of both the Company and its newly acquired subsidiary Starmalls.

Land and improvements increased by 10% from ₱25,262.2 million as of December 31, 2014 to ₱27,864.7 as of December 31, 2015 million due primarily to acquisitions of land made during the year.

Property and equipment increased by 68% from ₱476.1 million as of December 31, 2014 to ₱801.0 million as of December 31, 2015 due to acquisitions made during the year.

Investments and advances in project development costs increased by 80% from ₱1,583.8 million as of December 31, 2014 to ₱2,854.9 million as of December 31, 2015 due primarily to advances land owners for the year.

Other assets including current portion increased by 36% from ₱3,432.5 million as of December 31, 2014 to ₱4,831.0 million as of December 31, 2015 due primarily to increase various deposits, goodwill and input vat.

Accounts and other payables increased by 48% to ₱11,208.2 million as of December 31, 2015 from ₱7,558.5 million as of December 31, 2014 due to increase in trade payables and accruals made during the year.

Income tax payable increased by 69% million from ₱93.4 million as of December 31, 2014 to ₱158.2 million as of December 31, 2015 due primarily to higher tax for the year.

Bank loans including non-current portion increased by 120% from ₱13,873.6 million as of December 31, 2014 to ₱30,539.7 million as of December 31, 2015 due to availments made during the period.

Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, increased by 37% from ₱2,692.8 million as of December 31, 2014 to ₱3,694.9 million as of December 31, 2015 due to sale of receivables for the year.

Notes payable including non-current portion increased by 6% from ₱28,742.7 million as of December 31, 2014 to ₱30,428.9 million as of December 31, 2015 due primarily to the issuance of dollar notes for the year. The company also undertook a liability management exercise to extend the maturity of the Company's existing dollar notes in addition the Company fully paid its first dollar notes issued in 2010.

Deferred tax liabilities – net decreased by 8% from ₱1,358.4 million as of December 31, 2014 to ₱1,247.1 million as of December 31, 2015 due to adjustments of previously recorded deferred tax liabilities.

Other noncurrent liabilities decreased by 15% from ₱2,460.5 million as of December 31, 2014 to ₱2,097.4 million as of December 31, 2015 due to payment of liabilities for purchase land.

Total stockholder's equity increased by 9% from ₱64,257.2 million as of December 31, 2014 to ₱69,965.1 million as of December 31, 2015 due to issuance of common stock and the net income recorded for the year ended December 31, 2014.

Material Changes to the Company's Statement of income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Revenue from real estate sales amounting to ₱24,502.2 million for the year ended December 31, 2015 an increase of 10% from ₱22,320.7 million in same period last year.

Rental income increased by 47% from ₱1,527.0 million for the year ended December 31, 2014 to ₱2,246.1 million for the year ended December 31, 2015 primarily due to the additional gross floor area of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable decreased by 7% from ₱760.6 million for the year ended December 31, 2014 to ₱710.3 million for the year ended December 31, 2015 primarily due to the decrease in

the interest collected from buyers opting to get in-house financing as more of our buyers are getting bank mortgages to finance their purchase.

Miscellaneous income increased by 37% from ₱900.0 million for the year ended December 31, 2014 to ₱1,231.0 million for the year ended December 31, 2015 primarily due to the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments increased by 35% from ₱439.0 million for the year ended December 31, 2014 to ₱593.0 million for the year ended December 31, 2015 primarily due to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities.

Other expense of ₱29.3 million for the year ended December 31, 2014 decreased by 76% to ₱7.0 million for the year ended December 31, 2015 due primarily to the decrease in the foreign exchange losses recorded for the year.

Cost of real estate sales increased by 11% from ₱11,032.3 million for the year ended December 31, 2014 to ₱12,253.9 million for the year ended December 31, 2015 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 7% from ₱6,454.9 million for the year ended December 31, 2014 to ₱6,892.2 million for the year ended December 31, 2015 primarily due to the increase in commissions resulting from increase in sales for the year, increase in salaries, wages and employees benefits resulting from the increase in total number of employees hired for the year and increase in depreciation and amortization due to the increase in investment properties and additions to property and equipment for the year.

Interest and other financing charges increased by 38% from ₱1,403.0 million for the year ended December 31, 2014 to ₱1,941.4 million for the year ended December 31, 2015 primarily due to the increase in the interest bearing debt of the Company for the year.

Provision for income tax increased by 35% from ₱741.4 million for the year ended December 31, 2014 to ₱1,001.0 million for the year ended December 31, 2015 primarily due to a higher taxable base for the year.

The Company's net income increased by 14 % to ₱7,187.0 million for the year ended December 31, 2015 from ₱6,286.4 million for the year ended December 31, 2014.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2014 VS YEAR END 2013

RESULTS OF OPERATIONS

Revenues

Real Estate

The Company recorded revenue from real estate sales amounting to ₱22,320.7 million for the year ended December 31, 2014 an increase of 11% from ₱20,044.2 million in same period last year. This was primarily attributable to the increase in the overall completion rate of sold inventories of its business units particularly of Communities Philippines, Vista Residences and Camella. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue from Vista Residences increased by 76% to ₱2,073.3 million for the year ended December 31, 2014 from ₱1,181.2 million for the year ended December 31, 2013. This increase was principally attributable to the increase in the number of sold condominium units completed or under construction during the year. Vista Residences is the business unit of Vista Land that develops and sells vertical projects across the Philippines.
- Real estate revenue of Camella Homes increased to ₱6,257.4 million for the year ended December 31, 2014 from ₱5,577.8 million for the year ended December 31, 2013. This increase was principally

attributable to the increase in the number of sold homes completed or under construction in the Mega Manila area in the low-cost and affordable housing segment during the year.

- Real estate revenue of Communities Philippines increased by 11% to ₱10,373.3 million for the year ended December 31, 2014 from ₱9,358.6 million for the year ended December 31, 2013. This increase was principally attributable to the increase in the number of sold homes completed or under construction outside the Mega Manila area in the low-cost and affordable housing segment during the year.
- Real estate revenue of Crown Asia decreased by 5% to ₱2,327.9 million for the year ended December 31, 2014 from ₱2,460.4 million for the year ended December 31, 2013. This decrease was principally attributable to the decline in the number of sold homes completed or under construction in the Mega Manila area in the middle-income housing segment during the year.
- Real estate revenue of Brittany decreased by 17% to ₱1,203.4 million for the year ended December 31, 2014 from ₱1,446.7 million in the same period last year. This decrease was principally attributable to the decrease in the number of sold homes completed or under construction in the Mega Manila area in the high-end housing segment, which was a reflection of the Company's focus on meeting the increased demand for housing in the low-cost and affordable as well as in the middle-income housing segments serviced by its other business units.

Rental income

Rental income increased by 15% from ₱1,332.2 million for the year ended December 31, 2013 to ₱1,527.0 million for the year ended December 31, 2014. The increase was primarily attributable the additional gross floor area of our investment properties as well as increase in rental rates of our existing malls.

Interest income from installment contract receivable

Interest income from installment contract receivable increased by 4% from ₱728.3 million for the year ended December 31, 2013 to ₱760.6 million for the year ended December 31, 2014. The increase was primarily attributable increase in the interest collected from buyers opting to get in-house financing.

Miscellaneous Income

Miscellaneous income increased by 6% from ₱845.2 million for the year ended December 31, 2013 to ₱900.0 million for the year ended December 31, 2014. The increase was primarily attributable the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments

Interest income from investments increased by 73% from ₱253.4 million for the year ended December 31, 2013 to ₱439.0 million for the year ended December 31, 2014. The increase was primarily attributable to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities.

Other income (expenses)

Other expense of ₱36.7 million for the year ended December 31, 2013 decreased by 20% to ₱29.3 million for the year ended December 31, 2014. The decrease in the other expense was primarily attributable decrease in the foreign exchange losses recorded for the year.

Costs and Expenses

Cost and expenses increased by 11% to ₱17,487.1 million for the year ended December 31, 2014 from ₱15,690.2 million for the year ended December 31, 2013.

- Cost of real estate sales increased by 12% from ₱9,878.8 million for the year ended December 31, 2013 to ₱11,032.3 million for the year ended December 31, 2014 primarily due to the increase in the overall recorded sales of Vista Land's business units.
- Operating expenses increased by 11% from ₱5,811.4 million for the year ended December 31, 2013 to ₱6,454.9 million for the year ended December 31, 2014 primarily due to the following:
 - an increase in commissions from ₱1,117.2 million in the year ended December 31, 2013 to ₱1,207.3 million in the year ended December 31, 2014 resulting from increase in sales of the Company during the year.

- an increase in salaries, wages and employee benefits from ₱812.8 million for the year ended December 31, 2013 to ₱973.6 million for the year ended December 31, 2014 resulting from the increase in total number of employees hired to keep pace with the Company's expansion into new geographic areas and new projects.
- an increase in depreciation and amortization from ₱593.2 million for the year ended December 31, 2014 to ₱722.1 million in the year ended December 31, 2015 due the increase investment properties and additions to property and equipment for the year.

Provision for Income Tax

Provision for income tax increased by 25% from ₱593.9 million for the year ended December 31, 2013 to ₱741.4 million for the year ended December 31, 2014 primarily due to a higher taxable base for the year.

Net Income

As a result of the foregoing, the Company's net income increased by 14% to ₱6,286.4 million for the year ended December 31, 2014 from ₱5,520.0 million for the year ended December 31, 2013.

For the year ended December 31, 2014, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2014 vs. December 31, 2013

Total assets as of December 31, 2014 were ₱124,987.5 million compared to ₱98,468.6 million as of December 31, 2013, or a 28% increase. This was due to the following:

- Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding unquoted equity securities) and held-to-maturity investments increased by 74% from ₱15,904.0 million as of December 31, 2013 to ₱27,687.9 million as of December 31, 2014 primarily due to the net proceeds from the issuance of dollar notes and retail peso bond for the year.
- Due from related parties increased by 62% to ₱3,679.0 million as of December 31, 2014 from ₱2,277.6 million as of December 31, 2013 due to advances made to affiliates during the year.
- Real estate inventories increased by 13% from ₱15,818.5 million as of December 31, 2013 to ₱17,926.0 million as of December 31, 2014 due to the launching and opening of new projects during the year.
- Investment properties increased by 34% from ₱12,199.2 million as of December 31, 2013 to ₱16,312.0 million as of December 31, 2014 due primarily to additions to commercial developments of the Company and its subsidiary Starmalls.
- Land and improvements increased by 33% from ₱18,939.4 million as of December 31, 2013 to ₱25,262.2 as of December 31, 2014 million due primarily to acquisitions of land made during the year.
- Property and equipment increased by 22% from ₱389.6 million as of December 31, 2013 to ₱476.1 million as of December 31, 2014 due to acquisitions made during the year.
- Investments and advances in project development costs decreased by 12% from ₱1,793.7 million as of December 31, 2013 to ₱1,583.8 million as of December 31, 2014 due primarily to the reclassifications of advances to a company that became a wholly owned subsidiary of the Group.
- Other assets including current portion increased by 32% from ₱2,609.5 million as of December 31, 2013 to ₱3,432.5 million as of December 31, 2014 due primarily to increase in creditable withholding taxes and various deposits.

Total liabilities as of December 31, 2014 were ₱60,730.3 million compared to ₱39,354.0 million as of December 31, 2013, or a 54% increase. This was due to the following:

- Accounts and other payables increased by 6% from ₱7,147.4 million as of December 31, 2013 to ₱7,558.5 million as of December 31, 2014 due to accruals made during the year.
- Customers' advances and deposits increased by 48% from ₱2,214.3 million as of December 31, 2013 to ₱3,267.6 million as of December 31, 2014 due to the increase in deposits required from buyers during the initial stage of a sale transaction.
- Income tax payable increased by 36% million from ₱68.5 million as of December 31, 2013 to ₱93.4 million as of December 31, 2014 due primarily to higher tax for the year
- Bank loans including non-current portion increased by 36% from ₱10,232.7 million as of December 31, 2013 to ₱13,873.6 million as of December 31, 2014 due to availments made during the period.
- Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, decreased by 14% from ₱3,149.2 million as of December 31, 2013 to ₱2,692.8 million as of December 31, 2014 due to the payments for the year and decrease in sold receivables during the year.
- Notes payable increased by 112% from ₱13,554.3 million as of December 31, 2013 to ₱28,742.7 million as of December 31, 2014 due primarily to the issuance of dollar notes and peso retail bond for the year.
- Deferred tax liabilities – net decreased by 14% from ₱1,571.9 million as of December 31, 2013 to ₱1,358.4 million as of December 31, 2014 due to adjustments of previously recorded deferred tax liabilities.
- Other noncurrent liabilities increased by 118% from ₱1,126.4 million as of December 31, 2013 to ₱2,460.5 million as of December 31, 2014 due to the increase in the liabilities for purchased land as a result of additional land acquired during the year.

Total stockholder's equity increased by 9% from ₱59,114.5 million as of December 31, 2013 to ₱64,257.2 million as of December 31, 2014 due to the net income recorded for the year ended December 31, 2014.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2014	12/31/2013
Current ratio ^(a)	2.94:1	3.75:1
Liability-to-equity ratio ^(b)	0.95:1	0.67:1
Interest expense/Income before Interest expense ^(c)	16.6%	18.2%
Return on assets ^(d)	5.0%	5.6%
Return on equity ^(e)	9.8%	9.3%

Notes:

- Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*
- Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of liability and equity a company is using to finance its business. It also measures a company's borrowing capacity.*
- Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably*
- Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*
- Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2014 decreased from that of December 31, 2013 due primarily to the increase

in current portion of the notes and bank loans.

Debt-to-equity ratio increased due to the increase in the total liabilities brought by the issuance of dollar notes and peso retail bond for the year.

Interest expense as a percentage of income before interest expense decreased in the year ended December 31, 2014 compared to the ratio for the year ended December 31, 2013 due to the higher capitalized interest for the year.

Return on asset decreased for December 31, 2014 compared to that on December 31, 2013 due primarily to the increase in total assets resulting from the increase in total cash and cash investments for the period.

Return on equity increased due primarily to the higher net income reported for the year ended December 31, 2014.

Material Changes to the Company's Balance Sheet as of December 31, 2014 compared to December 31, 2013 (increase/decrease of 5% or more)

Cash and cash equivalents including short term and long-term cash investments, available-for-sale financial assets (excluding unquoted equity securities) and held-to-maturity investments increased by 74% from ₱ 15,904.0 million as of December 31, 2013 to ₱27,687.9 million as of December 31, 2014 primarily due to the net proceeds from the issuance of dollar notes and retail peso bond for the year.

Due from related parties increased by 62% to ₱3,679.0 million as of December 31, 2014 from ₱2,277.6 million as of December 31, 2013 due to advances made to affiliates during the year.

Real estate inventories increased by 13% from ₱15,818.5 million as of December 31, 2013 to ₱17,926.0 million as of December 31, 2014 due to the launching and opening of new projects during the year.

Investment properties increased by 34% from ₱12,199.2 million as of December 31, 2013 to ₱16,312.0 million as of December 31, 2014 due primarily to additions to commercial developments of the Company and its subsidiary Starmalls.

Land and improvements increased by 33% from ₱18,939.4 million as of December 31, 2013 to ₱25,262.2 as of December 31, 2014 million due primarily to acquisitions of land made during the year.

Property and equipment increased by 22% from ₱389.6 million as of December 31, 2013 to ₱476.1 million as of December 31, 2014 due to acquisitions made during the year.

Investments and advances in project development costs decreased by 12% from ₱1,793.7 million as of December 31, 2013 to ₱ 1,583.8 million as of December 31, 2014 due primarily to the reclassifications of advances to a company that became a wholly owned subsidiary of the Group.

Other assets including current portion increased by 32% from ₱2,609.5 million as of December 31, 2013 to ₱3,432.5 million as of December 31, 2014 due primarily to increase in creditable withholding taxes and various deposits.

Accounts and other payables increased by 6% from ₱7,147.4 million as of December 31, 2013 to ₱7,558.5 million as of December 31, 2014 due to accruals made during the year.

Customers' advances and deposits increased by 48% from ₱2,214.3 million as of December 31, 2013 to ₱ 3,267.6 million as of December 31, 2014 due to the increase in deposits required from buyers during the initial stage of a sale transaction.

Income tax payable increased by 36% million from ₱68.5 million as of December 31, 2013 to ₱93.4 million as of December 31, 2014 due primarily to higher tax for the year

Bank loans including non-current portion increased by 36% from ₱10,232.7 million as of December 31, 2013 to ₱13,873.6 million as of December 31, 2014 due to availments made during the period.

Loans payable (representing the sold portion of the Company's installment contracts receivables with recourse) including non-current portion, decreased by 14% from ₱3,149.2 million as of December 31, 2013 to ₱2,692.8 million as of December 31, 2014 due to the payments for the year and decrease in sold receivables during the year.

Notes payable increased by 112% from ₱13,554.3 million as of December 31, 2013 to ₱28,742.7 million as of December 31, 2014 due primarily to the issuance of dollar notes and peso retail bond for the year.

Deferred tax liabilities – net decreased by 14% from ₱1,571.9 million as of December 31, 2013 to ₱1,358.4 million as of December 31, 2014 due to adjustments of previously recorded deferred tax liabilities.

Other noncurrent liabilities increased by 118% from ₱1,126.4 million as of December 31, 2013 to ₱2,460.5 million as of December 31, 2014 due to the increase in the liabilities for purchased land as a result of additional land acquired during the year.

Total stockholder's equity increased by 9% from ₱59,114.5 million as of December 31, 2013 to ₱64,257.2 million as of December 31, 2014 due to the net income recorded for the year ended December 31, 2013.

Material Changes to the Company's Statement of income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Revenue from real estate sales amounting to ₱22,320.7 million for the year ended December 31, 2014 an increase of 11% from ₱20,044.2 million in same period last year.

Rental income increased by 15% from ₱1,332.2 million for the year ended December 31, 2013 to ₱1,527.0 million for the year ended December 31, 2014 primarily due to the additional gross floor area of our investment properties as well as increase in rental rates of our existing malls.

Miscellaneous income increased by 6% from ₱845.2 million for the year ended December 31, 2013 to ₱900.0 million for the year ended December 31, 2014 primarily due to the forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment as well as increase in other operating income and parking fees from our malls.

Interest income from investments increased by 73% from ₱253.4 million for the year ended December 31, 2013 to ₱439.0 million for the year ended December 31, 2014 primarily due to the increase in the amount invested by the Company to various debt instruments. The Company's investments increased during the year due to the proceeds from various fund raising activities.

Other expense of ₱36.7 million for the year ended December 31, 2013 decreased by 20% to ₱29.3 million for the year ended December 31, 2014 primarily due to the decrease in the foreign exchange losses recorded for the year.

Cost of real estate sales increased by 12% from ₱9,878.8 million for the year ended December 31, 2013 to ₱11,032.3 million for the year ended December 31, 2014 primarily due to the increase in the overall recorded sales of Vista Land's business units.

Operating expenses increased by 11% from ₱5,811.4 million for the year ended December 31, 2013 to ₱6,454.9 million for the year ended December 31, 2014 primarily due to the increase in commissions resulting from increase in sales of the Company during the year, increase in salaries, wages and employee benefits resulting from the increase in total number of employees hired to keep pace with the Company's expansion into new geographic areas and new projects, and increase in depreciation and due to the increase investment properties and additions to property and equipment for the year.

Provision for income tax increased by 25% from ₱593.9 million for the year ended December 31, 2013 to ₱741.4 million for the year ended December 31, 2014 primarily due to a higher taxable base for the year.

The Company's net income increased by 14% to ₱6,286.4 million for the year ended December 31, 2014 from ₱5,520.0 million for the year ended December 31, 2013.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Vista Land has not had any disagreements on accounting and financial disclosures with SGV & Co. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not 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. 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.

AUDIT AND AUDIT-RELATED FEES

VLL and its subsidiaries paid its external auditors the following fees for the past three years: (in million)

	Audit & Audit-related Fees	Tax Fees	Other Fees
2016	₱ 19,060	–	–
2015	₱ 19,878	–	–
2014	₱ 19,068	–	–

Under the VLL Audit and Risk Committee Charter, the Audit Committee (composed of Marilou O. Adea, Ruben O. Fruto, and Cynthia J. Javarez) recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. In arriving at its recommendation, the Audit Committee takes into consideration the volume of audit work required, estimated time to complete the audit and level of expertise required. The Board and stockholders approve the Audit Committee's recommendation.

TAX FEES

Tax consultancy services are secured from entities other than the appointed external auditor.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

The overall management and supervision of the Company is undertaken by the Board. 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. Currently, the Board consists of seven members, of which two are independent directors. Other than Camille Lydia A. Villar and Jerylle Luz C. Quismundo, who were elected on 4 July 2016, all of the directors were elected at the Company's annual stockholders meeting on 15 June 2016 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company's Board as of the date of this Prospectus.

Name	Age	Position	Citizenship
Manuel B. Villar, Jr.	67	Chairman of the Board	Filipino
Manuel Paolo A. Villar	40	Director, President and Chief Executive Officer	Filipino
Cynthia J. Javarez	53	Director, Chief Financial Officer, Controller	Filipino
Camille Lydia A. Villar	32	Director, Managing Director of Vista Land Commercial	Filipino
Jerylle Luz C. Quismundo	53	Director and President of Camella Homes, Inc. & Communities Philippines, Inc.	Filipino
Ruben O. Fruto	78	Independent Director	Filipino
Marilou Adea	66	Independent Director	Filipino

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of the date of this Prospectus.

Name	Age	Position	Citizenship
Gemma M. Santos	54	Corporate Secretary	Filipino
Ma. Nalen Rosero-Galang	46	Chief Legal Counsel, Chief Information Officer and Compliance Officer	Filipino
Jerry M. Navarrete	62	President of Starmalls, Inc.	Filipino
Benjamin Therese N. Serrano	54	Chief Operating Officer of Starmalls, Inc.	Filipino
Rowena S. Reclosado	54	Managing Director of Brittany Corporation	Filipino
Ma. Leni D. Luya	48	Managing Director of Crown Asia, Inc.	Filipino
Mary Lee S. Sadiasa	47	Managing Director of Camella Homes, North Luzon	Filipino
Ric A. Pallesco	48	Managing Director of Camella Homes, South Luzon	Filipino
Ma. Pamela C. Gako	48	Managing Director of Camella Homes, Visayas & Mindanao	Filipino
Edgardo G. Santos	57	Vice President for Sales of Camella Homes	Filipino
Elizabeth M. Kalaw	53	Managing Director of Vista Residences	Filipino
Estrellita S. Tan	53	President of Prima Casa Land & Houses, Inc.	Filipino
Lorelyn D. Mercado	47	Vice President-Accounting	Filipino
Brian N. Edang	38	Head Investor Relations	Filipino
Dante M. Julongbayan	49	Group Production Head	Filipino
Rodel B. Racadio	53	Vice President External Relations /	Filipino

Manuel B. Villar, Jr. *Chairman of the Board.* Mr. Villar, 67, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Starmalls, Inc. He is a member of the following organizations: Makati Business Club, Manila Golf Club, Management Association of the Philippines, Financial Executive Institute of the Philippines (FINEX), Philippine Institute of Certified Public Accountants, and the Villar Foundation.

Manuel Paolo A. Villar, *Director and President & Chief Executive Officer*. Mr. Villar, 40, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was an Analyst for McKinsey & Co. in the United States from 1999 to 2001. He joined Vista Land in 2001 as Head of Corporate Planning then became its Chief Financial officer in 2008. He was elected President and Chief Executive Officer of the Company in July 2011.

Cynthia J. Javarez, *Director, Controller and Chief Financial Officer*. Ms. Javarez, 53, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She completed a Management Development Program at the Asian Institute of Management in 2006. She is also a Director and the Corporate Secretary of Fine Properties, Inc. Ms. Javarez was previously the Chief Financial officer of Polar Holdings Corp. until 2011 and the Tax & Audit Head in the MB Villar Group of Companies until 2007.

Camille Lydia A. Villar, *Managing Director, Vista Land Commercial Division*. Ms. Villar, 32, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She took Management in Business Administration, Global Executive MBA Program in Instituto de Estudios Superiores de la Epres (IESE) Business School, Barcelona, Spain. She was President of Brittany Corporation from 2010 to 2013 and the Head of Corporate Communications for Vista Land from 2008 to 2010. She is also the Concurrent President of All Value, and the Concurrent Executive Vice President of Starmalls.

Jerylle Luz C. Quismundo, *President, Camella Homes, Inc. & Communities Philippines, Inc.* Ms. Quismundo, 53, graduated cum laude from the University of the Philippines with a Masters in Business Administration and a Bachelor of Science in Business Economics. She is currently the President of Camella Homes, Inc. and Communities Philippines, Inc., and its subsidiaries. She was previously the Managing Director of Communities Philippines Inc., the President of Bria Homes, Inc., and the Regional Operating Head for C&P Homes, Inc.

Ruben O. Fruto, *Independent Director*. Mr. Fruto, 78, graduated with the degree of Bachelor of Laws from the Ateneo de Manila University in 1961. He was formerly a partner in the law firm of Feria, Feria, Lugtu & La O' and the Oben, Fruto & Ventura Law Office. In February 1987, he was the Chief Legal Counsel and Senior Vice President of the Development Bank of the Philippines and Director from 1991 to 1998. He was the Undersecretary of Finance from March 1990 to May 15, 1991. Presently aside from private practice in corporate and civil litigation, he is also Of Counsel of Feria Tantoco Daos Law Office. He is also currently General Counsel of Wallem Philippines Shipping, Inc. and Wallem Maritime Services, Inc.; Vice-Chairman of Toyota Balintawak, Inc.; Director and Vice-President of China Shipping Manila Agency, Inc. and Director and Chairman of Padre Burgos Realty, Inc.

Marilou O. Adea, *Independent Director*. Ms. Adea, 66, is currently a consultant for FBO Management Network, Inc. and is Independent Director for Malarayat Rural Bank. She was until recently the Court Appointed Rehabilitation Receiver of Anna-Lynns, Inc. and Manuela Corporation. Ms. Adea served previously as Project Director for Site Acquisition of Digital Telecommunications Phils. Inc. from 2000 to 2002, Executive Director for FBO Management Network, Inc. from 1989 to 2000 and BF Homes Inc. in Receivership from 1988 to 1994 and Vice President for Finance & Administration for L&H Resources Management Corporation from 1986 to 1988. Ms. Adea worked with the Home Development Mutual Fund from 1978 to 1986. Ms. Adea holds a Degree in Bachelor of Science in Business Administration Major in Marketing Management from the University of the Philippines.

Gemma M. Santos, *Corporate Secretary*. Atty. Santos, 54, graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies, including public companies Max's Group, Inc. and SSI Group, Inc. She is also a Director of the Philippine Associated Smelting & Refining Corp. (PASAR) and Pasar Holdings Incorporated.

Ma. Nalen Rosero. *Chief Legal Counsel, Chief Information Officer and Compliance Officer*. Atty. Rosero, 46, graduated salutatorian from the San Beda College of Law in 1997. She is currently the Corporate Secretary and a Director of the following companies: Household Development Corporation, Brittany Corporation, Crown Asia Properties, Vista Residences, Communities Philippines, Inc., Camella Homes, Inc., Mandalay Resoruces, Inc., Prima Casa Land & Houses, Inc., Vista Leisure Club, Inc., and Brittany Estates Corporation. She is also a Director of Manuela Corporation and Masterpiece Properties, Inc., and the Corporate Secretary of Starmalls, Inc. From 1997 to 2000, she was an Associate in the Litigation Group of Angara Abello Concepcion Relaga & Cruz (ACCRA) Law Offices. On September 11, 2013, Atty. Rosero was designated as Compliance Officer and Chief Information Officer of the Company.

Jerry M. Navarrete, *President, Starmalls, Inc.* Mr. Navarrete, 62, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a Master's degree in Business Administration. He has been with the Group for more than 40 years and has served as President and Chief Executive Officer of Starmalls since 2004. He held various positions with the Group including as President of Brittany Development Corp. and Crown Asia Properties. He is also the Chairman of the Board of Trustees of Trinity University Asia and Bacoor Parish School and President of Georgia International Academy, Inc. Mr. Navarrete is a licensed professional real estate broker and a member of the ASEAN Association for Planning and Housing.

Benjaminie Therese N. Serrano, *Chief Operating Officer, Starmalls, Inc.* Ms. Serrano, 54, graduated from the University of the Philippines with a degree in Economics and from the Asian Institute of Management with a Master's degree in Business Management. She is also the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries and was President and Chief Executive Officer of Vista Land from 2007 to 2011.

Rowena S. Reclosado, *Managing Director, Brittany Corporation.* Ms. Reclosado, 54, graduated magna cum laude from the University of the East with a degree in Bachelor of Science in Business Administration Major in Banking and Finance. She took her Masters in Business Administration at the Ateneo Graduate School of Business. She handled several positions with the MB Villar Group since 1989. Prior to joining the Group, she was an Analyst in United Coconut Planters Bank from 1983 to 1989. At present, she is the Managing Director of Brittany Corporation. She is also the Chairman of Optimum Exchange Remit, Inc., and President of the Cambridge Group, Inc.

Ma. Leni D. Luya, *Managing Director, Crown Asia, Inc..* Ms. Luya, 48, is a Certified Public Accountant. She graduated from the University of the Philippines in the Visayas with a degree in Bachelor of Science in Business Administration Major in Accounting. Ms. Luya has held various positions in the MB Villar Group of Companies from 1989. At present, she is the Managing Director of Crown Asia, Inc. Ms. Luya is a member of the Philippine Institute of Certified Public Accountants (PICPA).

Mary Lee S. Sadiasa, *Managing Director, Camella Homes, North Luzon.* Ms. Sadiasa, 47, graduated from the De La Salle University with a Bachelor of Science in Applied Mathematics Minor in Operations Research in 1988. She has held various positions in the MB Villar Group of Companies from 1988 including as Managing Director of Crown Asia Properties, Inc.

Ric A. Pallesco, *Managing Director, Camella Homes, South Luzon.* Mr. Pallesco, 48, graduated from Mapua Institute of Technology with a degree in Bachelor of Science in Civil Engineering. He handled several positions with the MB Villar Group since 1991. At present, he is the Managing Director of Camella Homes, Inc., South Luzon Division. He is a member of the Philippine Institute of Civil Engineers (PICE).

Ma. Pamela C. Gako, *Managing Director, Camella Homes, Visayas & Mindanao.* Ms. Gako, 48, graduated from the University of San Carlos, Cebu City, summa cum laude with a Bachelor of Science major in Accounting, and a certified public accountant. She also graduated from the University of the Philippines, Diliman, Quezon City, College of Law, and a member of the Philippine BAR since 1995. She was previously the Visayas-Mindanao Division Head for Camella Homes and was also an accountant at the SGV Tax Division prior to joining the Company.

Edgardo G. Santos, *Vice President for Sales, Camella Homes.* Mr. Santos, 57, Graduate of Bachelor of Science in Agribusiness Development & Management, University of the Philippines Los Banos 1980 and an MBA candidate at the Ateneo de Manila Graduate School of Business. Prior to joining Vista Land, he was the Sales and Admin Head for Rexim Philippines

Elizabeth M. Kalaw, *Managing Director, Vista Residences.* Ms. Kalaw, 53, graduated magna cum laude with the degree of Bachelor of Science in Business Management, Accountancy from the University of the East in 1984, with MBA from the De La Salle University. She has been with the Corporation since 1992 having served various positions including Head of Operations for Vista Residences, Head of International Sales Operations for Vista Land International Marketing, Inc., Head of Operations for Crown Asia North, and Comptroller for Camella – HDC.

Estrellita S. Tan, *President, Prima Casa Land & Houses, Inc.* Ms. Tan, 53, graduated with distinction from the Philippine School of Business Administration major in Accounting. She is a Certified Public Accountant and a licensed Real Estate Broker. She also completed the Management Devt. Program at the Vista Center for Professional Development. She worked with Sycip, Gorres, Velayo & Co. as Senior Associate Auditor & F.J.Elizalde Group of Cos as Audit Supervisor & Controller of Philcite/Starcity before she joined & held various positions in the MB Villar Group of Companies since 1993.

Lorelyn D. Mercado. *Vice President-Accounting.* Ms Mercado, 47, graduated from the University of Batangas with a degree in Bachelor of Science in Business Administration-Accounting. She took Master in Business Administration at the De La Salle University. She is currently the Chief Accountant of Vista Land & Lifescapes, Inc. and its subsidiaries.

Brian N. Edang. *Head Investor Relations.* Mr. Edang, 38, is a Certified Public Accountant. He graduated cum laude with a Bachelor of Science in Accountancy from the University of St. La Salle - Bacolod. Prior to joining the group, he was with SGV & Co. (EY Philippines) as an external auditor from 1999 to 2004. He is currently the Investor Relations Head of Vista Land. Mr. Edang is a member of the Philippine Institute of Certified Public Accountants (PICPA) and the Financial Executives Institute of the Philippines (FINEX).

Dante M. Julongbayan, *Group Production Head.* Mr. Julongbayan, 49, graduated from the University of the East with a degree in Bachelor of Science in Civil Engineering. He is a licensed Jr. Geodetic and Civil Engineer. He handled several technical positions within the MB Villar Group since 1993. He was the Marketing Division Head of Camella and Brittany from 2001-2006 and Technical Head of Camella, Crown Asia from 2007 to 2010 and Managing Director of Camella North Luzon from 2011 to 2014. At present he is the Group Production Head of Vista Land. He is a member of the Philippine Institute of Civil Engineers – Quezon City Chapter.

Rodel Racadio. *Vice President External Relations/ Technical Services Head.* Mr. Racadio, 53, is a licensed Civil Engineer, graduated from the University of Santo Tomas as a consistent Scholar and Dean's Lister with a Degree in Bachelor of Science in Civil Engineering. He also took a Construction Management Program at the Asian Institute of Management to enhance his expertise in line with the core business of the Company. From 1987, he handled various key positions in Construction, Planning and Design, Property Management, Project Utilities, and Permits and Licenses Departments of the MB Villar Group of Companies including his current position of Vice President – External Relations and Technical Services Head. Prior to joining the Group, he was previously a Structural Steel Detailer for the South Pacific Detailing Company. He is a licensed Civil Engineer. Mr. Racadio is also a member of the Subdivision and Housing Developers Association, the Philippine Institute of Civil Engineers, Gideon International, and The Organization of Property Stakeholders.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

To the best knowledge of the Company, during the past 5 years up to the date of this Prospectus, none of the above-named directors or executive officers has been subject to the following:

- Any bankruptcy 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 two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- 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 his or her involvement in any type of business, securities, commodities, or banking activities; or
- 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.

FAMILY RELATIONSHIPS

The Chairman of the Board, Mr. Manuel B. Villar, Jr., is the father of Mr. Manuel Paolo A. Villar, who is the President and Chief Executive Officer of the Company and Ms. Camille Lyda A. Villar who is the Managing Director of Vista Land Commercial.

COMMITTEES OF THE BOARD

The Amended By-Laws of Vista Land provide for the following committees:

Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes.

The Audit Committee checks all financial reports against compliance with Manual on Corporate Governance, pertinent accounting standards, and regulatory requirements; performs oversight financial management functions; pre-approves all audit plans and interacts directly with the external auditors of the Company; seeks to elevate to international standards the accounting and auditing processes and practices of the Company; and seeks to develop a transparent financial management system to better ensure the integrity of internal control activities throughout the Company.

The Audit Committee must be comprised of at least three (3) members, one of whom shall be an independent director. Each member of the Audit Committee must have an adequate understanding of the Company's financial management systems and environment. The Audit Committee reports to the Board and is required to meet at least four times a year. As of the date of this Offering Circular, Marilou O. Adea serves as the chairman of the Audit Committee and Ruben O. Fruto and Cynthia J. Javarez serve as members of the audit committee.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee seeks to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provides oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy and control environment. The Compensation and Remuneration Committee also establishes a formal and transparent procedure for developing a policy on executive remuneration, develops a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others, compels all officers to declare under the penalty of perjury, any existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired by the Company, and reviews the Company's human resources development or personnel handbook. The Compensation and Remuneration Committee must have at least three (3) members, one of whom must be an independent director. As of the date of this Offering Circular, Manuel Paolo A. Villar serves as the chairman of the Remuneration and Compensation Committee and Manuel B. Villar, Jr. and Marilou O. Adea serve as members of the Remuneration and Compensation Committee.

Nomination Committee

The Company's Nomination Committee is responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of its Board are competent and will foster the Company's long-term success and secure its competitiveness. In that respect, the Nomination Committee formulates the screening policies to enable it to effectively review the qualification of the nominees for independent directors and conducts nominations of independent directors prior to the shareholders' meetings in accordance with the procedures set forth under the SRC. The Nomination Committee must have at least three (3) members, one of whom must be an independent director. As of the date of this Offering Circular, Manuel B. Villar, Jr. serves as the chairman of the Nomination Committee and Jerylle Luz C. Quismundo and Ruben O. Fruto serve as members of the Nomination Committee.

Executive Committee

The Executive Committee, which may be organised from time to time upon determination of the Board of Directors, shall have and may exercise, when the Board is not in session, the powers of the Board in the management of the business and affairs of the Company, except with respect to certain actions specifically reserved for Board action. The Executive Committee must have at least three (3) members, one of whom must be the President.

EXECUTIVE COMPENSATION

The Company pays compensation to its directors and key executive officers. Other executive officers of the Company receive fixed salaries on a monthly basis from the respective subsidiaries of the Company that they manage. The compensation for its executive officers for the years ended December 31 2015, and 2016 (actual), and 2017 (projected) are shown below:

Names	Position	Year	Salary	Bonus	Others
Manuel Paolo A. Villar	President & CEO				
Cynthia J. Javarez	Controller/ CFO				
Maribeth C. Tolentino	President, Camella Homes/ Communities Philippines, Inc.				
Jerry M. Navarrete	President, Starmalls, Inc.				
Benjamarie Therese N. Serrano	COO, Starmalls, Inc.				
Aggregate executive compensation for above named officers		Actual 2015	₱34.7M	₱5.9M	None
		Actual 2016	₱36.0M	₱7.6M	None
		Projected 2017	₱37.8M	₱8.0M	None
Aggregate executive compensation of all other officers and directors, unnamed		Actual 2015	₱153.7M	₱20.9M	None
		Actual 2016	₱161.4M	₱23.0M	None
		Projected 2017	₱169.4M	₱24.1M	None

Standard Arrangements

Other than payment of reasonable per diem of ₱125,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2014, 2015 and 2016.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2014, 2015, or 2016 for any service provided as a director.

Employment Contract between the Company and Executive Officers

There are no special employment contracts between Vista Land and the named executive officers.

Warrants and Options held by the Executive Officers and Directors

There are no outstanding warrants or options held by the Company's Chief Executive Officer, the named executive officers, and all officers and directors as a group.

Significant Employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain record and beneficial owners of more than 5.0% of the Company's voting securities as of March 31, 2017:

<u>Title of Class of Securities</u>	<u>Name/Address of Record Owners and Relationship with Us</u>	<u>Name of Beneficial Owner /Relationship with Record Owner</u>	<u>Citizenship</u>	<u>No. of Shares Held</u>	<u>% of Ownership¹</u>
Common	Fine Properties, Inc Las Pinas Business Center Alabang Zapote Road, Talon, Las Piñas City Shareholder	Fine Properties, Inc./ Record Owner is also beneficial Owner ²	Filipino	3,462,047,161	21.467%
Preferred	Fine Properties, Inc Las Pinas Business Center Alabang Zapote Road, Talon, Las Piñas City Shareholder	Fine Properties, Inc./ Record Owner is also beneficial Owner ²	Filipino	3,300,000,000	20.463%
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Fine Properties, Inc./ Record Owner is not the beneficial Owner ⁴	Filipino	3,188,590,904	19.772%
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner ⁴	Non-Filipino	2,774,223,795	17.202%
Common	Althorp Holdings, Inc. 3L Starmall Las Pinas, CV Starr Ave., Pamplona, Las Pinas City Shareholder	Fine Properties, Inc./ Record owner is also the beneficial owner ³	Filipino	1,235,292,469	7.660%
Common	PCD Nominee Corporation	Record Owner is	Filipino	863,858,785	5.357%

¹ Based on the total issued and outstanding capital stocks as of March 31, 2017 of 16,126,926,076 shares (common and preferred).

² Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of Fine Properties, Inc. The right to vote the shares held by Fine Properties, Inc. has in the past been, and in this annual meeting is expected to be, exercised by either Mr. Villar or Mr. Jerry M. Navarrete.

³ Fine Properties Inc. is the controlling shareholder of Althorp Holdings, Inc. Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of Fine Properties, Inc. The right to vote the shares held by Fine Properties, Inc. has in the past been, and in this annual meeting is expected to be, exercised by either Mr. Villar or Mr. Jerry M. Navarrete.

⁴ PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. Except as indicated above, as of Record Date, the Company is not aware of any investor beneficially owning shares lodged with the PCD which comprise more than five percent (5%) of the Company's total outstanding capital stock.

37/F Tower 1, The Enterprise Ctr.
6766 Ayala Ave. cor. Paseo de
Roxas,
Makati City
Shareholder

not the
beneficial
Owner⁴

Security ownership of management as of March 31, 2017:

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership		Citizenship	Percent of Class ¹
Common	Manuel B. Villar, Jr.	293,969,986	Indirect ²	Filipino	1.823%
	C. Masibay St. BF Resort Village, Talon, Las Piñas City	8,638,138,749	Indirect ³	Filipino	53.563%
Preferred	Manuel B. Villar, Jr. C. Masibay St. BF Resort Village, Talon, Las Piñas City	3,300,000,000	Indirect ⁴	Filipino	20.463%
Common	Manuel Paolo A. Villar	200,000	Direct	Filipino	0.001%
	C. Masibay St. BF Resort Village, Talon, Las Piñas City	222,596,324	Indirect ²	Filipino	1.380%
Common	Cynthia J. Javarez B3A/L2 Vetta di Citta Italia Imus, Cavite	160	Direct	Filipino	0.000%
Common	Camille Lydia A. Villar C. Masibay St. BF Resort Village, Talon, Las Piñas City	1,000	Indirect ²	Filipino	0.000%
Common	Jerylle Luz C. Quismundo 15 Garnett Ext., Dona Juana Subd. Rosario, Pasig City	3,865	Direct	Filipino	0.000%
Common	Ruben O. Fruto No. 136 Bunga Ext. Ayala Alabang Village. Muntinlupa City	1,000	Direct	Filipino	0.000%
Common	Marilou O. Adea No. 44 Istanbul Street BF Homes, Parañaque City	1	Direct	Filipino	0.000%
Total		12,454,911,085			77.231%

¹ Based on the total outstanding, issued and subscribed shares of 16,126,926,076 (common and preferred) as of March 31, 2017

² Shares lodged under PCD Nominee Corporation (Filipino)

³ Includes 6,650,638,065 shares held thru Fine Properties, Inc., 1,235,292,469 shares held thru Althorp Holdings, Inc. and 752,208,215 shares held thru Manuela Corp.

⁴ Shares held thru Fine Properties, Inc.

Except as indicated in the above table, the above named officers have no indirect beneficial ownership in the Company.

Except as aforementioned, no other officers of the Company holds, directly or indirectly, shares in the Company.

Voting Trust Holders of 5.0% or More

As of March 31, 2017, there were no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

Changes in Control

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. No change in control of the Company has occurred since the beginning of its last fiscal year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

As of 31 March 2017, Fine and its subsidiaries hold 74.03% of the total issued and outstanding share capital of the Company.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

The Company and its subsidiaries, in their regular conduct of business, has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. See *“Risk Factors and Other Considerations” — “Risk Related to the Company’s Business.”* The Company’s policy is to settle its intercompany receivables and payable on a net basis. Transactions entered by the Company with related parties are made at terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at reporting date are unsecured, interest free and settlement occurs in cash.

Receivables from related parties totaled ₱4,406.51 million as of 31 March 2017, ₱3,916.67 million as of 31 December 2016, ₱3,425.75 as of 31 December 2015 and ₱3,679.01 as of 31 December 2014.

For further information on the Company’s related party transactions, see Note 30 to the Company’s audited consolidated financial statements as of 31 March 2017 included in this Prospectus.

DESCRIPTION OF INDEBTEDNESS

As of 31 December 2016, Vista Land had the equivalent of ₱80,145.94 million of outstanding debt, of which ₱23,373.65 million is secured.

Vista Land's outstanding unsecured debt of ₱56,772.29 million is evidenced by a debt instrument that was acknowledged by both the creditor and Vista Land before a notary public. Under Philippine law, in the event that a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a debt instrument that has been acknowledged by the creditor and the borrower before a notary public enjoys a preference over unsecured debt that has not been so notarized. (See discussion under *"Risk Factors and Other Considerations"* of this Prospectus.)

The following table describes the consolidated outstanding long and short-term debt of Vista Land and its subsidiaries as of 31 March 2017.

Description of Indebtedness	Borrower	Lender	Original Principal Amount (in ₱ unless otherwise indicated)	Maturity	Outstanding Amount as of 31 March 2017 Amount (in ₱ unless otherwise indicated)
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	1,500,000,000	24-Jul-17	1,500,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	1,300,000,000	11-Jan-18	1,300,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	2,197,000,000	31-Mar-17	2,197,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	2,000,000,000	9-Jun-17	2,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	1,000,000,000	20-Dec-17	1,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	5,000,000,000	8-Jun-18	1,250,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	3,500,000,000	22-Sep-23	3,250,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	BDO Unibank, Inc.	5,000,000,000	6-Oct-23	5,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	China Banking Corporation	1,000,000,000	28-Jun-18	426,666,667
Bank Loans	Vista Land & Lifescapes, Inc.	Hong Kong Shanghai Banking Corporation	1,230,000,000	1-Jul-17	1,230,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	Hong Kong Shanghai Banking Corporation	1,500,000,000	1-Mar-18	1,500,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	Security Bank	1,324,251,000	2-May-17	1,324,251,000
Bank Loans	Vista Land & Lifescapes, Inc.	Security Bank	1,000,000,000	6-Apr-18	1,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	Security Bank	1,000,000,000	17-May-17	1,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	Security Bank	1,000,000,000	6-Apr-18	1,000,000,000
Bank Loans	Vista Land & Lifescapes, Inc.	China Banking Corporation	800,000,000	25-Apr-17	47,058,823
Bank Loans	Vista Land & Lifescapes, Inc.	Union Bank of the Philippines	600,000,000	25-Apr-17	35,294,118
Bank Loans	Vista Land & Lifescapes, Inc.	Maybank Phil. Inc.	300,000,000	25-Apr-17	17,647,059
Bank Loans	Masterpiece Asia Properties, Inc.	Asia United Bank	220,000,000	4-May-17	13,750,000
Bank Loans	Masterpiece Asia Properties, Inc.	Asia United Bank	200,000,000	11-May-17	12,500,000
Bank Loans	Masterpiece Asia Properties, Inc.	Asia United Bank	366,000,000	3-Dec-19	251,625,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	420,000,000	14-Aug-20	294,000,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	265,000,000	14-Aug-20	185,500,000

Description of Indebtedness	Borrower	Lender	Original Principal Amount (in ₱ unless otherwise indicated)	Maturity	Outstanding Amount as of 31 March 2017 Amount (in ₱ unless otherwise indicated)
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	210,000,000	14-Aug-20	147,000,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	50,000,000	14-Aug-20	35,000,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	684,000,000	14-Aug-20	478,800,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	314,973,000	14-Aug-20	220,481,100
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	205,027,000	14-Aug-20	143,518,900
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	271,950,000	14-Aug-20	190,365,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	15,050,000	13-Mar-22	15,050,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	884,337,000	13-Mar-22	884,337,000
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	376,331,672	13-Mar-22	376,331,672
Bank Loans	Masterpiece Asia Properties, Inc.	Rizal Commercial Banking Corporation	997,902,720	13-Mar-22	997,902,720
Bank Loans	Manuela Corporation	Philippine Dev't. Bank	208,000,000	15-Nov-17	39,000,000
Bank Loans	Manuela Corporation	Philippine Dev't. Bank	101,180,000	25-Mar-18	25,295,000
Bank Loans	Manuela Corporation	Philippine Dev't. Bank	46,400,000	15-Apr-18	14,500,000
Bank Loans	Manuela Corporation	BDO Unibank, Inc.	150,000,000	28-Feb-18	65,385,556
Bank Loans	Manuela Corporation	BDO Unibank, Inc.	180,000,000	28-Feb-18	78,462,667
Bank Loans	Manuela Corporation	BDO Unibank, Inc.	4,000,000,000	29-Jul-22	3,628,164,904
Bank Loans	Manuela Corporation	Union Bank of the Philippines	140,000,000	29-Aug-19	82,352,941
Bank Loans	Manuela Corporation	Union Bank of the Philippines	200,000,000	23-Dec-19	129,411,765
Bank Loans	Brittany Corporation	Various	3,033,000	3-Dec-17	379,760
Bank Loans	Crown Asia Properties, Inc.	Union Bank	500,000,000	30-Apr-19	264,771,278
Bank Loans	Crown Asia Properties, Inc.	Various	8,306,000	26-Dec-17	81,270
Bank Loans	Household Development Corp.	Various	15,962,400	25-Dec-19	4,206,716
Bank Loans	Communities Philippines, Inc.	Union Bank	2,000,000,000	18-Mar-20	1,407,508,283
Bank Loans	Communities Philippines, Inc.	Various	27,103,200	20-Aug-19	4,231,880
Bank Loans	Vista Residences, Inc.	Union Bank	1,500,000,000	30-Apr-19	794,117,657
Bank Loans	Vista Residences, Inc.	Maybank	1,000,000,000	2-Dec-24	990,000,000
Bank Loans	Vista Residences, Inc.	Various	6,665,600	20-Aug-17	441,116
Bank Loans	Prima Casa Land & House, Inc.	Various	3,033,000	31-Dec-18	4,320,822
Issue costs					(374,370,487)
Sub-total					₱ 36,482,340,175
Loans Payable	Camella Homes, Inc.	Various	1,738,965,571	30-Mar-29	425,008,914

Description of Indebtedness	Borrower	Lender	Original Principal Amount (in ₱ unless otherwise indicated)	Maturity	Outstanding Amount as of 31 March 2017 Amount (in ₱ unless otherwise indicated)
Loans Payable.....	Brittany Corporation	Various	630,883,634	30-Apr-28	147,776,531
Loans Payable.....	Vista Residences, Inc.	Various	1,015,258,758	30-Dec-29	2,187,412,756
Loans Payable.....	Crown Asia Properties, Inc.	Various	2,006,947,944	30-Mar-28	73,386,648
Loans Payable.....	Communities Philippines, Inc.	Various	706,581,622	30-Oct-28	709,920,654
Loans Payable.....	Prima Casa Land & House, Inc.	Various	301,772,782	30-Jun-30	530,667,602
Sub-total					₱ 4,074,173,016
USD Dollar Bond - USD	VLL International Inc.	Various	U.S \$225,000,000	29-Apr-19	9,069,426,600
Bond - USD	VLL International Inc.	Various	U.S \$100,000,000	4-Oct-18	2,599,040,400
Bond - USD	VLL International Inc.	Various	U.S. \$300,000,000	17-Jun-22	12,312,123,120
Bond - USD	VLL International Inc.	Various	U.S. \$125,000,000	17-Jun-22	6,270,000,000
Bond issue costs.....					(875,827,500)
Bond - USD					₱ 29,374,765,620
Corporate Note	Vista Land & Lifescapes, Inc.	BDO Unibank Inc.	₱ 2,285,000,000	25-Apr-17	134,411,764.80
Corporate Note	Vista Land & Lifescapes, Inc.	BDO Leasing & Finance, Inc	500,000,000	25-Apr-17	29,411,765
Corporate Note	Vista Land & Lifescapes, Inc.	BDO Private Bank	215,000,000	25-Apr-17	12,647,059
Corporate Note	Vista Land & Lifescapes, Inc.	BSP Provident Fund	100,000,000	25-Apr-17	5,882,353
Corporate Note	Vista Land & Lifescapes, Inc.	China Banking Corporation	4,100,000,000	29-Dec-26	3,134,250,000
Corporate Note	Vista Land & Lifescapes, Inc.	China Bank Savings, Inc.	900,000,000	29-Dec-26	1,990,000,000
Bond issue costs.....					(39,582,295)
Corporate Note					₱ 5,267,020,646
Retail Bonds	Vista Land & Lifescapes, Inc.				5,000,000,000
Bond issue costs.....					(60,864,678)
Homebuilder Bond.....					₱ 4,939,145,322
Bond issue costs.....					8,842,500
Homebuilder Bond.....					(348,775)
GRAND TOTAL					₱ 80,145,938,504

CORPORATE GOVERNANCE

The Board of Directors, Management, officers and staff of Vista Land, commit themselves to the principles and best practices contained in the Company's Manual for Corporate Governance. The Company's Board and its employees acknowledge that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and effect implementation within the organization.

Vista Land seeks to promote and enhance compliance of good corporate governance of all its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The Company's Board adopted a Manual on Corporate Governance on March 31, 2007 and revised the same on June 21, 2010. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board holds monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees:

- The Audit Committee is charged with internal audit oversight over all of the Company's business transactions and the effective management of risk.
- The Nomination Committee is charged with ensuring that potential candidates for the Board are fully qualified as well as ensuring that the Board maintains adequate independent membership.
- The Compensation and Remuneration Committee is charged with ensuring that fair and competitive compensation policies are maintained.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

In October 2012, in compliance with SEC Memo Circular No. 4 series of 2012, the Board approved and adopted the Audit Committee Charter.

There were no deviations from the Manual. The Company has adopted in the Manual the leading practices and principles of good corporate governance, and full compliance therewith have been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. In particular, the Company is undertaking a review of its Manual of Corporate Governance in light of the recommendations of the SEC on corporate governance under the SEC Memorandum Circular No. 19, series of 2016 re: Code of Corporate Governance for Publicly-Listed Companies.

FINANCIAL INFORMATION

The following pages set forth VLL's audited consolidated financial statements as at 31 December 2016 and 2015 for each of the three years in the period ended 31 December 2016 and the unaudited interim condensed consolidated financial statements as of 31 March 2017 and the three-month periods ended 31 March 2017 and 2016.

FINANCIAL INFORMATION

The following pages set forth VLL's audited consolidated financial statements as at 31 December 2016 and 2015 for each of the three years in the period ended 31 December 2016 and the unaudited interim condensed consolidated financial statements as of 31 March 2017 and the three-month periods ended 31 March 2017 and 2016.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED MARCH 31, 2017

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Audited Figures as at December 31, 2016)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 26)	₱9,919,085,853	₱8,902,537,938
Short-term cash investments (Notes 5 and 26)	101,976,268	99,998,562
Available-for-sale financial assets (Notes 5 and 26)	1,559,539,875	1,792,527,121
Held-to-maturity investments (Notes 5, 20 and 26)	2,255,554,745	1,709,730,739
Receivables (Notes 6 and 26)	30,350,181,264	28,329,412,070
Receivables from related parties (Notes 24 and 26)	4,406,511,885	3,916,669,458
Real estate inventories (Note 7)	23,049,169,713	22,954,662,398
Other current assets (Note 8)	4,056,861,356	3,807,341,953
Total Current Assets	75,698,880,959	71,512,880,239
Noncurrent Assets		
Available-for-sale financial assets (Notes 5 and 26)	6,598,665,939	6,452,537,732
Held-to-maturity investments (Notes 5 and 26)	17,537,870,835	19,141,877,715
Receivables - net of current portion (Notes 6 and 26)	9,653,419,605	9,212,259,033
Investments and advances in project development costs (Note 12)	3,255,472,285	3,232,311,240
Land and improvements (Note 9)	31,659,452,453	30,486,623,405
Investment properties (Note 10)	33,135,363,367	32,065,532,674
Property and equipment (Note 11)	968,385,926	822,250,208
Deferred tax assets - net (Note 23)	775,661,923	437,178,971
Other noncurrent assets (Note 13)	1,285,427,805	1,404,793,498
Total Noncurrent Assets	104,869,720,138	103,255,364,476
	₱180,568,601,097	₱174,768,244,715
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 14 and 26)	₱13,309,094,644	₱11,400,373,514
Customers' advances and deposits (Note 15)	2,720,585,538	2,671,745,547
Income tax payable	182,548,745	133,960,233
Dividends payable	24,845,742	24,962,710
Current portion of:		
Notes payable (Notes 17 and 26)	254,264,372	475,475,872
Bank loans (Notes 16 and 26)	4,413,746,521	5,972,290,312
Loans payables (Notes 16 and 26)	1,105,230,815	1,122,548,064
Total Current Liabilities	22,010,316,377	21,801,356,252

(Forward)



	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Noncurrent Liabilities		
Notes payable - net of current portion (Notes 17 and 26)	₱39,335,160,941	₱39,049,639,700
Bank loans - net of current portion (Notes 16 and 26)	32,068,593,655	30,114,951,980
Loans payable - net of current portion (Notes 16 and 26)	2,968,942,201	2,764,704,543
Pension liabilities	80,542,843	98,133,829
Deferred tax liabilities - net (Note 23)	2,404,525,176	2,065,642,208
Other noncurrent liabilities (Note 18)	2,989,231,811	2,378,510,004
Total Noncurrent Liabilities	79,846,996,627	76,471,582,264
Total Liabilities	101,857,313,004	98,272,938,516
Equity (Note 19)		
Attributable to equity holders of the Parent Company		
Common stock	13,114,136,376	13,114,136,376
Preferred stock	33,000,000	33,000,000
Additional paid-in capital	30,655,429,349	30,655,429,349
Treasury shares	(6,980,294,580)	(6,917,014,956)
Retained earnings	39,208,758,191	36,953,581,723
Other comprehensive income	1,078,131,230	1,111,006,329
	77,109,160,566	74,950,138,821
Non-controlling interest	1,602,127,527	1,545,167,378
Total Equity	78,711,288,093	76,495,306,199
	₱180,568,601,097	₱174,768,244,715

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

	Three-Month Periods Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
REVENUE		
Real estate	₱7,116,796,315	₱6,440,535,698
Rental income	1,297,819,254	892,476,692
Interest income from installment contracts receivable (Notes 6 and 20)	130,312,798	156,016,362
Miscellaneous income (Note 21)	249,391,058	269,054,501
	8,794,319,425	7,758,083,253
COSTS AND EXPENSES		
Costs of real estate sales (Note 7)	3,496,823,786	3,200,001,337
Operating expenses (Note 22)	2,221,959,050	1,821,830,190
	5,718,782,836	5,021,831,527
OTHER INCOME (EXPENSES)		
Interest income from investments (Notes 4, 5, 13 and 20)	242,387,431	152,393,631
Interest and other financing charges (Notes 16, 17 and 20)	(683,311,142)	(512,100,894)
Unrealized foreign exchange gain (losses)	826,425	(401,909)
	(440,097,286)	(360,109,172)
INCOME BEFORE INCOME TAX	2,635,439,303	2,376,142,554
PROVISION FOR INCOME TAX (Note 23)	323,302,686	296,838,756
NET INCOME	2,312,136,617	2,079,303,798
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Changes in fair value of available-for-sale financial assets (Note 5)	151,917,323	1,724,252
Cumulative translation adjustments	(184,792,422)	64,477,955
	(32,875,099)	66,202,207
TOTAL COMPREHENSIVE INCOME	₱2,279,261,518	₱2,145,506,005
NET INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱2,255,176,468	₱2,038,803,425
Non-controlling interests	56,960,149	40,500,373
NET INCOME	₱2,312,136,617	₱2,079,303,798
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱2,222,301,369	₱2,105,005,632
Non-controlling interests	56,960,149	40,500,373
TOTAL COMPREHENSIVE INCOME	₱2,279,261,518	₱2,145,506,005
Basic/Diluted Earnings Per Share (Note 25)	₱0.18	₱0.16

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Preferred Stock	Additional Paid-in Capital (Note 19)	Retained Earnings (Note 19)	Remeasurement Gains (Losses) on Retirement Obligation	Cumulative Translation Adjustments	Other Comprehensive Income	Treasury Shares (Note 19)	Non-Controlling Interest	Total
For the three-month periods ended March 31, 2017 (Unaudited)										
Balances as at January 1, 2017	P13,114,136,376	P33,000,000	P30,655,429,349	P36,953,581,723	P288,176,785	(P596,802)	P23,426,346	(P6,917,014,956)	P1,545,167,378	P76,495,306,199
Net income	-	-	-	2,255,176,468	-	-	-	-	56,960,149	2,312,136,617
Other comprehensive income	-	-	-	-	-	-	151,917,323	-	-	151,917,323
Cumulative translation adjustments	-	-	-	-	-	(184,792,422)	-	-	-	(184,792,422)
Total comprehensive income for the year	-	-	-	2,255,176,468	-	(184,792,422)	151,917,323	-	56,960,149	2,279,261,518
Treasury shares	-	-	-	-	-	-	-	(63,279,624)	-	(63,279,624)
Balances as at March 31, 2017	P13,114,136,376	P33,000,000	P30,655,429,349	P39,208,758,191	P288,176,785	(P185,389,224)	P975,343,669	(P6,980,294,580)	P1,602,127,527	P78,711,288,093
For the year ended March 31, 2016 (Unaudited)										
Balances as at January 1, 2016	P12,654,891,753	P33,000,000	P29,470,640,861	P30,483,778,682	P254,701,182	P25,088,203	P462,740,871	(P6,297,793,026)	P2,878,040,833	P69,965,089,359
Net income	-	-	-	2,038,803,425	-	-	-	-	40,500,373	2,079,303,798
Other comprehensive income	-	-	-	-	-	-	1,724,252	-	-	1,724,252
Cumulative translation adjustments	-	-	-	-	-	64,477,955	-	-	-	64,477,955
Total comprehensive income for the year	-	-	-	2,038,803,425	-	64,477,955	1,724,252	-	40,500,373	2,145,506,005
Treasury shares	-	-	-	-	-	-	-	(166,824,857)	-	(166,824,857)
Issuance of additional shares (Note 19)	459,244,623	-	2,824,354,431	-	-	-	-	-	-	3,283,599,054
Acquisition of additional shares (Note 19)	-	-	(1,882,994,055)	-	-	-	-	-	(1,500,705,403)	(3,383,699,458)
Balances as at March 31, 2016	P13,114,136,376	P33,000,000	P30,412,001,237	P32,522,582,107	P254,701,182	P89,566,158	P464,465,123	(P6,464,617,883)	P1,417,835,803	P71,843,670,103

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Three-Month Periods Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,635,439,303	₱2,376,142,554
Adjustments for:		
Interest and other financing charges (Note 20)	683,311,142	512,100,894
Depreciation and amortization (Notes 10, 11, 13 and 22)	332,145,655	205,033,392
Unrealized foreign exchange losses (gain)	(826,425)	401,909
Interest income (Note 20)	(372,700,229)	(308,409,993)
Operating income before working capital changes	3,277,369,446	2,785,268,756
Decrease (increase) in:		
Receivables (Note 6)	(2,455,838,054)	(1,628,078,019)
Receivables from related parties (Note 24)	(489,842,427)	(676,724,557)
Real estate inventories (Note 7)	667,841,336	2,672,421,924
Other current assets (Note 8)	(383,479,630)	(386,568,036)
Increase (decrease) in:		
Accounts and other payables (Note 14)	566,507,765	51,499,163
Customers' advances and deposits (Note 15)	48,839,991	23,262,013
Pension liabilities	(17,590,986)	—
Net cash flows provided by operations	1,213,807,441	2,841,081,244
Interest received	366,608,517	301,610,915
Income tax paid (Note 27)	(140,353,925)	(19,679,697)
Interest paid	(447,543,720)	(512,100,894)
Net cash flows provided by operating activities	992,518,313	2,610,911,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to land and improvements (Note 9)	(1,935,177,699)	(2,630,591,840)
Proceeds from maturity of:		
Held-to-maturity investments (Note 5)	1,119,276,305	529,812,190
Available-for-sale financial assets (Note 5)	254,929,521	—
Acquisition of:		
Short-term cash investments (Note 5)	(1,977,706)	(154,753)
Investment properties and property and equipment including capitalized borrowing cost (Notes 10 and 11)	(626,575,406)	(1,657,920,404)
Available-for-sale financial assets (Note 5)	(16,153,159)	—
Held-to-maturity investments (Note 5)	(61,093,431)	(5,996,133,144)
Decrease (increase) in:		
Project development costs	(23,161,045)	(4,946,582)
Other noncurrent assets (Note 13)	120,056,734	880,136
Increase (decrease) in:		
Dividend payable	—	(20,113,117)
Other noncurrent liabilities (Note 18)	610,030,653	732,416,981
Net cash flows used in investing activities	(559,845,233)	(9,046,750,533)

(Forward)



	For The Three-Month Periods Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Notes payable (Note 17)	₱311,912,032	₱6,039,042,670
Bank loans (Note 16)	1,003,614,448	2,300,000,000
Loans payable (Note 16)	759,550,472	517,720,193
Payments of:		
Notes payable (Note 17)	(247,602,291)	(886,553,486)
Bank loans (Note 16)	(608,516,564)	(899,264,103)
Loans payable (Note 16)	(572,630,063)	(465,900,346)
Acquisition of treasury shares	(63,279,624)	(166,824,857)
Net cash flows provided by financing activities	583,048,410	6,438,220,071
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	826,425	(401,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,016,547,915	1,979,197
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,902,537,938	6,043,056,436
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱9,919,085,853	₱6,045,035,633

See accompanying Notes to Interim Condensed Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007. The Parent Company's registered office address and principal place of business is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 51.79% owned by Fine Properties, Inc., (Ultimate Parent Company), 48.21% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate industry. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Starmalls, Inc. The Group is divided into horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential lots and units and residential high-rise condominium through its horizontal and vertical projects, respectively. Its commercial and other segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

On November 10, 2015, the Parent Company acquired Starmalls, Inc. and its subsidiaries (Starmalls Group) namely, Masterpiece Asia Properties, Inc. and Manuela Corporation.

Starmalls Group is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates business process outsourcing ("BPO") commercial centers. As of December 31, 2016, Starmalls Group, through its subsidiaries, owned and operated retail malls in key cities and municipalities in the Philippines and BPO commercial centers in Metro Manila.

The Vista Group's commercial assets portfolio have a combined gross floor area of 951,533 sq.m. as at March 31, 2017.

In a meeting held on May 15, 2017, the Board of Directors approved to amend the Articles of Incorporation of the Parent Company to change the principal address of the business to Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Pinas City, Philippines. Such amendment is still subject for approval by both the stockholders and the SEC.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements as at March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value.



The interim condensed consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso, unless otherwise indicated.

Statement of Compliance

The interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended December 31, 2016 which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The interim condensed consolidated financial statements of the Group have been prepared solely for inclusion in the offering circular in relation to a planned capital raising activity.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

There were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2017 to March 31, 2017.



Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016, except for the following amendments which the Group adopted starting January 1, 2017.

Except as otherwise indicated, the adoption of these amendments have no material impact on the Group's financial statements:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

These amendments resulted to additional cash disclosures from financing activities as disclosed in Note 27 to the interim condensed consolidated financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.



3. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

Horizontal Projects

This segment pertains to the development and sale of residential lots and units across the Philippines.

Vertical Projects

This segment pertains to the development and sale of residential high-rise condominium projects across the Philippines.

Others

This segment pertains to rental of malls and commercial spaces and activities of holding companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax, depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss.

No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, AFS financial assets, HTM investments and deferred taxes. Segment liabilities are presented separately from the payables to related parties and deferred tax liabilities.



The financial information about the operations of these operating segments for the three-month periods ended March 31, 2017 and 2016 is summarized below (amounts in thousands):

Three-Month Ended March 31, 2017 (Unaudited)					
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
Real estate revenue	P5,481,417	P1,635,379	P-	P-	P7,116,796
Rental income	9,598	-	1,297,819	(9,598)	1,297,819
Miscellaneous income (Note 21)	120,591	32,332	143,712	(47,244)	249,391
	5,611,606	1,667,711	1,441,531	(56,842)	8,664,006
Cost and operating expenses*	3,732,488	1,156,835	553,678	(56,366)	5,386,635
Segment income (loss) before income tax	1,879,118	510,876	887,853	(476)	3,277,371
Interest income (Note 20)	354,624	7,027	11,049	-	372,700
Others	826	-	-	-	826
EBITDA	2,234,568	517,903	898,902	(476)	3,650,897
Interest and other financing charges (Note 20)	(616,575)	(60,144)	(6,592)	-	(683,311)
Depreciation and amortization (Notes 22)	(70,774)	(21,386)	(239,986)	-	(332,146)
Income before income tax	1,547,219	436,373	652,324	(476)	2,635,440
Provision for income tax (Note 23)	126,023	(13,952)	212,171	(939)	323,303
Net income	P 1,421,196	P 450,325	P440,153	P463	P2,312,137

*Cost and expenses include costs of real estate sales and operating expenses less depreciation and amortization amounting P332.15 million (Note 22).

Three-Month Ended March 31, 2016 (Unaudited)					
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
Real estate revenue	P5,525,094	P915,442	P-	P-	P6,440,536
Rental income	12,234	-	892,477	(12,234)	892,477
Miscellaneous income (Note 21)	164,289	43,283	67,363	(5,880)	269,055
	5,701,617	958,725	959,840	(18,114)	7,602,068
Cost and operating expenses*	3,860,397	707,101	268,585	(19,284)	4,816,799
Segment income before income tax	1,841,220	251,624	691,255	1,170	2,785,269
Interest income (Note 20)	296,082	8,600	3,728	-	308,410
Others	(402)	-	-	-	(402)
EBITDA	2,136,900	260,224	694,983	1,170	3,093,277
Interest and other financing charges (Note 20)	(416,006)	(66,195)	(29,900)	-	(512,101)
Depreciation and amortization (Notes 22)	(53,612)	(16,877)	(134,544)	-	(205,033)
Income before income tax	1,667,282	177,152	530,539	1,170	2,376,143
Provision for income tax (Note 23)	139,014	5,691	152,134	-	296,839
Net income	P1,528,268	P 171,461	P378,405	P1,170	P2,079,304

*Cost and expenses include costs of real estate sales and operating expenses less depreciation and amortization amounting P205.03 million (Note 22).

The financial information about the segment assets and liabilities of these operating segments as at March 31, 2017 and December 31, 2016 is summarized below (amounts in thousands):

March 31, 2017 (Unaudited)					
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
Other Information					
Segment assets	P142,139,214	P19,513,997	P63,443,174	(P77,661,590)	P147,434,795
Receivables from (payables to) related parties* (Note 24)*	18,796,374	(15,045,526)	655,664	-	4,406,512
AFS financial assets (Note 5)	-	-	11,881,637	(3,723,431)	8,158,206
HTM investments (Note 5)	-	-	19,793,426	-	19,793,426
Deferred tax assets - net (Note 23)	-	-	775,662	-	775,662
Total Assets	P160,935,588	P4,468,471	P96,549,563	(P81,385,021)	P180,568,601
Segment liabilities*	P65,226,606	P27,301,181	P6,988,977	(P63,976)	P99,452,788
Deferred tax liabilities - net (Note 23)	1,131,451	993,533	255,125	24,416	2,404,525
Total Liabilities	P66,358,057	P28,294,714	P7,244,102	(P39,560)	P101,857,313

*The Group has the right to offset its receivables from (payables to) related parties.



	December 31, 2016 (Audited)				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
Other Information					
Segment assets	₱58,039,357	₱6,275,771	₱31,912,438	₱45,090,158	₱141,317,724
Receivables from (payables to) related parties* (Note 24)	8,148,875	(4,565,888)	333,682	—	3,916,669
AFS financial assets (Note 5)	—	—	11,968,496	(3,723,431)	8,245,065
HTM investments (Note 5)	—	—	20,851,608	—	20,851,608
Deferred tax assets - net (Note 23)	—	—	437,179	—	437,179
Total Assets	₱66,188,232	₱1,709,883	₱65,503,403	₱41,366,727	₱174,768,245
Segment liabilities*	₱88,733,513	(₱6,231,299)	₱13,702,551	₱2,532	₱96,207,297
Deferred tax liabilities - net (Note 23)	1,552,865	24,281	843,589	(355,093)	2,065,642
Total Liabilities	₱90,286,378	(₱6,207,018)	₱14,546,140	(₱352,561)	₱98,272,939

*The Group has the right to offset its receivables from (payables to) related parties.

The Group has no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue. There is no cyclical of operations in interim operations.

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
Cash on hand	₱16,749,869	₱22,563,506	₱21,823,620
Cash in banks	7,432,138,134	5,676,944,237	5,148,573,499
Cash equivalents	2,470,197,850	3,203,030,195	874,638,514
	₱9,919,085,853	₱8,902,537,938	₱6,045,035,633

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn prevailing short-term placement rates.

Interest earned from cash in banks and cash equivalents for the three-month periods ended March 31, 2017 and 2016 amounted to ₱13.58 million and ₱7.30 million, respectively (Note 20).

5. Investments

Short-term cash investments

Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn annual interest at the prevailing short-term investment rates.

Interest earned from short-term investments for the three-month periods ended March 31, 2017 and 2016 amounted to ₱0.52 million and ₱4.21 million, respectively (Note 20).



AFS financial assets

This account consists of equity and debt securities as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity securities		
Unquoted	₱112,402,093	₱96,248,934
Quoted	69,588,143	69,588,143
Debt securities		
Quoted	7,976,215,578	8,079,227,776
	₱8,158,205,814	₱8,245,064,853

Unquoted equity securities

This account pertains to unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects and other operations. These are carried at cost less impairment, if any.

The rollforward of this account follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱96,248,934	₱96,248,934
Acquisitions	16,153,159	—
	₱112,402,093	₱96,248,934

Quoted equity and debt securities

Quoted equity securities pertains to golf shares which the Group holds. There is no movement in fair value for the three-month ended March 31, 2017. Quoted debt securities consists of investments in fixed maturity bond funds. As at March 31, 2017 and December 31, 2016, the investments have an aggregate fair value of ₱7,976.22 million and ₱8,079.23 million. The excess of fair value over costs of quoted equity and debt securities as at March 31, 2017 and December 31, 2016 amounted to ₱1,094.03 million and ₱942.11 million, respectively.

Details on the quoted debt securities follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱8,079,227,776	₱7,207,755,740
Acquisition (maturity redemptions)	(254,929,521)	397,475,205
	7,824,298,255	7,605,230,945
Changes in fair value	151,917,323	473,996,831
	₱7,976,215,578	₱8,079,227,776



The movements in the unrealized fair value gain for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱942,113,376	₱462,742,703
Changes in fair value of AFS financial assets		
Equity securities	—	5,373,842
Debt securities	151,917,323	473,996,831
	₱1,094,030,699	₱942,113,376

The investments in fixed maturity bond funds are maturing in June 2017 and December 2018.

HTM investments

The table below presents the breakdown of debt securities classified as HTM investments by contractual maturity dates as at March 31, 2017 and December 31, 2016.

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Due in one (1) year or less	₱2,255,554,745	₱1,709,730,739
Due after one (1) year through five (5) years	17,537,870,835	19,141,877,715
	₱19,793,425,580	₱20,851,608,454

For the three-month period ended March 31, 2017, the Group acquired additional HTM investments amounting to US\$1.23 million (₱61.09 million) with annual interest ranging from 5.25% to 5.69%. HTM investments amounting to US\$26.01 million (₱1,119.28 million) matured during the three-month period ended March 31, 2017.

For the three-month period ended March 31, 2016, the Group acquired HTM investments amounting to US\$136.33 million (₱5,996.13 million) with annual interest of 4.00%. HTM investments amounting to US\$11.50 million (₱529.81 million) matured during the three-month period ended March 31, 2016.

HTM investments amounting to US\$52.85 million (₱2,650.96 million) and US\$37.50 million (₱1,864.50 million) are used to secure the bank loan of the Parent Company amounting to ₱2,500.00 million and ₱1,500.00 million as at March 31, 2017 and December 31, 2016, respectively. The fair value of the investments used as collateral amounted to ₱2,650.96 million and ₱1,677.00 million as at March 31, 2017 and December 31, 2016, respectively (Note 16).

Interest earned from HTM investments, including the matured investments, for the three-month periods ended March 31, 2017 and 2016 amounted to ₱222.10 million and ₱140.54 million, respectively (Note 20).



6. Receivables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Installment contracts receivable (Note 20)	₱29,384,103,589	₱28,123,412,383
Accrued interest receivable	251,191,561	250,598,211
Accounts receivable:		
Tenants	4,694,725,089	3,678,408,992
Contractors	3,232,711,579	3,053,343,074
Private company	507,455,319	516,783,255
Buyers	370,176,087	393,680,822
Brokers	249,465,533	245,038,144
Others	1,710,824,621	1,673,749,316
	40,400,653,378	37,935,014,197
Less allowance for impairment losses	397,052,509	393,343,094
	40,003,600,869	37,541,671,103
Less noncurrent portion	9,653,419,605	9,212,259,033
	₱30,350,181,264	₱28,329,412,070

Installment contracts receivable at amortized cost

Annual interest rates on installment contracts receivables range from 17.00% to 19.00%. Total interest income recognized amounted to ₱130.31 million and ₱156.02 million for three-month periods ended March 31, 2017 and 2016, respectively (Note 20).

The movement in allowance for impairment losses for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 follows:

	Installment Contracts Receivable	Accounts Receivable	Total
At December 31, 2015	₱120,290,254	₱272,014,135	₱392,304,389
Provision	—	1,974,771	1,974,771
Write-off	—	(936,066)	(936,066)
At December 31, 2016	₱120,290,254	₱273,052,840	₱393,343,094
Provision	—	3,709,415	3,709,415
At March 31, 2017	₱120,290,254	₱276,762,255	₱397,052,509

The impairment losses above pertain to individually impaired accounts. No impairment losses resulted from performing collective impairment test.

As at March 31, 2017 and December 31, 2016, installment contracts receivables with a total nominal amount of ₱1,310.86 million and ₱1,622.28 million, respectively, were recorded at amortized cost amounting to ₱1,267.83 million and ₱1,579.38 million, respectively. These are installment contracts receivables that are to be collected in two years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model using the discount rates ranging from 1.89% to 4.00% for those recognized as at March 31, 2017 and 1.57% to 3.79% for those recognized as of December 31, 2016. Interest income recognized from



these receivables amounted to ₱6.09 million and ₱6.80 million as at March 31, 2017 and 2016, respectively (Note 20).

Movement in unamortized discount arising from noninterest-bearing receivables for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱42,896,377	₱38,281,459
Additions	6,224,212	38,177,053
Accretion (Note 20)	(6,091,712)	(33,562,135)
	₱43,028,877	₱42,896,377

In 2017 and 2016, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. The purchase agreements provide substitution of contracts that became in default. The Group still retains the sold receivables in the installment contracts receivables account and records the proceeds from these sales as loans payable. The carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱4,364.29 million and ₱4,049.66 million as at March 31, 2017 and ₱2,786.09 million and ₱2,791.12 million as of December 31, 2016, respectively. Receivables on a with recourse basis are used as collateral to secure the corresponding loans payables obtained (Note 16).

7. Real Estate Inventories

Rollforward of the account follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱22,954,662,398	₱22,855,688,651
Construction/development costs incurred	828,866,226	6,217,346,815
Land costs transferred from land and improvements (Note 9)	762,348,651	1,652,120,088
Land acquired during the year	1,967,713,832	3,110,910,649
Borrowing costs capitalized	32,402,392	1,439,592,235
Cost of real estate sales	(3,496,823,786)	(12,320,996,040)
	₱23,049,169,713	₱22,954,662,398

The real estate inventories are carried at cost. No inventories were recorded at amounts lower than cost as at March 31, 2017 and December 31, 2016.



This account consist of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Subdivision land for sale and development	₱26,598,709,577	₱26,397,818,296
Less reserve for land development costs	9,605,588,209	9,441,025,424
	16,993,121,368	16,956,792,872
Condominium units for sale and development	5,088,753,725	4,928,409,728
Residential house units for sale and development	967,294,620	1,069,459,798
	6,056,048,345	5,997,869,526
	₱23,049,169,713	₱22,954,662,398

Borrowing cost capitalized to inventories amounted to ₱32.40 million and ₱502.35 million for three-month periods ended March 31, 2017 and 2016, respectively (Note 20). The capitalization rate used to determine the borrowing costs eligible for capitalization is 5.17% in 2017 and 6.47% in 2016.

Except as stated, the inventories are not used to secure the borrowings of the Group.

8. Other Current Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Input value added tax (VAT)	₱1,594,897,447	₱1,515,109,110
Prepaid expenses	1,375,791,638	1,237,047,665
Creditable withholding taxes	823,918,435	713,937,469
Construction materials and others	258,264,768	326,774,056
Deposits for real estate purchases	3,989,068	14,473,653
	₱4,056,861,356	₱3,807,341,953

For the three-month period ended March 31, 2017, creditable withholdings taxes applied to income tax payable amounted to ₱133.96 million.

9. Land and Improvements

The rollforward analysis of this account follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱30,486,623,405	₱27,864,677,850
Acquisitions	1,935,177,699	4,274,065,643
Transfers (Note 7)	(762,348,651)	(1,652,120,088)
	₱31,659,452,453	₱30,486,623,405



Transfers pertain to properties to be developed for sale which were reclassified under “Real estate inventories” account.

Except as stated, the land and improvements were not used to secure the borrowings of the Group.

10. Investment Properties

Movement in this account follows:

	March 31, 2017 (Unaudited)			
	Land	Building and Improvements	Construction in Progress	Total
Cost				
Balance at beginning of year	₱11,847,065,023	₱20,548,325,279	₱3,460,413,004	₱35,855,803,306
Additions	359,247,287	21,480,339	963,324,059	1,344,051,685
Balance at end of the period	12,206,312,310	20,569,805,618	4,423,737,063	37,199,854,991
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	3,790,270,632	–	3,790,270,632
Depreciation and amortization (Note 22)	–	274,220,992	–	274,220,992
Balance at end of the period	–	4,064,491,624	–	4,064,491,624
Net Book Value	₱12,206,312,310	₱16,505,313,994	₱4,423,737,063	₱33,135,363,367

	December 31, 2016 (Audited)			
	Land	Building and Improvements	Construction in Progress	Total
Cost				
Balance at beginning of year	₱11,464,130,704	₱10,333,800,925	₱7,927,375,532	₱29,725,307,161
Additions	382,934,319	1,473,698,318	4,273,863,508	6,130,496,145
Reclassifications	–	8,740,826,036	(8,740,826,036)	–
Balance at end of year	11,847,065,023	20,548,325,279	3,460,413,004	35,855,803,306
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	3,048,983,925	–	3,048,983,925
Depreciation and amortization (Note 22)	–	741,286,707	–	741,286,707
Balance at end of year	–	3,790,270,632	–	3,790,270,632
Net Book Value	₱11,847,065,023	₱16,758,054,647	₱3,460,413,004	₱32,065,532,674

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and three BPO commercial centers in Metro Manila, with a combined gross floor area of 951,533 sq.m. as at March 31, 2017. The construction in progress represents capitalized costs arising from construction of commercial centers that are located in Taguig, Molino and Kawit, Cavite which are due to be completed on various dates up to June 2018.

As at March 31, 2017 and 2016, unpaid additions to investment properties amounted to ₱398.56 million and ₱422.79 million, respectively.



Except as stated, there are no investment properties used as collateral or pledged as security to secure the borrowings of the Group.

The Group also has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

As at March 31, 2017 and December 31, 2016, the aggregate fair values of investment properties amounted to ₱52,767.15 million and ₱51,801.83 million, respectively. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and building improvements.

The market price per square meter of these investment properties ranged from ₱15,000 to ₱30,000. The estimated useful life of the investment properties other than land is twenty (20) years.

Borrowing costs capitalized to investment properties amounted to ₱426.59 million and ₱121.33 million for the three-month periods ended March 31, 2017 and 2016, respectively.

11. Property and Equipment

The rollforward analyses of this account follows:

March 31, 2017 (Unaudited)							
	Land	Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balance at beginning of year	₱83,333,600	₱573,959,560	₱554,066,534	₱615,859,385	₱330,953,472	₱185,540,984	₱2,343,713,535
Additions	—	641,106	127,149,845	6,622,937	7,341,190	50,582,319	192,337,397
Balance at end of the period	83,333,600	574,600,666	681,216,379	622,482,322	338,294,662	236,123,303	2,536,050,932
Accumulated Depreciation and Amortization							
Balance at beginning of year	—	339,283,586	426,696,953	541,397,280	105,995,347	108,090,161	1,521,463,327
Depreciation and amortization (Note 22)	—	3,388,640	10,508,335	8,807,923	20,921,298	2,575,483	46,201,679
Balance at end of the period	—	342,672,226	437,205,288	550,205,203	126,916,645	110,665,644	1,567,665,006
Net Book Value	₱83,333,600	₱231,928,440	₱244,011,091	₱72,277,119	₱211,378,017	₱125,457,659	₱968,385,926

December 31, 2016 (Audited)							
	Land	Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balance at beginning of year	₱83,333,600	₱446,793,455	₱546,741,889	₱587,206,720	₱246,744,788	₱154,985,876	₱2,065,806,328
Additions	—	127,166,105	7,324,645	28,652,665	84,208,684	30,555,108	277,907,207
Balance at end of year	83,333,600	573,959,560	554,066,534	615,859,385	330,953,472	185,540,984	2,343,713,535
Accumulated Depreciation and Amortization							
Balance at beginning of year	—	229,338,282	385,358,664	463,724,899	83,104,688	103,304,883	1,264,831,416
Depreciation and amortization (Note 22)	—	109,945,304	41,338,289	77,672,381	22,890,659	4,785,278	256,631,911
Balance at end of year	—	339,283,586	426,696,953	541,397,280	105,995,347	108,090,161	1,521,463,327
Net Book Value	₱83,333,600	₱234,675,974	₱127,369,581	₱74,462,105	₱224,958,125	₱77,450,823	₱822,250,208



The Group's transportation equipment with a carrying value of ₱56.31 million and ₱66.74 million as at March 31, 2017 and December 31, 2016, respectively, were pledged as collateral under chattel mortgage to secure the car loans of the Group with various financial institutions.

12. Investments and Advances in Project Development Costs

The following are the subsidiaries with outstanding LDAs accounted for as investments in project development costs:

Entity	Project	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Prima Casa Land and Houses, Inc.	Horizontal	₱1,014,292,431	₱1,103,277,582
Brittany Corporation (BC)	Horizontal	830,931,403	829,260,419
Crown Asia Properties, Inc. (CAPI)	Horizontal	598,318,180	596,617,680
Household Development Corporation	Horizontal	312,424,318	317,424,319
Communities Philippines, Inc.	Horizontal	358,010,953	272,361,240
Vista Residences, Inc. (VRI)	Vertical	141,495,000	113,370,000
		₱3,255,472,285	₱3,232,311,240

13. Other Noncurrent Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash restricted for use	₱506,816,046	₱500,630,394
Deposits	409,361,448	525,537,420
Model house accessories at cost	187,972,046	208,658,041
Goodwill	147,272,020	147,272,020
Systems development costs - net of amortization	34,006,245	22,695,623
	₱1,285,427,805	₱1,404,793,498

Cash restricted for use are deposits restricted solely for payment of the principal amortization and interest of certain bank loans. These deposits bear prevailing interest rates and will be retained as deposits until the bank loans are fully paid. Deposit balance should be equivalent to two quarters of debt amortization. Interest income from cash restricted for use amounted to ₱6.19 million and ₱0.34 million for the three-month periods ended March 31, 2017 and 2016, respectively (Note 20).



The rollforward analyses of system development costs follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	₱22,695,623	₱20,210,092
Additions	23,033,606	48,198,547
Amortization (Note 22)	(11,722,984)	(45,713,016)
Balance at end of year	₱34,006,245	₱22,695,623

14. Accounts and Other Payables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Accounts payable		
Contractors	₱4,439,212,031	₱3,157,581,768
Suppliers	912,853,272	978,485,959
Buyers	178,356,469	160,069,831
Incidental costs	843,442,959	793,241,102
Liabilities for purchased land (Note 26)	2,537,485,825	1,728,397,118
Accrued expenses	1,940,415,884	1,525,065,470
Commissions payable	867,833,949	809,619,299
Retention payable	699,913,186	1,020,918,247
Deferred output tax	325,877,320	695,644,782
Other payables	563,703,749	531,349,938
	₱13,309,094,644	₱11,400,373,514

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. The fair value of liabilities for purchased land is derived using the discounted cash flow model using the discount rate ranging from 2.67% to 4.59% with EIR ranging from 0.73% to 3.52%. Liabilities for purchased land that are payable beyond one year from year end date are reported as noncurrent liabilities (Note 18).

Accrued expenses consist mainly of accruals for interest on bonds and bank loans, unpaid utilities, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation, travel, security and insurance.

15. Customers' Advances and Deposits

This account consists of customers' reservation fees, downpayments and excess of collections over the installment contracts receivable.



The Group requires buyers of real estate projects and lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction.

Payments from buyers which have not reached the minimum required percentage are presented as customers' advances and deposits. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and downpayments are applied against the related installment contracts receivable.

The excess of collections over the recognized receivables is applied against the receivables in the succeeding years.

16. Bank Loans and Loans Payable

Bank Loans

Bank loans pertain to the borrowings of the Group from various local financial institutions.

Details follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Parent Company	₱24,703,547,180	₱23,734,479,509
Subsidiaries	11,778,792,996	12,352,762,783
	36,482,340,176	36,087,242,292
Less current portion	4,413,746,521	5,972,290,312
	₱32,068,593,655	₱30,114,951,980

For the three-month period ended March 31, 2017, the Group obtained peso-denominated bank loans from different local banks amounting to ₱2,500.00 million with fixed interest rates ranging from 3.88% to 4.00% per annum. The bank loans are secured by a hold-out on the HTM investments of VII amounting US\$52.85 million (₱2,650.96 million) (Note 5). The bank loans requires the Group to comply with certain covenants to which the Group complied with as at March 31, 2017 and December 31, 2016.

Loans Payable

Loans payable pertains to the remaining balance of "Installment contracts receivable" of subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 7.00% to 12.00% as at March 31, 2017 and 2016, payable on equal monthly installment over a maximum period of 3 to 15 years. The installment contracts receivable serve as the collateral for the loans payable.



17. Notes Payable

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Dollar denominated bonds	₱29,374,765,620	₱29,068,413,335
Retail bonds	4,939,145,322	4,934,226,365
Corporate note facility	5,267,020,645	5,514,622,937
Homebuilder bonds	8,493,726	7,852,935
	39,589,425,313	39,525,115,572
Less current portion	254,264,372	475,475,872
	₱39,335,160,941	₱39,049,639,700

Dollar Denominated Bonds

US\$125.00 million Notes

On February 2, 2016, the Group (Issuer) issued US\$125.00 million notes ("Notes") with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to settle the US\$125.00 million notes issued last April 2014. There are no properties owned by the Group that were pledged as collateral to this note.

Redemption at the option of the issuer

At any time the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of the person in whose name the Note is registered on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to comply with certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma Fixed Charge Coverage Ratio (FCCR) of not less than 2.5x. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

US\$300.00 million Notes

On June 18, 2015, the Group issued US\$300.00 million notes with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to settle the US\$125.00 million notes issued last April 2014. Some of the proceeds amounting to US\$81.68 million were used to settle outstanding notes payable. There are no properties owned by the Group that were pledged as collateral to this note.



Redemption at the option of the issuer

At any time the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to comply with covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma Fixed Charge Coverage Ratio (FCCR) of not less than 2.5x. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

On September 29, 2016, VII repurchased US\$54.54 million out of the US\$425.00 million notes outstanding balance prior to the repurchase date.

US\$350.00 million Notes

On April 29, 2014, the Group issued unsecured US\$225.00 million Notes due April 29, 2019 to refinance its debt and for general corporate purposes. The interest rate of 7.45% per annum is payable semi-annually in arrears on April 29 and October 29 of each year commencing on October 29, 2014.

On September 11, 2014, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting to US\$125.00 million. The notes were issued at 102% representing a yield to maturity of 6.935%.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer

At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Redemption upon a change of control

Unless the Notes are previously redeemed, repurchased and cancelled, the issuer will, no later than 30 days following a change of control make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount together with accrued and unpaid interest, if any. Change of control includes the sale of all or substantially all the properties or assets of the issuer or its restricted subsidiaries.

Covenants

The Notes provide for the Group to comply with covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (FCCR) of not less than 2.5x. These were complied with by the Group as at March 31, 2017 and December 31, 2016.



US\$100.00 million Notes

On October 4, 2013, VII issued unsecured US\$100.00 million bonds with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on April 4 and October 4 of each year commencing on April 4, 2014.

The Notes are unconditionally and irrevocably guaranteed by the Group. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer - equity clawback

At any time prior to September 30, 2013, the Group may redeem up to 35% of the aggregate principal amount of the US Notes originally issued at a redemption price equal to 106.75% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of US Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering. The Notes contains an equity clawback option.

Redemption at the option of the issuer - early redemption

At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to comply with covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma (FCCR) of not less than 2.5x. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

On September 29, 2016, VII repurchased US\$10.70 million out of the remaining US\$62.51 million notes outstanding prior to the repurchase date.

Retail Bonds

On May 9, 2014, the Group offered and issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱3,000.00 million and an over-allotment option of up to ₱2,000.00 million. The proceeds of the issuance was used to partially finance certain commercial development projects of CPI and its subsidiaries. There are no securities pledged as collateral for these bonds.

The offer was comprised of five year fixed rate bonds due on November 9, 2019 and seven year fixed rate bonds due on May 9, 2021 with interest rate of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds shall be payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date.

The Retail Bonds shall be repaid at maturity at par plus any outstanding interest, unless the Group exercises its early redemption option. The maturity date for the Five Year Bonds and Seven Year Bonds shall be on November 9, 2019 and on May 9, 2021, respectively.



Redemption at the option of the issuer

The Group may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Group shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) Five Year Bonds:
 - i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Four (4) years from issue date at early redemption price of 100.50%
- b) Seven Year Bonds:
 - i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Six (6) years from issue date at early redemption price of 100.50%

Covenants

The Retail Bonds provide for the Group to comply with covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

Corporate Note Facility

On December 28, 2016, the Group entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.0 million. The first drawdown was at ₱5,150.00 million.

The proceeds will be utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interest at the first drawdown at 6.1879% per annum is payable quarterly in arrears while the principal amount is payable in 2% annual amortizations on each principal repayment date with 82% to be repaid on maturity date. In case of default on the notes, interest and any amount payable due the lender, the borrower will pay a default interest. The issue cost amounted to ₱38.72 million.

The corporate notes provide early redemption at the option of the Group as follows:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The corporate notes requires the Group to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law.



The Group is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.0. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

On April 20, 2012, the Group secured a Peso Corporate Note Facility of up to ₱4,500.00 million from certain financial institutions to fund the Group's on-going real estate development projects, to refinance or replace existing borrowings and for general corporate purposes. The Corporate Notes shall bear annual fixed interest rate based on applicable bench mark rate on drawdown date plus a certain spread and will mature five (5) years from drawdown date.

The notes were paid by the Group on April 25, 2017 upon maturity.

Covenants

The Corporate Note Facility provides for the Group to comply with certain covenants including, among others, incurrence of additional debt; dividend restrictions; maintenance of financial ratios; granting of loans; and certain other covenants. The financial ratios are current ratio, debt to equity ratio, debt service coverage ratio and fixed charge coverage ratio which are to be maintained at 1.75, 1.50, 100 and 2.50, respectively. These were complied with by the Group as at March 31, 2017 and December 31, 2016.

Homebuilder Bonds

On November 16, 2012, the Group offered and issued to the public unsecured Homebuilder Peso bonds (the Bonds) of up to ₱2,500.00 million with an initial offering of ₱500.40 million for funding general corporate purposes. There are no properties pledged as collateral for the Homebuilder Bonds.

The first tranche was issued in equal monthly installments of up to ₱13.90 million over a period of thirty-six (36) months, commencing on November 16, 2012 at a fixed interest rate of 5.00% per annum and shall mature three (3) years from the initial issue date. As at March 31, 2017 and December 31, 2016, total bonds issued by the Parent Company amounted to ₱372.48 million and ₱371.84 million, respectively. On November 2015, the company paid out ₱362.97 million upon maturity. The carrying value of the bonds as at March 31, 2017 and December 31, 2016 amounted to ₱8.49 million and ₱6.01 million, respectively.

Other pertinent provisions of the bonds follow:

Redemption at the option of the issuer

At any time prior to November 16, 2015, the Group may redeem the bonds if the bondholder selects the application of payment for the purchase of the Group's property provided that: (i) early application of payment is only available to eligible bondholders allowed by law to purchase the selected property of the Group; (ii) the bondholder expresses his intention to apply the payment for the purchase of the Group's property through written notice to the Group; and (iii) the Group approves the early application of payment.



However, the bondholder can avail itself of this early application of payment only if: (i) such bondholder is able to fully pay or obtain firm bank or in-house financing; and (ii) the property of the bondholder's choice is from what the Group makes available to the bondholder to choose from.

Extension option

The bondholder may opt to extend the maturity of the bonds held and subscribe additional bonds for another twenty four (24) months, for and at the same monthly subscription payment, with the following terms:

- The first tranche of the bonds will have a maximum aggregate principal amount of ₱834.00 million, including any and all additional subscriptions;
- All subscriptions held by bondholders who exercised the extension option shall mature on the fifth (5th) anniversary of the initial issue date;
- Upon exercise of the extension option at least six (6) months prior to the initial maturity date, all subscriptions held shall bear interest on principal amount at a fixed rate of 6.75% per annum, applied prospectively from the initial maturity date to the extended maturity date; and
- Interest will not be compounded and shall be payable on the relevant maturity date or on the early redemption date, as may be applicable, less the amount of any applicable withholding taxes.

18. Other Noncurrent Liabilities

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Liabilities for purchased land (Note 26)	₱1,928,196,468	₱1,809,275,473
Retention payable	547,057,234	457,264,712
Deferred output tax - net of current portion	513,978,109	111,969,819
	₱2,989,231,811	₱2,378,510,004

19. Equity

Capital Stock

The details of the Parent Company's capital stock as at March 31, 2017 and December 31, 2016 consists of:

Common

Authorized shares	17,900,000,000
Par value per share	₱1.00
Issued shares	13,114,136,376

Preferred

Authorized shares	10,000,000,000
Par value per share	₱0.01
Issued shares	3,300,000,000



Common shares

In February 2016, the Parent Company issued 459.24 million new common shares out of the unissued portion of its authorized capital stock at issue price of ₱7.15 per share or ₱3,283.60 million, out of which additional paid-in capital amounted to ₱2,824.35 million.

Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. After the listing as at 2007, there have been subsequent issuances on November 10, 2015 and December 22, 2015 covering a total of 4,116,151,139 shares. The Parent Company has 966 and 971 existing certified shareholders as at March 31, 2017 and December 31, 2016, respectively.

Redemption of Treasury Shares

Treasury shares totaling 287,210,300 and 274,685,200 in March 31, 2017 and December 31, 2016 respectively of the Parent Company amounting to ₱1,602.00 million and ₱1,538.73 million respectively, represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting to ₱5,378.29 million represents Parent Company stocks held by Manuela Corporation. These treasury shares are recorded at cost.

Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as at March 31, 2017, after reconciling items, amounted to ₱1,178.30 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱36,428.45 million and ₱31,734.01 million as at March 31, 2017 and December 31, 2016, respectively.

Also, the retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱1,602.01 million and ₱1,538.73 million as at March 31, 2017 and December 31, 2016, respectively.

Under the Tax Code of the Philippines, publicly listed companies are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax. Nonetheless, the retained earnings available for dividend declaration, after reconciling items, as at and for the three-month period ended amounted to ₱1,178.30 million, which is below the paid-up capital of ₱43,802.57 million. The paid up capital includes capital stock and additional paid-in capital of the Parent Company.

On September 28, 2016, the BOD approved the declaration of a regular cash dividend amounting to ₱1,437.14 million or ₱0.1185 per share, in favor of all stockholders of record as of September 28, 2016, payable on October 13, 2016.

Non-controlling interest

In the first quarter of 2016, the Vista Group acquired additional 750,265,955 shares of Starmalls, Inc. for a total consideration of ₱3,383.70 million. The transaction was accounted for as an equity transaction since there was no change in control.



The movements within equity are accounted as follows:

FV of consideration paid	₱3,383,699,458
BV of shares	1,500,705,403
Difference charged to additional paid-in capital	₱1,882,994,055

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As at March 31, 2017 and December 31, 2016, the Group had the following ratios:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Current ratio	3.44	3.28
Debt-to-equity ratio*	0.97	0.99
Net debt-to-equity ratio*	0.49	0.49
Asset-to-equity ratio	2.29	2.28

**The above ratio includes only notes and bank loans payable as debt*

As at March 31, 2017 and December 31, 2016, the Group had complied with all externally imposed capital requirements (Notes 16 and 17). No changes were made in the objectives, policies or processes for managing capital during the three-month period ended March 31, 2017 and year ended December 31, 2016.

The Group considers as capital the equity attributable to equity holders of the Group.

Financial Risk Assessment

The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regularly availing of short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.



Exposure to foreign currency holdings are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash and cash equivalents	US\$39,325,065	US\$6,195,197
AFS financial assets	159,015,462	162,494,525
HTM investments	394,605,773	419,380,701
Notes payable	(585,621,324)	(584,642,263)

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

20. Interest Income and Interest and Other Financing Charges

Interest income consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Installment contracts receivable (Note 6)	₱124,221,086	₱149,217,284
Accretion of unamortized discount (Note 6)	6,091,712	6,799,078
	130,312,798	156,016,362
Cash and cash equivalents and short-term cash investments (Notes 4 and 5)	14,104,625	11,509,226
Interest on cash restricted for use (Note 13)	6,185,652	342,414
HTM investments (Note 5)	222,097,154	140,541,991
	242,387,431	152,393,631
	₱372,700,229	₱308,409,993

Interest and other financing charges consist of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Interest expense on:		
Bank loans (Note 16)	₱556,042,896	₱477,664,979
Notes payable (Note 17)	586,260,654	658,120,242
	1,142,303,550	1,135,785,221
Amounts capitalized (Notes 7 and 10)	(458,992,408)	(623,684,327)
	₱683,311,142	₱512,100,894

21. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment. This also includes the operating income of malls from reimbursable expenses.



22. Operating Expenses

This account consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Commissions	₱412,158,082	₱351,533,608
Advertising and promotions	344,932,479	334,894,243
Depreciation and amortization (Notes 10, 11 and 13)	332,145,655	205,033,392
Salaries, wages and employees benefits	302,778,171	298,066,727
Occupancy costs	265,658,700	123,204,481
Repairs and maintenance	236,250,273	209,621,205
Taxes and licenses	138,733,234	101,895,587
Professional fees	80,624,679	79,977,139
Transportation and travel	22,505,864	17,081,000
Representation and entertainment	16,109,836	26,748,876
Office expenses	11,102,718	11,674,048
Miscellaneous	58,959,359	62,099,884
	₱2,221,959,050	₱1,821,830,190

23. Income Tax

Provision for income tax consists of:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Current:		
RCIT/MCIT	₱314,181,458	₱41,970,347
Final	4,822,082	1,489,359
Deferred	4,299,146	253,379,050
	₱323,302,686	₱296,838,756



The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Deferred tax assets on:		
Excess of tax basis over book basis of deferred gross profit on real estate sales	₱573,261,714	₱392,288,740
Net operating loss carry over (NOLCO)	45,614,701	2,911,709
Accrual of retirement costs	95,823,462	21,649,338
Unamortized discount on receivables	11,029,167	4,075,483
Allowance for probable losses	119,115,753	6,614,982
Unrealized foreign exchange losses	10,427,971	20,826,711
	855,272,768	448,366,963
Deferred tax liabilities on:		
Capitalized interest and other expenses	18,268,477	8,829,861
Excess of book basis over tax basis of deferred gross profit on real estate sales	61,342,368	2,358,131
	79,610,845	11,187,992
	₱775,661,923	₱437,178,971

Net deferred tax liabilities:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Deferred tax assets on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales	₱2,366,066	₱559,451
Accrual of retirement costs	70,267,721	70,267,721
Carryforward benefit of MCIT	378,710	14,914,385
Unamortized discount on receivables	5,774,830	7,487,835
NOLCO	2,685,814	50,582,310
	81,473,141	143,811,702
Deferred tax liabilities on:		
Excess of book basis over tax basis of deferred gross profit on real estate sales	1,319,376,340	1,138,240,522
Straight-line lease adjustment	691,484,050	615,532,454
Capitalized borrowing costs and other expenses	448,297,243	410,868,230
Discount on raw land payable	3,401,177	21,373,197
Unamortized bond transaction cost	13,809,483	13,809,483
Retirement expense	9,630,024	9,630,024
	2,485,998,317	2,209,453,910
	(₱2,404,525,176)	(₱2,065,642,208)



The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss for the three-month periods ended March 31, 2017 and 2016 follows:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Provision for income tax computed at the statutory income tax rate	30.00%	30.00%
Additions to (reductions in) income tax resulting from:		
Tax-exempt income	(17.47)	(19.69)
Nondeductible interest and other expenses	0.32	1.61
Expired MCIT and NOLCO	0.69	0.50
Interest income already subjected to final tax	(0.03)	(0.17)
Others	(1.24)	0.22
Provision for income tax	12.27%	12.47%

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group's policy is to settle its intercompany receivables and payables on a net basis.

The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable from (payable to) related parties as at March 31, 2017 and December 31, 2016:

For the three-month period ended March 31, 2017 (Unaudited)						
Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Fine Properties, Inc.	Ultimate Parent	Nontrade receivables	₱490,142,428	₱3,370,182,572	Non-interest bearing	Unsecured
All Value Group	Entities under Common Control	Nontrade receivables	—	941,544,680	Non-interest bearing	Unsecured, No impairment
Golden Haven Memorial Park, Inc.	Entities under Common Control	Nontrade receivables	(300,000)	85,416,091	Non-interest bearing	Unsecured, No impairment
Althorp Holdings, Inc.	Entities under Common Control	Nontrade receivables	—	9,368,542	Non-interest bearing	Unsecured, No impairment
			₱489,842,428	₱4,406,511,885		

For the year ended December 31, 2016 (Audited)						
Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Fine Properties, Inc.	Ultimate Parent	Nontrade receivables	₱245,474,309	₱2,880,040,145	Non-interest bearing	Unsecured
All Value Group	Entities under Common Control	Nontrade receivables	23,020,397	941,544,680	Non-interest bearing	Unsecured, No impairment
Golden Haven Memorial Park, Inc.	Entities under Common Control	Nontrade receivables	(1,115,430)	85,716,091	Non-interest bearing	Unsecured, No impairment
Althorp Holdings, Inc.	Entities under Common Control	Nontrade receivables	223,540,009	9,368,542	Non-interest bearing	Unsecured, No impairment
			₱490,919,285	₱3,916,669,458		



Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. These principally consist of dividends, advances, reimbursement of expenses and management income.

As at March 31, 2017 and December 31, 2016, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Except as discussed in Note 17, there have been no guarantees provided or received for any related party receivables or payables.

The compensation of key management personnel by benefit type follows:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Short-term employee benefits	₱102,169,973	₱99,784,897
Post-employment benefits	16,868,712	16,448,524
	₱119,038,685	₱116,233,421

25. Earnings Per Share

The following table presents information necessary to compute the EPS:

	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Basic and Diluted		
Net income attributable to equity holders of		
Parent Company	₱2,255,176,468	₱2,038,803,425
Weighted average common shares	12,831,840,155	12,679,193,920
Earnings per share	₱0.18	₱0.16

There were no potential dilutive common shares for the three-month periods ended March 31, 2017 and 2016.

26. Financial Assets and Liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: Valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).



The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, short-term cash investments, other receivables, receivable from related parties and accounts and other payables: Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of long-term portion of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 4.22% to 6.29% in 2017 and 3.97% to 6.32% in 2016.

AFS financial assets: Fair values of debt and equity securities are based on quoted market prices. For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determinable due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

For shares in open ended investment companies, fair value is determined by reference to net asset value per share.

HTM investments: The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date.

Bank loans, loans payable, notes payable, retention payable and liabilities for purchased land: estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 4.22% to 6.29% in 2017 and 3.97% to 6.32% in 2016. in 2016 using the remaining terms to maturity.

The following table provides the fair value measurement and the hierarchy of the Group's financial assets and liabilities recognized as at March 31, 2017 and December 31, 2016:

	Carrying values	Total	March 31, 2017 (Unaudited)		
			Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
Financial assets measured at fair value:					
AFS financial assets	P8,158,205,814	P8,158,205,814	P8,045,803,721	P-	P112,402,093
Assets for which fair values are disclosed:					
Installment contract receivables	29,384,103,589	29,427,131,466	-	-	29,427,131,466
HTM investments	19,793,425,580	25,343,673,632	-	-	25,343,673,632
Liabilities					
Financial liabilities for which fair values are disclosed					
Notes loans	39,589,425,313	30,115,527,265	-	-	31,492,177,276
Bank loans	36,482,340,176	28,158,066,942	-	-	28,158,066,942
Loans payable	4,074,173,016	3,402,521,463	-	-	3,402,521,463
Liabilities for purchased land	4,465,682,293	4,465,682,293	-	-	4,465,682,293



	Carrying values	Total	December 31, 2016 (Audited)		
			Quoted prices in active markets for identical assets (Level 1)	Significant offer observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
Financial assets measured at fair value:					
AFS financial assets	₱8,245,064,853	₱8,245,064,853	₱8,148,815,919	₱—	₱96,248,934
Assets for which fair values are disclosed:					
Installment contract receivables	28,123,412,383	28,166,308,760	—	—	28,166,308,760
HTM investments	20,851,608,454	26,916,602,632	—	—	26,916,602,632
Liabilities					
Financial liabilities for which fair values are disclosed					
Bank loans	36,087,242,292	28,600,559,439	—	—	28,600,559,439
Notes payable	39,525,115,572	30,309,713,338	—	—	30,309,713,338
Loans payable	3,887,252,607	3,265,162,468	—	—	3,265,162,468
Liabilities for purchased land	3,537,672,591	3,537,672,591	—	—	3,537,672,591

In 2017 and 2016, there were no transfers between Levels of fair value measurements.

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivables, notes payable, loans payable, bank loans retention payable and liabilities for purchased land.

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations.

The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term cash investments, HTM investments and AFS financial assets which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.



The table below shows the financial assets and liabilities that are interest-bearing:

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
Financial assets				
<i>Fixed rate</i>				
Cash and cash equivalents (excluding cash on hand)	0.10% to 2.00%	₱9,902,335,984	0.10% to 0.50%	₱8,879,974,432
Short-term cash investments	2.00% to 3.00%	101,976,268	1.37% to 2.50%	99,998,562
HTM investments	1.33% to 4.00%	19,793,425,580	1.33% to 3.12%	20,851,608,454
Installment contracts receivable	1.33% to 3.50%	29,384,103,589	1.33% to 3.50%	28,123,412,383
		₱59,181,841,421		₱57,954,993,831
Financial liabilities				
<i>Fixed rate</i>				
Notes payable	6.19% to 7.45%	₱39,589,425,313	4.25% to 12.00%	₱39,525,115,572
Bank loans	3.50% to 10.75%	36,482,340,176	3.57% to 11.50%	36,087,242,292
Loans payable	7.5% to 8.00%	4,074,173,016	1.50% to 10.00%	3,887,252,607
Liabilities for purchased land	1.49% to 2.38%	4,465,682,293	1.49% to 2.38%	3,537,672,591
		₱84,611,620,798		₱83,037,283,062

As at March 31, 2017 and December 31, 2016, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the United States Dollar (USD). Approximately 38.51% and 36.56% of the debt of the Group as at March 31, 2017 and December 31, 2016, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the notes payable in 2017 and 2016.

Below are the carrying values and the amounts in US\$ of these foreign currency denominated financial assets and liabilities.

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Peso	US\$	Peso	US\$
Cash and cash equivalents	₱1,972,545,246	US\$39,325,065	₱308,025,195	US\$6,195,197
AFS financial assets	7,976,215,578	159,015,462	8,079,227,783	162,494,525
HTM investments	19,793,425,580	394,605,773	20,851,608,454	419,380,701
Notes payable	(29,374,765,620)	(585,621,324)	(29,068,413,316)	(584,642,263)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as at March 31, 2017 and December 31, 2016 used were ₱50.16 to US\$1.00 and ₱49.72 to US\$1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's 2017 and 2016 profit before tax as at March 31, 2017 and December 31, 2016.

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Increase/Decrease in US Dollar rate	Effect on income before tax	Increase/Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+0.56%	₱11,011,018	+1.44%	₱1,362,943
	-0.56%	(11,011,018)	-1.44%	(1,362,943)
HTM investments	+0.56%	110,489,616	+1.44%	92,263,754
	-0.56%	(110,489,616)	-1.44%	(92,263,754)
AFS financial assets	+0.56%	44,524,329	+1.44%	35,748,795
	-0.56%	(44,524,329)	-1.44%	(35,748,795)
Notes payable	+0.56%	163,973,971	+1.44%	(128,621,298)
	-0.56%	(163,973,971)	-1.44%	128,621,298



The assumed movement in basis points for foreign exchange sensitivity analysis is based on the currently observable market environment, showing no material movements as in prior years.

There are no items affecting equity except for those having impact on profit or loss.

Credit risk

The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the real estate properties sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents, short-term cash investments and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality.

The table below shows the comparative summary of maximum credit risk exposure on financial assets as at March 31, 2017 and December 31, 2016:

	March 31, 2017 (Unaudited)			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	₱9,902,335,984	₱-	₱9,902,335,984	₱-
Short-term cash investments	101,976,268	-	101,976,268	-
Receivables				
Installment contracts receivables	29,384,103,589	38,038,286,794	-	29,384,103,589
Others	11,016,549,789	-	11,016,549,789	-
HTM investments	19,793,425,580	-	19,793,425,580	-
AFS Financial Assets				
Investments in fixed maturity bond funds	7,976,215,578	-	7,976,215,578	-
Investments in quoted equity shares	69,588,143	-	69,588,143	-
Investments in unquoted equity shares	112,402,093	-	112,402,093	-
	₱78,356,597,024	₱38,038,286,794	₱48,972,493,435	₱29,384,103,589



	December 31, 2016 (Audited)			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	₱8,879,974,432	₱—	₱8,879,974,432	₱—
Short-term cash investments	99,998,562	—	99,998,562	—
Receivables				
Installment contracts receivables	28,123,412,383	36,892,198,739	—	28,123,412,383
Others	9,811,601,814	—	9,811,601,814	—
HTM investments	20,851,608,454	—	20,851,608,454	—
AFS Financial Assets				
Investments in fixed maturity bond funds	8,079,227,776	—	8,079,227,776	—
Investments in unquoted equity shares	69,588,143	—	69,588,143	—
Investments in unquoted equity shares	96,248,934	—	96,248,934	—
	₱76,011,660,498	₱36,892,198,739	₱47,888,248,115	₱28,123,412,383

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2017 and 2016.

The following table summarize the Group's financial assets and financial liabilities which are expected to be realized and settled within one year from balance sheet date of March 31, 2017 and December 31, 2016.

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Financial Assets		
Installment contract receivables	₱19,682,337,848	₱18,862,807,214
HTM investments	2,255,554,745	1,709,730,739
AFS financial assets	1,559,539,875	1,792,527,121
	23,497,432,468	22,365,065,074
Financial Liabilities		
Notes loans	254,264,372	475,475,872
Bank loans	4,413,746,521	5,972,290,312
Loans payable	1,105,230,815	1,122,548,064
	5,773,241,708	7,570,314,248
Liquidity position	₱17,724,190,760	₱14,794,750,826



The following tables summarize the maturity profile of the Group's financial assets and financial liabilities as at March 31, 2017 and December 31, 2016. The table also analyzes the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	March 31, 2017 (Unaudited)			Total
	≤ 1 year	> 1 year	> 5 years	
Financial Assets				
Installment contract receivables	P19,682,337,848	P1,616,960,957	P8,084,804,784	P29,384,103,589
HTM investments	2,255,554,745	1,865,105,958	15,672,764,877	19,793,425,580
AFS financial assets	1,559,539,875	701,750,587	5,896,915,352	8,158,205,814
	23,497,432,468	4,183,817,502	29,654,485,013	57,335,734,983
Financial Liabilities				
Notes loans	254,264,372	2,669,856,545	36,665,304,396	39,589,425,313
Bank loans	4,413,746,521	4,704,305,203	27,364,288,452	36,482,340,176
Loans payable	1,105,230,815	947,030,900	2,021,911,301	4,074,173,016
	P5,773,241,708	P8,321,192,648	P66,051,504,149	P80,145,938,505

	December 31, 2016 (Audited)			Total
	≤ 1 year	> 1 year	> 5 years	
Financial Assets				
Installment contract receivables	P18,862,807,214	P1,543,434,195	P7,717,170,974	P28,123,412,383
HTM investments	1,709,730,739	1,899,377,538	17,242,500,177	20,851,608,454
AFS financial assets	1,792,527,121	640,261,390	5,812,276,342	8,245,064,853
	22,365,065,074	4,083,073,123	30,771,947,493	57,220,085,690
Financial Liabilities				
Notes loans	475,475,872	2,642,638,928	36,407,000,772	39,525,115,572
Bank loans	5,972,290,312	4,964,509,345	25,150,442,635	36,087,242,292
Loans payable	1,122,548,064	784,831,412	1,979,873,131	3,887,252,607
	P7,570,314,248	P8,391,979,685	P63,537,316,538	P79,499,610,471

27. Notes to Statements of Cash Flow

	December 31, 2016 (Audited)	Cash Flows	Non-cash Change			March 31, 2017 (Unaudited)
			Acquisition	Foreign exchange movement	Fair value change	
Loans payable	P3,887,252,607	P186,920,409	P-	P-	P-	P4,074,173,016
Bank loans	36,087,242,292	395,097,884	-	-	-	36,482,340,176
Notes payable	39,525,115,572	64,309,741	-	-	-	39,589,425,313
Total liabilities from financing activities	P79,499,610,471	P646,328,034	P-	P-	P-	P80,145,938,505

The noncash operating and financing activities of the Group during the three-month periods ended March 31, 2017 and 2016 are as follows:

- Unpaid additions to investment properties amounted to P398.56 million and P422.79 million as at March 31, 2017 and 2016, respectively
- Creditable withholding tax applied against income tax payable amounted to P133.96 million in 2017.



28. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. As at March 31, 2017 and December 31, 2016, these contracts have an estimated aggregate cost of ₱9,665.62 million and ₱8,728.40 million, respectively. These contracts are due to be completed on various dates up to December 2020.

The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

29. Approval of the Financial Statements

The interim condensed consolidated financial statements of the Group as at March 31, 2017 and for the three-month periods ended March 31, 2017 and 2016 were authorized for issue by the BOD on May 15, 2017.

30. Subsequent Events

On May 3, 2017, the Group issued additional corporate notes in the amount of ₱4,850.00 million due 2026, at a fixed rate of 6.23% per annum. The proceeds of the additional notes will be used to fund the Group's capital expenditure for the year, refinance existing indebtedness and for other general corporate purposes.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of **Vista Land & Lifescapes, Inc. and Subsidiaries (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached herein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether to fraud or error.

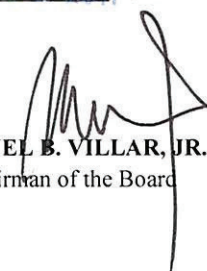
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this _____ day of MAR 21 2017 2017.


MANUEL B. VILLAR, JR.
Chairman of the Board


MANUEL PAOLO A. VILLAR
President and Chief Executive Officer


CYNTHIA J. JAVAREZ
Controller and Chief Financial Officer

SUBSCRIBED AND SWORN, to before me this MAR 21 2017 at
MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date and Place of Issue</u>
Manuel B Villar, Jr.	DE0011147	14 OCT 2014 / DFA MANILA
Manuel Paolo A. Villar	EB7324818	07 FEB 2013 / DFA MANILA
Cynthia J. Javarez	EC3842813	31 MAR 2015/ DFA MANILA

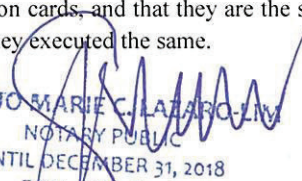
who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

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Page No. 70
Book No. T
Series of 2017.

3rd Level Starmall Las Pinas CV Starr Avenue, Pamplona, Las Pinas City 1746, Philippines

UGF Worldwide Corporate Center, Shaw Blvd, Mandaluyong City 1552, Philippines

Trunk Line: (+632)-2263552 (CAMELLA) Fax No: (+632)-2263552 loc 0070


ATTY. JO MARIE C. LAZARO-LIM
NOTARY PUBLIC

UNTIL DECEMBER 31, 2018
ROLL NO. 48438

IBP No. 1055197 / 03 Jan. 2017 / RSM

PTR No. 3015662 / 03 Jan. 2017 / Mandaluyong City

MCLE Compliance No. 10010505. Issued dated 27 Dec. 2012

Notarial Commission Appointment No. 0254-17

Vista Corporate Center, Upper Ground Floor

Worldwide Corporate Center Shaw Blvd., Mandaluyong City

VISTA RESIDENCES

Camella

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of December 31, 2016 and 2015

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016 and 2015

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2016 and 2015

Consolidated Statements of Cash flows for the Years Ended December 31, 2016 and 2015

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

I. Supplementary schedules required by Annex 68-E

- A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- D. Intangible Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock

II. Schedule of all of the effective standards and interpretations (Part 1, 4J)

III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

IV. Map of the relationships of the companies within the group (Part 1, 4H)

V. Schedule of Financial Ratios

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	0	3	1	4	5

COMPANY NAME

V	I	S	T	A		L	A	N	D		&		L	I	F	E	S	C	A	P	E	S	,		I	N	C	.		
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S															

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3	r	d		L	e	v	e	l		S	t	a	r	m	a	l	l		L	a	s		P	i	ñ	a	s	,	
C	V		S	t	a	r	r		A	v	e	n	u	e	,		P	h	i	l	a	m	l	i	f	e		V	i
l	l	a	g	e	,		P	a	m	p	l	o	n	a	,		L	a	s		P	i	ñ	a	s		C	i	t
y																													

Form Type

A	A	C	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

irg@vistaland.com.ph

Company's Telephone Number

226 3552

Mobile Number

N/A

No. of Stockholders

971

Annual Meeting (Month / Day)

6/15

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Cynthia J. Javarez

Email Address

cindi_javarez@
vistaland.com.ph

Telephone Number/s

226-3552 loc.
0098

Mobile Number

0917-857-7447

CONTACT PERSON'S ADDRESS

3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.
3rd Level Starmall Las Piñas
CV Starr Avenue, Philamlife Village
Pamplona, Las Piñas City

Opinion

We have audited the consolidated financial statements of Vista Land and Lifescapes, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Recognition of real estate revenue and costs

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. For residential lots and condominium units, the POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. For residential houses, the POC is based on the physical proportion of work determined based on the bill of quantities applied to the construction. The cost of sales is determined based on the estimated project development costs applied with the respective project's POC. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment as disclosed in Note 5 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process for determining the POC, including the cost accumulation process, and for determining and updating the total estimated project development costs, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed the competence, capabilities and objectivity of the project engineers by considering their qualifications, experience and reporting responsibilities.

For selected projects, we compared the certified POC and traced cost accumulated against supporting documents such as the accomplishment reports from the contractors. We obtained the opening fact sheet indicating work breakdown structure and total project development costs as estimated by the project engineers. For changes in estimated cost components, we compared these against the addendum to the opening fact sheet and supporting contractor's change order form. We likewise performed inquiries with the project development engineers for the revisions. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management.

Valuation of receivable from tenants

Accounts receivable arising from leasing operations are significant to the Group as it represents approximately 10.00% of the accounts receivable balance. Furthermore, the valuation of accounts receivable required management judgment and subjective assumptions due to the credit risks associated with trade receivables. The Group records both general and specific allowance for accounts receivable as disclosed in Note 33 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's specific impairment process over accounts receivable and tested the relevant controls. We obtained an understanding of the Group's credit policy and the processes for identifying impairment indicators, including the process for identifying past due accounts receivable. For individually significant accounts receivable, we assessed the valuation by considering the terms of the underlying contracts and correspondences, the lessee's payment history including the payments made subsequent to year end, and the lessee's current financial condition. With respect to the Group's collective impairment testing for accounts receivable, we tested the groupings of the receivables based on credit risk characteristics and compared the loss rates applied against the historical data. We also reviewed the Group's disclosures regarding accounts receivable and related impairment allowance, the related risks such as credit risk, and the aging of accounts receivable.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

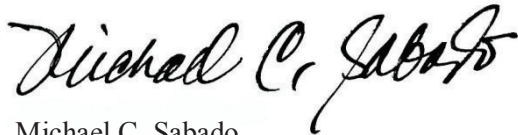
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-2 (Group A),

March 26, 2014, valid until April 30, 2017

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-73-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908755, January 3, 2017, Makati City

March 20, 2017



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8, 32 and 33)	₱8,902,537,938	₱6,043,056,436
Short-term cash investments (Notes 9, 20, 32 and 33)	99,998,562	2,097,301,354
Available-for-sale financial assets (Notes 9, 32 and 33)	1,792,527,121	—
Held-to-maturity investments (Notes 9, 20, 32 and 33)	1,709,730,739	—
Receivables (Notes 10, 32 and 33)	28,329,412,070	24,968,393,887
Receivables from related parties (Notes 30 and 32)	3,916,669,458	3,425,750,173
Real estate inventories (Note 11)	22,954,662,398	22,855,688,651
Other current assets (Note 12)	3,807,341,953	3,814,635,967
Total Current Assets	71,512,880,239	63,204,826,468
Noncurrent Assets		
Available-for-sale financial assets (Notes 9, 32 and 33)	6,452,537,732	7,378,966,659
Held-to-maturity investments (Notes 9, 20, 32 and 33)	19,141,877,715	13,521,560,251
Receivables - net of current portion (Notes 10, 32 and 33)	9,212,259,033	9,286,067,234
Investments and advances in project development costs (Note 16)	3,232,311,240	2,854,925,126
Property and equipment (Note 15)	822,250,208	800,974,912
Investment properties (Notes 14 and 32)	32,065,532,674	26,676,323,236
Land and improvements (Note 13)	30,486,623,405	27,864,677,850
Deferred tax assets - net (Note 29)	437,178,971	290,024,057
Other noncurrent assets (Notes 7 and 17)	1,404,793,498	1,016,432,445
Total Noncurrent Assets	103,255,364,476	89,689,951,770
	₱174,768,244,715	₱152,894,778,238
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 18, 32 and 33)	₱11,400,373,514	₱11,208,248,722
Customers' advances and deposits (Note 19)	2,671,745,547	3,130,533,165
Income tax payable	133,960,233	158,201,953
Dividends payable (Note 23)	24,962,710	20,113,117
Current portion of:		
Notes payable (Notes 15, 21, 32 and 33)	475,475,872	4,652,684
Bank loans (Notes 20, 32 and 33)	5,972,290,312	3,360,953,001
Loans payables (Notes 20, 32 and 33)	1,122,548,064	574,356,966
Total Current Liabilities	21,801,356,252	18,457,059,608

(Forward)



	December 31	
	2016	2015
Noncurrent Liabilities		
Notes payable - net of current portion (Notes 21, 32 and 33)	₱39,049,639,700	₱30,424,254,984
Bank loans - net of current portion (Notes 15, 20, 32 and 33)	30,114,951,980	27,178,787,750
Loans payable - net of current portion (Notes 20, 32 and 33)	2,764,704,543	3,120,532,136
Pension liabilities (Note 28)	98,133,829	114,472,861
Deferred tax liabilities - net (Note 29)	2,065,642,208	1,537,167,122
Other noncurrent liabilities (Notes 22 and 33)	2,378,510,004	2,097,414,418
Total Noncurrent Liabilities	76,471,582,264	64,472,629,271
Total Liabilities	98,272,938,516	82,929,688,879
Equity (Note 23)		
Attributable to equity holders of the Parent Company		
Common stock	13,114,136,376	12,654,891,753
Preferred stock	33,000,000	33,000,000
Additional paid-in capital	30,655,429,349	29,470,640,861
Treasury shares (Note 4)	(6,917,014,956)	(6,297,793,026)
Retained earnings	36,953,581,723	30,483,778,682
Other comprehensive income (Notes 9 and 28)	1,111,006,329	742,530,256
	74,950,138,821	67,087,048,526
Non-controlling interest (Note 31)	1,545,167,378	2,878,040,833
Total Equity	76,495,306,199	69,965,089,359
	₱174,768,244,715	₱152,894,778,238

See accompanying Notes to Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUE			
Real estate (Note 6)	₱25,025,209,355	₱24,502,151,823	₱22,320,714,822
Rental income (Note 6)	4,375,326,206	2,367,884,677	1,567,760,156
Interest income from installment contracts receivable (Note 24)	642,642,195	710,281,570	760,648,667
Miscellaneous income (Note 25)	952,508,345	1,268,588,080	990,297,771
	30,995,686,101	28,848,906,150	25,639,421,416
COSTS AND EXPENSES			
Costs of real estate sales (Notes 6, 11 and 26)	12,320,996,040	12,253,889,631	11,032,282,041
Operating expenses (Notes 6, 25 and 26)	7,594,509,417	7,051,573,364	6,585,954,442
	19,915,505,457	19,305,462,995	17,618,236,483
OTHER INCOME (EXPENSES)			
Interest income from investments (Note 24)	864,375,335	592,984,716	439,017,279
Interest and other financing charges (Note 24)	(2,236,266,176)	(1,941,407,759)	(1,403,040,478)
Others (Notes 9, 16, 21 and 27)	(25,686,465)	(7,017,664)	(29,286,094)
	(1,397,577,306)	(1,355,440,707)	(993,309,293)
INCOME BEFORE INCOME TAX	9,682,603,338	8,188,002,448	7,027,875,640
PROVISION FOR INCOME TAX (Note 29)	1,582,235,418	1,000,999,492	741,431,182
NET INCOME	₱8,100,367,920	₱7,187,002,956	₱6,286,444,458
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Note 31)	₱7,906,941,679	₱7,031,723,340	₱6,156,162,273
Noncontrolling interest (Note 31)	193,426,241	155,279,616	130,282,185
NET INCOME	₱8,100,367,920	₱7,187,002,956	₱6,286,444,458
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED (Notes 4, 7 and 31)	₱0.676	₱0.622	₱0.486

(Forward)



	Years Ended December 31		
	2016	2015	2014
NET INCOME	₱8,100,367,920	₱7,187,002,956	₱6,286,444,458
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments (Note 4)	(25,685,005)	40,073,509	(11,847,958)
Changes in fair value of available-for-sale financial assets (Note 9)	479,370,673	572,270,028	(50,694,522)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) - net of tax (Note 28)	30,275,144	232,522,343	(38,339,128)
	483,960,812	844,865,880	(100,881,608)
TOTAL COMPREHENSIVE INCOME	₱8,584,328,732	₱8,031,868,836	₱6,185,562,850
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱8,395,129,349	₱8,054,806,603	₱6,173,553,693
Non-controlling interest	189,199,383	(22,937,767)	12,009,157
	₱8,584,328,732	₱8,031,868,836	₱6,185,562,850

See accompanying Notes to Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 23)		Additional Paid-in Capital (Notes 7 and 23)	Deposit for future Subscription (Note 7)	Retained Earnings (Note 23)	Remeasurement Gains (Losses) on Retirement Obligation (Note 28)	Cumulative Translation Adjustments	Other Comprehensive Income	Treasury Shares (Notes 7 and 23)	Non-Controlling Interest (Note 7)	Total
	Common Stock	Preferred Stock									
For the Year Ended December 31, 2016											
Balances as at January 1, 2016	P12,654,891,753	P33,000,000	P29,470,640,861	P-	P30,483,778,682	P254,701,182	P25,088,203	P462,740,871	(P6,297,793,026)	P2,878,040,833	P69,965,089,359
Net income	-	-	-	-	7,906,941,679	-	-	-	-	193,426,241	8,100,367,920
Other comprehensive income	-	-	-	-	-	34,502,002	-	479,370,673	-	(4,226,858)	509,645,817
Cumulative translation adjustments	-	-	-	-	-	-	(25,685,005)	-	-	-	(25,685,005)
Total comprehensive income for the year	-	-	-	-	7,906,941,679	34,502,002	(25,685,005)	479,370,673	-	189,199,383	8,584,328,732
Treasury shares	-	-	-	-	-	-	-	-	(619,221,930)	-	(619,221,930)
Cash dividend declared	-	-	-	-	(1,437,138,638)	-	-	-	-	(21,367,435)	(1,458,506,073)
Issuance (acquisition) of additional shares (Notes 7 and 23)	459,244,623	-	1,184,788,488	-	-	(1,026,399)	-	(118,685,198)	-	(1,500,705,403)	23,616,111
Balances as at December 31, 2016	P13,114,136,376	P33,000,000	P30,655,429,349	P-	P36,953,581,723	P288,176,785	(P596,802)	P823,426,346	(P6,917,014,956)	P1,545,167,378	P76,495,306,199
For the Year Ended December 31, 2015											
Balances as at January 1, 2015 (Note 7)	P8,538,740,614	P33,000,000	P23,318,019,607	P5,153,850,644	P24,593,203,951	(P758,928)	(P14,985,306)	(P109,529,157)	P-	P2,745,698,984	P64,257,240,409
Net income	-	-	-	-	7,031,723,340	-	-	-	-	155,279,616	7,187,002,956
Other comprehensive income	-	-	-	-	-	255,460,110	-	572,270,028	-	(22,937,767)	804,792,371
Exchange differences on translation	-	-	-	-	-	-	40,073,509	-	-	-	40,073,509
Total comprehensive income for the year	-	-	-	-	7,031,723,340	255,460,110	40,073,509	572,270,028	-	132,341,849	8,031,868,836
Treasury shares arising from acquisition (Note 7)	-	-	-	-	-	-	-	-	(6,297,793,026)	-	(6,297,793,026)
Cash dividend declared	-	-	-	-	(1,141,148,609)	-	-	-	-	-	(1,141,148,609)
Deposit for future stock subscription applied to capital stock, net of effect from acquisition (Note 7)	4,116,151,139	-	6,152,621,254	(5,153,850,644)	-	-	-	-	-	-	5,114,921,749
Balances as at December 31, 2015	P12,654,891,753	P33,000,000	P29,470,640,861	P-	P30,483,778,682	P254,701,182	P25,088,203	P462,740,871	(P6,297,793,026)	P2,878,040,833	P69,965,089,359
For the Year Ended December 31, 2014											
Balances as at January 1, 2014 (Note 7)	P8,538,740,614	P33,000,000	P23,348,339,324	P5,153,850,644	P19,449,565,542	P49,589,357	(P3,137,348)	(P58,834,635)	P-	P2,603,407,642	P59,114,521,140
Net income	-	-	-	-	6,156,162,273	-	-	-	-	130,282,185	6,286,444,458
Other comprehensive income	-	-	-	-	-	(50,348,285)	-	(96,113,308)	-	12,009,157	(134,452,436)
Unrealized gains/losses reclassified to profit or loss (Note 9)	-	-	-	-	-	-	-	45,418,786	-	-	45,418,786
Exchange differences on translation	-	-	-	-	-	-	(11,847,958)	-	-	-	(11,847,958)
Total comprehensive income for the year	-	-	-	-	6,156,162,273	(50,348,285)	(11,847,958)	(50,694,522)	-	142,291,342	6,185,562,850
Cash dividends	-	-	-	-	(1,012,523,864)	-	-	-	-	-	(1,012,523,864)
Effect of acquisition on loss on disposal of Starmalls subsidiary (Note 7)	-	-	(30,319,717)	-	-	-	-	-	-	-	(30,319,717)
Balances as at December 31, 2014	P8,538,740,614	P33,000,000	P23,318,019,607	P5,153,850,644	P24,593,203,951	(P758,928)	(P14,985,306)	(P109,529,157)	P-	P2,745,698,984	P64,257,240,409

See accompanying Notes to Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱9,682,603,338	₱8,188,002,448	₱7,027,875,640
Adjustments for:			
Interest and other financing charges (Note 24)	2,236,266,176	1,941,407,759	1,403,040,478
Depreciation and amortization (Notes 14, 15, 17 and 26)	1,043,631,634	798,919,810	722,140,062
Retirement expense	83,952,065	133,810,647	98,914,692
Unrealized foreign exchange losses (Note 27)	25,686,466	7,017,664	29,286,094
Interest income (Note 24)	(1,507,017,530)	(1,303,266,286)	(1,199,665,946)
Operating income before working capital changes	11,565,122,149	9,765,892,042	8,081,591,020
Decrease (increase) in:			
Receivables	(3,169,538,371)	(6,265,802,211)	(513,289,939)
Receivables from related parties	(491,051,066)	364,088,665	(1,354,821,629)
Real estate inventories	2,992,738,576	2,658,695,127	332,811,573
Other current assets	(1,085,417,762)	(1,722,494,050)	(1,536,570,684)
Increase (decrease) in:			
Accounts and other payables	186,801,504	(470,148,127)	1,774,904,197
Customers' advances and deposits	(458,787,618)	(282,115,644)	1,053,386,094
Provision for impairment losses on receivables (Note 26)	1,974,771	50,544,672	5,394,498
Plan assets contributions paid (Note 28)	(39,636,583)	(49,065,754)	(55,017,703)
Net cash flows provided by operations	9,502,205,600	4,049,594,720	7,788,387,427
Interest received	1,387,371,148	1,253,284,503	1,199,665,946
Income tax paid	(156,934,010)	(333,101,968)	(206,121,596)
Interest paid (Notes 12 and 29)	(4,759,217,196)	(2,231,493,638)	(1,104,751,879)
Net cash flows provided by operating activities	5,973,425,542	2,738,283,617	7,677,179,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Short-term cash investments	2,097,301,354	4,381,309,667	1,062,398,621
Long-term cash investments	—	—	2,869,912,500
Sale of available for sale securities	—	297,152,115	—
Disposal of an investment in AFS (Note 9)	—	—	(30,319,717)
Acquisitions of:			
System development costs (Note 17)	(48,198,547)	(35,148,803)	(29,303,925)
Short-term cash investments	(99,998,562)	(2,097,301,354)	(2,212,389,667)
Property and equipment (Note 15)	(277,907,204)	(393,787,786)	(344,770,688)
AFS financial assets (Note 9)	(386,727,521)	(88,606,466)	(4,857,326,566)
Land and improvements (Note 13)	(3,664,137,702)	(6,659,305,848)	(8,804,599,746)
Investment properties (Note 14)	(4,963,319,563)	(11,019,720,166)	(4,494,940,211)
HTM investments (Note 9)	(7,330,048,203)	(3,288,972,300)	(7,361,033,567)
Acquisition of shares (Notes 7)	—	(144,174,203)	—

(Forward)



	Years Ended December 31		
	2016	2015	2014
Decrease (increase) in:			
Project development costs	(P377,386,114)	(P1,271,110,823)	P209,852,896
Other noncurrent assets	(385,875,522)	(263,120,034)	(43,506,747)
Net cash flows used in investing activities	(15,436,297,584)	(20,582,786,002)	(24,036,026,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Notes payable	12,478,282,420	13,513,894,356	15,680,639,361
Bank loans	6,966,686,959	18,985,501,603	6,941,424,549
Loans payable	2,243,998,245	3,003,541,462	1,561,411,044
Payments of:			
Shares issuance cost	—	(241,761,447)	—
Notes payable	(724,398,603)	(11,827,720,396)	(623,623,917)
Dividends declared (Note 23)	(1,453,656,460)	(1,234,896,664)	(925,991,622)
Loans payable	(2,051,634,740)	(2,001,425,911)	(2,017,760,616)
Bank loans	(4,076,861,331)	(2,350,802,182)	(3,297,709,304)
Acquisition of:			
Non-controlling interest	(15,152,473)	—	—
Treasury shares (Note 23)	(619,221,930)	(919,504,289)	—
Increase (decrease) in other noncurrent liabilities	(400,002,074)	529,221,462	(105,070,995)
Net cash flows provided by financing activities	12,348,040,013	17,456,047,994	17,213,318,500
EFFECT OF CHANGE IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(25,686,466)	(7,017,664)	7,400,514
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,859,481,502	(395,472,054)	861,872,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,043,056,436	6,438,528,490	5,576,656,395
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	P8,902,537,938	P6,043,056,436	P6,438,528,490

See accompanying Notes to Consolidated Financial Statements.



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007. The Parent Company's registered office address and principal place of business is at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City. The Parent Company is a publicly-listed investment holding company which is 51.79% owned by Fine Properties, Inc., (ultimate Parent Company) and its subsidiaries, 48.21% owned by PCD Nominee Corporations and the other entities and individuals.

The Parent Company is the holding company of the Vista Group (the Group) which is engaged in real estate industry. The Group has six (6) wholly-owned subsidiaries, namely: Brittany Corporation (Brittany), Crown Asia Properties, Inc. (CAPI), Vista Residences, Inc. (VRI), Camella Homes, Inc. (CHI), Communities Philippines, Inc. (CPI) and VLL International Inc. (VII), and an 88.34% owned subsidiary, Starmalls, Inc. The Group is divided to horizontal, vertical and commercial and others segment. The Group caters on the development and sale of residential lots and units and residential high-rise condominium through its horizontal and vertical projects, respectively. Its commercial and other segment focuses on the development, leasing and management of shopping malls and commercial centers all over the Philippines and hotel operations.

On November 10, 2015, the Parent Company acquired Starmalls, Inc. and its subsidiaries (Starmalls Group) namely, Masterpiece Asia Properties, Inc. and Manuela Corporation (Note 7).

Starmalls Group is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates business process outsourcing ("BPO") commercial centers. As of December 31, 2016, Starmalls Group, through its subsidiaries, owned and operated retail malls in key cities and municipalities in the Philippines and BPO commercial centers in Metro Manila.

The Vista Group's commercial assets portfolio have a combined gross floor area of 882,009 sq.m. as of December 31, 2016.

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the years ended December 31, 2016 and 2015 and for each of the three year period ended December 31, 2016.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest, and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, fair value of any investment retained, and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

This policy is in accordance with PFRS 10, *Consolidated Financial Statements*.



The Group's consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership		
	2016	2015	2014
Brittany	100.00%	100.00%	100.00%
CAPI	100.00	100.00	100.00
VRI	100.00	100.00	100.00
Vista Leisure Club Corporation	100.00	100.00	100.00
Malay Resorts Holdings, Inc. (<i>Acquired in 2015 - Note 7</i>)	100.00	100.00	—
CHI	100.00	100.00	100.00
Household Development Corporation	100.00	100.00	100.00
Mandalay Resources Corp.	100.00	100.00	100.00
C&P International Limited	100.00	100.00	100.00
Brittany Estates Corporation	100.00	100.00	100.00
Prima Casa Land & Houses, Inc. (PCLHI)	100.00	100.00	100.00
CPI	100.00	100.00	100.00
Communities Batangas, Inc.	100.00	100.00	100.00
Communities Bulacan, Inc.	100.00	100.00	100.00
Communities Cebu, Inc.	100.00	100.00	100.00
Communities Cagayan, Inc.	100.00	100.00	100.00
Communities Davao, Inc.	100.00	100.00	100.00
Communities General Santos, Inc.	100.00	100.00	100.00
Communities Isabela, Inc.	100.00	100.00	100.00
Communities Leyte, Inc.	100.00	100.00	100.00
Communities Naga, Inc.	100.00	100.00	100.00
Communities Iloilo, Inc.	100.00	100.00	100.00
Communities Negros Occidental, Inc.	100.00	100.00	100.00
Communities Pampanga, Inc.	100.00	100.00	100.00
Communities Pangasinan, Inc.	100.00	100.00	100.00
Communities Tarlac, Inc.	100.00	100.00	100.00
Communities Zamboanga, Inc.	100.00	100.00	100.00
Communities Ilocos, Inc.	100.00	100.00	100.00
Communities Bohol, Inc.	100.00	100.00	100.00
Communities Quezon, Inc.	100.00	100.00	100.00
Communities Palawan, Inc.	100.00	100.00	100.00
Communities Panay, Inc.	100.00	100.00	100.00
VII	100.00	100.00	100.00
Starmalls, Inc. (<i>Acquired in 2015 - Note 7</i>)	88.34	79.43	—
Manuela Corporation	100.00	100.00	—
Masterpiece Asia Properties, Inc.	98.40	98.40	—

On November 10, 2015, the Parent Company acquired Starmalls, Inc., Masterpiece and Manuela (Starmalls Group).

On December 29, 2015, the Parent Company acquired Malay Resorts Holdings, Inc. (Malay Resorts).

After the acquisitions, Malay Resorts and Starmalls Group became subsidiaries of the Parent Company (Note 7).



3. Changes in Accounting Policies

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.



- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.



- Annual Improvements to PFRSs 2012 - 2014 Cycle

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.



Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.



- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is in the business of selling of real estate properties which are executed through separate identified contracts with customers.

Sale of real estate properties

The Group is currently assessing the impact of the adoption of the standard to other income derived from its operations.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.



Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.



Short-term Cash Investments

Short-term cash investments consist of money market placements made for varying periods of more than three (3) months and up to twelve (12) months. These investments earn interest at the respective short-term rates.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on its quoted market price or dealer price quotations without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference



between the transaction price and fair value (a “Day 1” difference) in profit or loss under “Interest income” and “Interest and other financing charges” accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group’s cash and cash equivalents, short-term cash investments, long-term cash investments and receivables except for receivable from contractors and receivable from brokers.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included as part of interest income in the statement of comprehensive income. Gains and losses are recognized in profit or loss in the statement of comprehensive income when the HTM investments are derecognized. Any impairment losses are charged to current operations.

As of December 31, 2016 and 2015, the Group has investments in HTM (Note 9).

AFS financial assets

AFS financial assets are nonderivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the OCI until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the



OCI to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2016 and 2015, AFS financial assets comprise of unquoted and quoted debt and equity securities. The Group's AFS financial assets in quoted securities pertain to investments in fixed maturity bond fund while unquoted equity securities pertain to investments in preferred shares issued by utilities companies.

Other financial liabilities

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are bank loans, loans payable, liabilities for purchased land, long-term notes and notes payable.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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



Financial liability

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

Impairment of Financial Assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., loans and receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Financial assets carried at amortized costs, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the



previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS financial assets carried at fair value

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

AFS financial assets carried at cost

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments

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

Business Combination and Goodwill

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



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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date;



(ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

For business combinations under common control an entity can choose to account for the combinations using the acquisition method or pooling of interest method.

Under the pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. No goodwill is recognized. The adjustments made, if any, are only to the extent to harmonize accounting policies within the Group.

At consolidation, any difference between the consideration paid or transferred and the equity acquired is reflected within equity. As applicable, the difference is recognized as part of the additional paid-in capital.

However, where an entity selects the acquisition method of accounting, the transaction must have substance from the perspective of the reporting entity. When evaluating whether the transaction has substance, the following factors are considered:

- (a) the purpose of the transaction;
- (b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- (c) whether or not the transaction is conducted at fair values;
- (d) the existing activities of the entities involved in the transactions;
- (e) whether or not it is bringing entities together into a “reporting entity” that didn’t exist before; and
- (f) where a new company is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under acquisition method, the Group can either measure the consideration transferred at the acquisition-date fair value of the consideration actually given or elect to impute an additional equity contribution to recognize total consideration equivalent to the fair value of the business received. Whichever method is adopted should be applied consistently, and the entity should disclose its chosen accounting policy.

Real Estate Inventories

Real estate inventories consist of subdivision land, residential houses and lots and condominium units for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).



Cost includes:

- Acquisition cost of subdivision land;
- Amounts paid to contractors for construction and development of subdivision land and residential and condominium units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Model House Accessories

Model house accessories are measured at the lower of cost and NRV.

Land and Improvements

Land and improvements consists of properties for future developments and are carried at the lower of cost or NRV. Costs include cost incurred for development and improvements of the properties. Upon start of development, the related cost of the land is transferred to real estate inventories.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Construction Materials

Construction materials are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the replacement cost.

Value-Added Tax (VAT)

The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current asset" account.



Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. Construction-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

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

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred.



Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the EUL of property and equipment as follows:

	Years
Building and building improvements	10 to 40
Transportation equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Investments and Advances in Project Development Costs

Investments and advances in project development costs pertain to costs incurred on various on-going projects under the land development agreements (LDAs) entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects.

Systems Development Costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

System development costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of three years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Nonfinancial Assets

This accounting policy relates to property and equipment, investment properties, investment in an associate, investments in project development costs and a joint venture, model house accessories and systems development costs.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to



sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase in OCI. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings is restricted to payments of dividends to the extent of the cost of treasury shares.

Treasury Shares

Own equity instruments which are acquired (treasury shares) are recognized at cost and deducted from equity. No gains or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.



Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Real estate revenue

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished, and the costs incurred or to be incurred can be measured reliably). Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

Income from forfeited reservations and collections

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.



Rental income

Rental income from investment property is accounted for on a straight-line basis over the lease term.

Interest income

Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost (i.e., loans and receivables or HTM investments) using the effective interest method and is shown as deduction for the financial assets.

Dividend and miscellaneous income

Dividend and miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market



price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.



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

Commissions

The Group recognizes commissions when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in “Real estate inventories” and “Investment properties” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment.

Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Leases

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

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

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



Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

The functional currency of C&P International Limited and VII is the US Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2016, 2015 and 2014, the Group has no potential dilutive common shares (Note 31).

The basic and diluted EPS for the years ended December 31, 2015 and 2014 have been retroactively adjusted to take into consideration the effect of the pooling of interest method in accounting the acquisition of Starmalls Group (Notes 7 and 31).



Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

Contingencies

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

Events After the Financial Reporting Date

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

5. Significant Accounting Judgments and Estimates

The preparation of accompanying consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:



Revenue and cost recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Collectability of the sales price

For real estate sales, in determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 5% would demonstrate the buyer's commitment to pay.

Classification of financial instruments

The Group exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among other, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Group classifies certain quoted nonderivative financial assets with fixed or determinable payments and fixed maturities as HTM investments. This classification required significant judgment. In making this judgment, the group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances, the Group will be required to reclassify the entire portfolio as AFS financial assets. Consequently, the investment would therefore be measured at fair value and not at amortized cost.

Distinction between real estate inventories and land and improvements

The Group determines whether a property will be classified as Real estate inventories or Land and improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land and improvements). Land and improvements that are to be developed in the subsequent year are classified as part of the current assets.

Operating lease commitments - the Group as lessee

The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these



properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Classification of property as investment property or real estate inventories

The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and land and improvements

The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land and improvements comprise property that is retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Business Combination

The Group determined that Starmalls and its subsidiaries are under common control and accounted the acquisition of Starmalls Group under the pooling of interest method. No goodwill is recognized (Note 7).

The Group determined that Malay Resorts is not under common control and accounted the acquisition of Malay Resorts under the acquisition method. The Group determines whether there are separate intangible assets and contingent liabilities and assessed that there are none at acquisition date. Goodwill arising from this business combination amounted to ₱147.27 million (Note 7).



Management's Use of Estimates

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

Revenue and cost recognition

The assessment process for the percentage of completion (POC) and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies the POC method in determining real estate revenue and costs. For residential lots and condominium units, the POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. For residential houses, the POC is based on the physical proportion of work determined based on the bill of quantities applied to the construction. The cost of sales is determined based on the estimated project development costs applied with the respective project's POC.

The related balances from real estate transactions follow:

	2016	2015	2014
Real estate sales	₱25,025,209,355	₱24,502,151,823	₱22,320,714,822
Costs of real estate sales (Notes 11 and 26)	12,320,996,040	12,253,889,631	11,032,282,041

Determining fair values of financial assets and liabilities

Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market condition, assuming an orderly liquidation over a reasonable period of time. Fair value disclosures are provided in Note 32.

Impairment of financial assets

(i) *AFS securities*

The Group determines that AFS securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged', greater than twelve (12) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price of similar equity securities.

In addition, in the case of unquoted equity securities, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

The carrying values of AFS financial assets pertaining to fixed maturity bond funds amounted to ₱8,079.23 million and ₱7,207.76 million as of December 31, 2016 and 2015, respectively (Note 9).



(ii) *Loans and receivables*

The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱37,541.67 million and ₱34,254.46 million as of December 31, 2016 and 2015, respectively (Note 10). The allowance for impairment on loans and receivables amounted to ₱393.34 million and ₱392.30 million as of December 31, 2016 and 2015, respectively.

(iii) *HTM investments*

The Group assesses at end of each reporting period whether there is any objective evidence that its HTM investments is impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the assets about the following loss events:

- a. significant financial difficulty of the issuer or the obligor;
- b. a breach of contract, such as a default or delinquency in interest or principal payments;
- c. the lender, for the economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e. the disappearance of an active market for that financial asset because of the financial difficulties; or
- f. observable data indication that there is a measurable decrease in the estimated future cash flows ranging from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

HTM investments as of December 31, 2016 and 2015 amounted to ₱20,851.61 million and ₱13,521.56 million, respectively (Note 9).

Evaluation of net realizable value of real estate inventories and land and improvements

Real estate inventories and land and improvements are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories and land and improvements to NRV based on its assessment of the recoverability of



these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate inventories amounted to ₱22,954.66 million and ₱22,855.69 million as of December 31, 2016, 2015 and 2014, respectively (Note 11). Land and improvements amounted to ₱30,486.62 million and ₱27,864.68 million as of December 31, 2016 and 2015, respectively (Note 13).

Evaluation of impairment

The Group reviews investment in an associate, investments in project development costs, investment properties, property and equipment, system development costs and goodwill for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment in an associate, investments in project development costs, investment properties, property and equipment and system development cost.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2016, 2015 and 2014, no indicators of impairment exist for investment in associate, investments in project development costs and a joint venture, investment properties, property and equipment, and systems development costs.

The aggregate carrying values of investment properties, property and equipment, investments and advances in project development costs, system development costs and goodwill amounted to ₱36,290.06 million and ₱30,499.71 million as of December 31, 2016 and 2015, respectively (Notes 14, 15, 16 and 17).

Estimating useful lives of investment properties

The Group estimates the useful lives of investment properties based on the period over which the assets are expected to be available for use. The EUL of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these investment properties. It is



possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above.

The carrying value of investment properties amounted to ₱32,065.53 million and ₱26,676.32 million as of December 31, 2016 and 2015, respectively (Note 14).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Note 32 to the consolidated financial statements for the related balances.

6. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has three reportable operating segments as follows:

Horizontal Projects

This segment pertains to the housing market segment of the Group. It caters on the development and sale of residential lots and units.

Vertical Projects

This segment caters on the development and sale of residential high-rise condominium projects across the Philippines. Vertical home projects involve dealing with longer gestation periods and has requirements that are different from those of horizontal homes.

Commercial and others

This segment pertains to the development, leasing and management of shopping malls and commercial centers all over the Philippines. It also includes activities from holding companies and others. This includes the financial information of Starmalls Group as a leasing entity.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating income or loss before income tax and earnings before income tax, depreciation and amortization (EBITDA). Segment operating income or loss before income tax is based on the same accounting policies as consolidated operating income or loss. No operating segments have been aggregated to form the above reportable operating business segments. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports in order to assess performance of the Group.



Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS. The segment assets are presented separately from the receivables from related parties, AFS financial assets, HTM investments and deferred taxes. Segment liabilities are presented separately from the payables to related parties and deferred tax liabilities.

The financial information about the operations of these business segments is summarized below:

	December 31, 2016				
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in thousands)				
Real estate revenue	₱21,218,234	₱3,806,975	₱—	₱—	₱25,025,209
Rental income	—	—	4,432,991	(57,665)	4,375,326
Miscellaneous income (Note 25)	742,807	147,574	120,868	(58,741)	952,508
	21,961,041	3,954,549	4,553,859	(116,406)	30,353,043
Costs and operating expenses*	14,548,731	2,947,945	1,481,222	(92,373)	18,885,525
Segment income (loss) before income tax	7,412,310	1,006,604	3,072,637	(24,033)	11,467,518
Interest income (Note 24)	1,460,035	35,697	11,286	—	1,507,018
Others (Notes 9, 16, 21 and 27)	3,052,113	—	—	(3,077,799)	(25,686)
EBITDA	11,924,458	1,042,301	3,083,923	(3,101,832)	12,948,850
Interest and other financing charges (Note 24)	(2,715,089)	(222,901)	(298,276)	1,000,000	(2,236,266)
Depreciation and amortization (Notes 14, 15, 17 and 26)	(222,185)	(34,513)	(773,282)	—	(1,029,980)
Income before income tax	8,987,184	784,887	2,012,365	(2,101,832)	9,682,604
Provision for income tax (Note 29)	932,733	(55,373)	704,875	—	1,582,235
Net income	₱8,054,451	₱840,260	₱1,307,490	(₱2,101,832)	₱8,100,369
Other Information					
Segment assets	₱58,039,357	₱6,275,771	₱31,912,438	₱45,090,158	₱141,317,724
Receivables from related parties (Notes 30 and 33)	8,148,875	(4,565,888)	333,682	—	3,916,669
AFS financial assets (Note 9)	—	—	11,968,496	(3,723,431)	8,245,065
HTM investments (Note 9)	—	—	20,851,608	—	20,851,608
Deferred tax assets - net (Note 29)	—	—	437,179	—	437,179
Total Assets	₱66,188,232	₱1,709,883	₱65,503,403	₱41,366,727	₱174,768,245
Segment liabilities	₱88,733,513	(₱6,231,300)	₱13,702,551	₱2,532	₱96,207,296
Deferred tax liabilities - net (Note 29)	1,552,865	24,281	843,589	(355,093)	2,065,642
Total Liabilities	₱90,286,378	(₱6,207,019)	₱14,546,140	(₱352,561)	₱98,272,938
Capital expenditures**	₱20,106,300	₱3,388,000	₱7,429,020	₱—	₱30,923,320
Depreciation and amortization (Notes 14, 15, 17 and 26)	222,185	34,513	773,282	—	1,029,980
Provision for impairment losses (Note 26)	—	—	1,974	—	1,974

*Cost and expenses include costs of real estate sales and operating expenses less depreciation and amortization amounting ₱1,029.98 million (Note 26).

**Capital expenditures is inclusive of the amounts of construction/development costs.



December 31, 2015					
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in Thousands)				
Real estate revenue	₱20,156,987	₱4,345,165	₱—	₱—	₱24,502,152
Rental income	—	—	2,410,194	(42,309)	2,367,885
Miscellaneous income (Note 25)	334,922	125,862	828,605	(20,801)	1,268,588
Costs and operating expenses*	13,007,272	3,370,012	1,992,357	136,903	18,506,544
Segment income (loss) before income tax	7,484,637	1,101,015	1,246,442	(200,013)	9,632,081
Interest income (Note 24)	683,143	30,355	589,768	—	1,303,266
Others (Notes 9, 16, 21 and 27)	194,205	—	5,743,291	(5,944,513)	(7,017)
EBITDA	8,361,985	1,131,370	7,579,501	(6,144,526)	10,928,330
Interest and other financing charges (Note 24)	(156,103)	(179,005)	(3,118,895)	1,512,595	(1,941,408)
Depreciation and amortization (Notes 14, 15, 17 and 26)	(222,441)	(76,619)	(499,860)	—	(798,920)
Income before income tax	7,983,441	875,746	3,960,746	(4,631,931)	8,188,002
Provision for income tax (Note 29)	913,068	30,593	412,431	(355,093)	1,000,999
Net income	₱7,070,373	₱845,153	₱3,548,315	(₱4,276,838)	₱7,187,003
Other Information					
Segment assets	₱69,338,387	₱14,241,712	₱127,804,018	(₱83,105,640)	₱128,278,477
Receivables from related parties (Notes 30 and 33)	21,249,133	(4,011,665)	(13,813,881)	2,163	3,425,750
AFS financial assets (Note 9)	(3,803,394)	—	7,245,756	3,936,605	7,378,967
HTM investments (Note 9)	—	—	13,521,560	—	13,521,560
Deferred tax assets - net (Note 29)	—	—	290,024	—	290,024
Total Assets	₱86,784,126	₱10,230,047	₱135,047,477	(₱79,166,872)	₱152,894,778
Segment liabilities	₱41,839,502	(₱3,370,613)	₱43,592,930	(₱669,298)	₱81,392,521
Deferred tax liabilities - net (Note 29)	1,507,071	321,459	39,314	(330,677)	1,537,167
Total Liabilities	₱43,346,573	₱(3,049,154)	₱43,632,244	(₱999,975)	₱82,929,688
Capital expenditures**	₱20,654,000	₱4,506,000	₱6,339,583	₱—	₱31,499,583
Depreciation and amortization (Notes 14, 15, 17 and 26)	222,441	76,619	499,860	—	798,920
Provision for impairment losses (Note 26)	—	—	50,545	—	50,545

*Cost and expenses include costs of real estate sales and operating expenses less depreciation and amortization amounting ₱798.92 million (Note 26).

**Capital expenditures is inclusive of the amounts of construction/development costs.

December 31, 2014					
	Horizontal	Vertical	Commercial and Others	Intersegment Adjustments	Consolidated
	(Amounts in Thousands)				
Real estate revenue	₱18,315,172	₱4,089,990	₱—	(₱84,447)	₱22,320,715
Rental income	—	—	1,567,760	—	1,567,760
Miscellaneous income (Note 25)	320,317	116,823	570,276	(17,118)	990,298
Costs and operating expenses*	18,635,489	4,206,813	2,138,036	(101,565)	24,878,773
Segment income (loss) before income tax	5,721,958	1,078,047	1,137,158	45,513	7,982,676
Interest income (Note 24)	750,857	37,630	411,842	(663)	1,199,666
Others (Notes 9, 16, 21 and 27)	(549,295)	—	2,989,839	(2,469,830)	(29,286)
EBITDA	5,923,520	1,115,677	4,538,839	(2,424,980)	9,153,056
Interest and other financing charges (Note 24)	1,116,554	(153,885)	(2,366,090)	381	(1,403,040)
Depreciation and amortization (Notes 14, 15, 17 and 26)	(198,295)	(68,878)	(454,967)	—	(722,140)
Income before income tax	6,841,779	892,914	1,717,782	(2,424,599)	7,027,876
Provision for income tax (Note 29)	483,176	78,626	176,630	(1)	741,431
Net income	₱6,358,603	₱814,288	₱1,541,152	(₱2,424,598)	₱6,286,445
Other Information					
Segment assets	54,960,107	13,868,186	48,797,381	(13,827,453)	₱103,798,221
Receivables from related parties (Notes 30 and 33)	(13,608,589)	(3,665,144)	21,707,371	(754,628)	3,679,010
AFS financial assets (Note 9)	41,499	—	6,979,346	—	7,020,845
HTM investments (Note 9)	—	—	10,232,588	—	10,232,588
Deferred tax assets - net (Note 29)	256,863	—	—	—	256,863
Total Assets	₱41,649,880	₱10,203,042	₱87,716,686	(₱14,582,081)	₱124,987,527
Segment liabilities	₱9,766,947	₱4,619,757	₱44,333,667	₱433,030	₱59,153,401
Deferred tax liabilities - net (Note 29)	1,108,167	382,658	124,473	—	1,615,298
Total Liabilities	₱10,875,114	₱5,002,415	₱44,458,140	₱433,030	₱60,768,699
Capital expenditures**	₱18,197,000	₱2,935,000	₱3,667	₱—	₱21,135,667
Depreciation and amortization (Notes 14, 15, 17 and 26)	198,295	68,878	454,967	—	722,140
Provision for impairment losses (Note 26)	5,394	—	—	—	5,394

*Cost and expenses include costs of real estate sales and operating expenses less depreciation and amortization amounting ₱722.14 million (Note 26).

**Capital expenditures is inclusive of the amounts of construction/development costs.



No operating segments have been aggregated to form the above reportable segments.

Capital expenditure consists of construction costs, land acquisition and land development costs.

The Group has no revenue from transactions with a single external customer amounting 10% or more of the Group's revenue.

7. Business Combinations

Acquisition of Starmalls Group

Starmalls, Inc. was incorporated in the Philippines and duly registered with the SEC on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval, Starmalls, Inc. later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business. Prior to the acquisition of VLLI, Starmalls, Inc. is 30.5% owned by Fine Properties, Inc. and 69.5% owned by PCD Nominee Corporation and other entities and individuals. The shares of stock of Starmalls, Inc. are listed at the PSE.

Starmalls Group is a major developer, owner and operator of retail malls that target mass market retail consumers in the Philippines. It also develops and operates BPO commercial centers. As of December 31, 2016, Starmalls Group, through its subsidiaries, owned and operated 11 retail malls in key cities and municipalities in the Philippines and three BPO commercial centers in Metro Manila.

On November 10, 2015, VLLI signed an agreement with the existing shareholders of Starmalls Group and acquired approximately 88.34% or 7,443.19 million shares of the outstanding capital stock of Starmalls, Inc. for a total consideration of ₱33,537.36 million. Starmalls, Inc. has subsidiaries namely Manuela Corporation and Masterpiece Asia Properties, Inc. with the following percentages of ownership:

Masterpiece Asia Properties, Inc. (MAPI)	100.0%
Manuela Corporation (Manuela)	98.4%

Upon execution of the agreement, VLLI paid ₱2,681.25 million to the Fine Group. As a condition to the acquisition of Starmalls Group, Fine Group invested the 97.5% of the total consideration from the disposal or ₱32,698.93 million representing 4,573.28 million shares of VLLI at ₱7.15 per share. The shares were issued out of VLLI's increase in its authorized capital stock which was applied and approved by the SEC on November 11, 2015.

Starmalls, Inc. and its subsidiaries became subsidiaries of VLLI as at December 31, 2015.

Both VLLI and Starmalls Group are entities under common control of Fine Group. Accordingly, VLLI accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.



Under the pooling-of-interest method, VLLI accounted the acquisition as follows:

- Assets and liabilities reflected as at reporting date is the combined assets and liabilities of Starmalls Group and Vista Group using their existing historical carrying values prior to the acquisition;
- Retained earnings reflects the accumulated earnings of Vista Group and the earnings of Starmalls Group as if the entities had always been combined;
- Capital stock represents the legal capital of VLLI;
- The difference between the consideration for the acquisition and the legal capital of Starmalls that amounted to ₱22,859.08 million is accounted for as “equity reserve” which was eventually closed to additional paid-in capital.

Below presents the condensed consolidated assets and liabilities of Starmalls Group at their book values as of and for the year ended December 31, 2014 that was pooled to the VLLI consolidated statement of financial position.

	(In thousands)
Cash and cash equivalents	₱1,571,505
Trade and non-trade receivables	5,114,830
Available for sale financial assets	343,861
Prepayments and other assets	461,934
Investment properties, property and equipment and land	10,923,794
Total Assets	18,415,924
Trade and other payables	1,139,830
Bank loans	4,899,151
Other liabilities	398,363
Total liabilities	6,437,344
Paid-up Capital	10,900,830
Treasury stock	(1,578,228)
Other comprehensive income	2,001
Retained earnings	2,518,184
Non-controlling interest	135,793
Total Equity	11,978,580
Total Liabilities and Equity	₱18,415,924

The related condensed statement of income for the year ended December 31, 2014 that was pooled to the VLLI consolidated statement of income follows:

	(In thousands)
Rental income	₱1,415,741
Others	513,682
	1,929,423
Depreciation	427,197
Other costs and expenses	753,114
	1,180,311
Income before tax	749,112
Provision for income tax	172,228
Income after tax	₱576,884

As a result of the acquisition, the accounting policies of Starmalls Group have been realigned to Vista Group. Accordingly, the fair values previously recognized on the Property and equipment items and Investment Properties of the Starmalls Group have been adjusted under the pooling-of-



interest method and recognized back to cost. The related effects of the change in the assets and retained earnings accounts amounted to ₱8,993.29 million as of and for the year ended December 31, 2014. Also, net income for the year ended December 31, 2014 was adjusted to the extent of the depreciation on these assets and this amounted to ₱220.12 million in 2014.

The consolidated financial statements as of and for the year ended December 31, 2014 have been restated to include the accounts of Starmalls Group as if the entities had always been combined. Accordingly, as of January 1, 2014, the VLLI common shares issued to Fine Group have been recognized as deposit for future stock subscription in the statement of changes in equity.

The 752.21 million VLLI shares in the amount of ₱5,378.29 million issued to Manuela which it held as of December 31, 2015 have been presented as treasury shares in the statement of financial position and statement of changes in equity as of and for the years ended December 31, 2015. Manuela still holds the VLLI shares as of December 31, 2016.

Acquisition of Malay Resorts Holdings, Inc.

On December 29, 2015, Vista Leisure Club Corporation (a subsidiary of Vista Residences, Inc.) acquired 100% ownership of Malay Resorts Holdings, Inc. (Malay Resorts) for a total cash consideration of ₱157.00 million. Malay Resorts owns and operates the Boracay Sands Hotel. Malay Resorts is not under common control. Accordingly, the Group accounted the business combination under the acquisition method.

Below is a summary of the fair values of assets acquired and liabilities assumed as of date of acquisition:

Assets	
Cash and cash equivalents	₱12,825,797
Trade receivables	3,443,198
Property and equipment	166,829,102
Other assets	2,580,316
	185,678,413
Liabilities	
Accounts and other payables	31,693,123
Payable to related parties	119,841,731
Deferred tax liabilities - net	24,415,579
	175,950,433
Net assets	9,727,980
Goodwill	147,272,020
Acquisition cost	₱157,000,000

As no material adjustments have been identified on the provisional values of assets acquired and liabilities assumed, the goodwill amounting ₱147.27 million that was provisionally determined in 2015 did not change in 2016.

The cost of acquisition is determined as follows:

Cash paid	₱157,000,000
Fair value of equity interest in Malay Resorts held before business combination	—
	₱157,000,000



Cash on acquisition follows:

Cash paid	₱157,000,000
Cash acquired from Malay Resorts	12,825,797
Net cash outflow	₱144,174,203

From the date of acquisition on December 29, 2015, the Group's share in the revenue and net loss of Malay Resorts amounted to nil. If the combination had taken place at the beginning of 2015, the Group's share in the revenue and net loss of Malay Resorts would have been ₱22.27 million and ₱6.39 million, respectively.

8. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱22,563,506	₱24,794,371
Cash in banks	5,676,944,237	5,238,640,190
Cash equivalents	3,203,030,195	779,621,875
	₱8,902,537,938	₱6,043,056,436

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	2016	2015	2014
Philippine Peso	0.10% to 5.00%	1.00% to 2.00%	0.25% to 4.00%
US Dollar	0.13% to 3.00%	1.38% to 2.00%	0.25% to 1.25%

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2016, 2015 and 2014 amounted to ₱141.14 million, ₱69.34 million and ₱32.30 million, respectively (Note 24).

No cash and cash equivalents are used to secure the obligations of the Group.

9. Investments

Short-term cash investments

Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn annual interest at the respective short-term investment rates, as follows:

	2016	2015	2014
Philippine Peso	1.38% to 2.50%	3.50% to 5.00%	1.50% to 5.00%
US Dollar	0.50%	0.50% to 3.75%	1.75% to 3.75%

As of December 31, 2016 and 2015, short term cash investments amounted to ₱100.00 million and ₱2,097.30 million, respectively.



On February 29, 2016, the Group terminated short term cash investments amounting \$40.00 million (₱1,946.21 million). The net cash proceeds from the termination amounted to ₱1,910.84 million. The US dollar denominated short-term cash investments amounted to nil and US\$40.00 million (₱1,899.51 million) as of December 31, 2016 and 2015, respectively.

Interest earned from short-term and long-term investments for the years ended December 31, 2016, 2015 and 2014 amounted to ₱2.21 million, ₱41.13 million and ₱164.57 million, respectively (Note 24).

AFS financial assets

This account consists of equity and debt securities as follow:

	2016	2015
Equity securities		
Quoted	₱69,588,143	₱74,961,985
Unquoted	96,248,934	96,248,934
Debt securities		
Quoted	8,079,227,776	7,207,755,740
	₱8,245,064,853	₱7,378,966,659

Quoted equity and debt securities

This account consists of investments in fixed maturity bond funds and equity shares. As of December 31, 2016 and 2015, the investments have an aggregate fair value of ₱8,148.82 million and ₱7,282.72 million. The excess of fair value over costs as of December 31, 2016 and 2015 amounted to ₱942.11 and ₱462.74 million, respectively. This is shown under “Other comprehensive income” account in the equity section in the consolidated statements of financial position. The year on year movement in the market values of AFS investments are shown as part of “Changes in fair value of AFS financial assets” in the consolidated statement of comprehensive income.

The movements in the unrealized gain (losses) for the years ended December 31, 2016, 2015 and 2014 follows:

	2016	2015	2014
Balance at beginning of year	₱462,742,703	(₱109,527,323)	(₱58,834,635)
Changes in fair value of quoted			
AFS financial assets			
Equity securities	5,373,842	—	16,735,567
Debt securities	473,996,831	572,270,026	(112,847,041)
Fair value gain on AFS financial asset reclassified to profit or loss	—	—	45,418,786
Balance at end of year	₱942,113,376	₱462,742,703	(₱109,527,323)

In 2016 and 2015, there were no disposals of AFS financial assets that resulted to gain or loss. In 2014, disposals of AFS financial assets resulted to gain amounting ₱45.42 million which was transferred from the cumulative changes in fair value of AFS financial assets to the profit or loss in 2014.



The cost of the AFS financial assets under debt securities as of December 31, 2016 and 2015 amounted to ₱8,079.23 million and ₱7,207.76 million, respectively.

Details on the quoted debt securities follow:

	2016	2015
Balance at beginning of year	₱7,207,755,740	₱6,635,485,714
Acquisition during the year	397,475,205	–
	7,605,230,945	6,635,485,714
Changes in fair value of AFS during the year	473,996,831	572,270,026
	₱8,079,227,776	₱7,207,755,740

The investments in fixed maturity bond funds are maturing in June 2017 and December 2018.

Unquoted equity securities

This account pertains to unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects and other operations. These are carried at cost less impairment, if any.

The rollforward in this account follows:

	2016	2015
Balance at beginning of year	₱96,248,934	₱44,703,353
Acquisitions during the year	–	51,545,581
Balance at end of year	₱96,248,934	₱96,248,934

HTM investments

This account consists of the Group's investments in various US dollar-denominated debt securities with annual interest rates ranging from 1.63% to 11.00%. Interest income from HTM investments amounted to ₱721.02 million, ₱482.51 million and ₱244.14 million in 2016, 2015 and 2014, respectively (Note 24).

In 2016 and 2015, no impairment losses were recognized on these investments.

The following presents the breakdown of debt securities classified as HTM investments by contractual maturity dates as of December 31, 2016 and 2015.

	2016	2015
Due in one (1) year or less	₱1,709,730,739	₱–
Due after 1 year through five (5) years	19,141,877,715	13,521,560,251
Balance at end of year	₱20,851,608,454	₱13,521,560,251

In 2016 and 2015, the Group acquired additional HTM investments amounting US\$162.93 million and US\$62.75 million with EIR of 4%.



HTM investments amounting \$321.50 million and \$305.00 million are used to secure the bank loans of the Parent Company amounting ₱13,551.25 million and ₱12,200.00 million as of December 31, 2016 and 2015, respectively. The fair values of the investments used as collateral amounted to ₱15,984.98 million and ₱14,353.30 million as of December 31, 2016 and 2015, respectively (Note 20).

10. Receivables

This account consists of:

	2016	2015
Installment contracts receivable at amortized cost (Note 20)	₱28,123,412,383	₱26,430,215,542
Accrued interest receivable	250,598,211	164,513,965
Accounts receivable at amortized cost:		
Tenants	3,678,408,992	1,539,408,649
Contractors	3,053,343,074	3,767,663,294
Private company	516,783,255	507,262,275
Buyers	393,680,822	517,675,602
Brokers	245,038,144	205,757,420
Others	1,673,749,316	1,514,268,763
	37,935,014,197	34,646,765,510
Less allowance for impairment losses	393,343,094	392,304,389
	37,541,671,103	34,254,461,121
Less noncurrent portion at amortized cost	9,212,259,033	9,286,067,234
	₱28,329,412,070	₱24,968,393,887

Installment contracts receivable at amortized cost

Installment contracts receivable consist of accounts collectible in equal monthly installments with various terms up to a maximum of 15 years. These are carried at amortized cost. The corresponding titles to the subdivision or condominium units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest-bearing except for those with installment terms within two years. Annual interest rates on installment contracts receivables range from 17.00% to 19.00%. Total interest income recognized amounted to ₱642.64 million, ₱710.28 million and ₱760.65 million in 2016, 2015 and 2014, respectively (Note 24).

Accrued interest receivable

Accrued interest receivable arise from the Debt AFS and HTM of the Parent and VII amounted to ₱250.60 million and ₱164.51 million as of December 31, 2016 and 2015, respectively.

Accounts Receivable at amortized cost

The accounts receivables at amortized cost are non-interest bearing and collectible within one year. This consists of the following:

Receivable from tenants

Receivable from tenants pertain to billings related to the rental operations of the Group.



Receivable from contractors

Receivable from contractors are recouped from settlement of progress billings which occur within one year from the date the receivables arose.

Receivable from buyers

Receivables from buyers represent the share of the joint venture partners from the proceeds of real estate sale. The arrangement is covered by a marketing agreement that is separate and distinct from Land Development Agreements (LDA). These sales do not form part of the Group's revenue. Collections from buyers are remitted to the joint venture partners net of any marketing fees agreed by the parties.

Receivable from brokers

Receivable from brokers are recouped from progress billing settlement.

Others

Other receivables consist mainly of receivables from various individuals and private entities and other nontrade receivables. These are non-interest bearing and are due and demandable.

Receivables amounting ₱393.43 million and ₱392.30 million as of December 31, 2016 and 2015, respectively, are provided with impairment losses as follow:

	Installment Contracts Receivable	Accounts Receivable	Total
At December 31, 2014	₱137,053,344	₱210,100,871	₱347,154,215
Provision for the year (Note 26)	–	61,913,264	61,913,264
Write-off	(16,763,090)	–	(16,763,090)
At December 31, 2015	120,290,254	272,014,135	392,304,389
Provision for the year (Note 26)	–	1,974,771	1,974,771
Write-off	–	(936,066)	(936,066)
At December 31, 2016	₱120,290,254	₱273,052,840	₱393,343,094

The impairment losses above pertain to individually impaired accounts. No impairment losses resulted from performing collective impairment test.

In 2016 and 2015 installment contracts receivables with a total nominal amount of ₱1,622.28 million and ₱2,971.39 million, respectively, were recorded at amortized cost amounting ₱1,579.38 million and ₱2,933.11 million, respectively. These are installment contracts receivables that are to be collected in two years which are noninterest-bearing. The fair value upon initial recognition is derived using discounted cash flow model using the discount rates ranging from 1.57% to 3.79% for those recognized in 2016 and 1.20% to 5.80% for those recognized in 2015. Interest income recognized from these receivables amounted to ₱33.56 million, ₱37.94 million, and ₱32.31 million in 2016, 2015 and 2014, respectively (Note 24). The unamortized discount amounted to ₱42.90 million and ₱38.28 million as of December 31, 2016 and 2015, respectively.



Rollforward in unamortized discount arising from noninterest-bearing receivables is as follows:

	2016	2015
Balance at beginning of year	₱38,281,459	₱32,034,487
Additions	38,177,053	44,189,376
Accretion (Note 24)	(33,562,135)	(37,942,404)
Balance at end of year	₱42,896,377	₱38,281,459

In 2016 and 2015, the Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables on a with recourse basis. The purchase agreements provide substitution of contracts that became in default. The Group still retains the sold receivables in the installment contracts receivables account and records the proceeds from these sales as loans payable (Note 20). The carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱2,786.09 million and ₱2,791.12 million as of December 31, 2016. As of December 31, 2015, the carrying value of installment contracts receivables sold and the corresponding loans payable amounted to ₱3,052.66 million and ₱3,003.54 million, respectively. Receivables on a with recourse basis are used as collateral to secure the corresponding loans payables obtained.

11. Real Estate Inventories

Rollforward of the account follows:

	2016	2015
Balance at beginning of year	₱22,855,688,651	₱17,926,024,166
Construction/development costs incurred	8,894,337,775	8,961,353,466
Land costs transferred from land and improvements (Note 13)	1,652,120,088	4,056,799,427
Land acquired during the year	433,919,689	2,519,233,798
Borrowing costs capitalized (Note 24)	1,439,592,235	1,646,167,425
Cost of real estate sales (Note 26)	(12,320,996,040)	(12,253,889,631)
	₱22,954,662,398	₱22,855,688,651

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2016 and 2015.

This account consists of:

	2016	2015
Subdivision land for sale and development	₱26,397,818,296	₱23,620,781,681
Less reserve for land development costs	9,441,025,424	7,242,443,575
	16,956,792,872	16,378,338,106
Condominium units for sale and development	4,928,409,728	5,173,097,242
Residential house units for sale and development	1,069,459,798	1,304,253,303
	5,997,869,526	6,477,350,545
	₱22,954,662,398	₱22,855,688,651



Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Real estate inventories recognized as cost of sales amounted to ₱12,321.00 million in 2016, ₱12,253.89 million in 2015 and ₱11,032.28 million in 2014, and are included as cost of real estate sales in the consolidated statements of comprehensive income (Note 26). Cost of real estate sales includes acquisition cost of subdivision land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to its intended condition.

Construction and development costs represent approximately 75.00% to 85.00% of the cost of sales.

Borrowing cost capitalized in 2016, 2015 and 2014 amounted to ₱1,439.59 million, ₱1,646.17 million and ₱1,381.83 million, respectively (Note 24). The capitalization rate used to determine the borrowing costs eligible for capitalization is 6.47% in 2016, 12.24% in 2015 and 9.71% in 2014.

Except as stated, there are no other real estate inventories used as collateral or pledged as security to secure the borrowings of the Group (Note 20).

12. Other Current Assets

This account consists of:

	2016	2015
Input VAT	₱1,515,109,110	₱1,532,485,446
Prepaid expenses	1,237,047,665	1,051,203,303
Creditable withholding taxes	713,937,469	894,264,046
Construction materials and others	326,774,056	331,863,769
Deposits for real estate purchases and others	14,473,653	4,819,403
	₱3,807,341,953	₱3,814,635,967

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Prepaid expenses mainly include prepayments for marketing fees, taxes and licenses, rentals and insurance.

The Group will be able to apply the creditable withholding taxes against income tax payable. As of December 31, 2016 and 2015, the Group applied creditable withholding taxes amounting ₱962.87 million and ₱738.82 million, respectively.

Construction materials pertain to supplies used in the constructions and developments.

Deposits for real estate purchases substantially represent the Group's payments to real estate property owners for the acquisition of certain real estate properties. Although the terms of the agreements provided that the deeds of absolute sale for the subject properties are to be executed only upon fulfillment by both parties of certain undertakings and conditions, including the



payment by the Group of the full contract prices of the real estate properties, the Group already has physical possession of the original transfer certificates of title of the said properties.

13. Land and Improvements

The rollforward analysis of this account follows:

	2016	2015
Balance at beginning of year	₱27,864,677,850	₱25,262,171,429
Acquisitions	4,274,065,643	6,659,305,848
Transfers to real estate inventories (Note 11)	(1,652,120,088)	(4,056,799,427)
Balance at end of year	₱30,486,623,405	₱27,864,677,850

There are no borrowing costs capitalized to these properties as development has not commenced. Transfers pertain to properties to be developed for sale and these are included under “Real estate inventories” account.

There are no land and improvements carried at NRV. The Group recorded no provision for impairment in 2016 and 2015.

Except as stated, the land and improvements are not used to secure the borrowings of the Group.

14. Investment Properties

Movement in this account follows:

December 31, 2016

	Land	Building and Improvements	Construction in Progress	Total
Cost				
Balance at beginning of year	₱11,464,130,704	₱10,333,800,925	₱7,927,375,532	₱29,725,307,161
Additions	382,934,319	1,473,698,318	4,273,863,508	6,130,496,145
Reclassifications	–	8,740,826,036	(8,740,826,036)	–
Balance at end of year	11,847,065,023	20,548,325,279	3,460,413,004	35,855,803,306
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	3,048,983,925	–	3,048,983,925
Depreciation and amortization (Note 26)	–	741,286,707	–	741,286,707
Balance at end of year	–	3,790,270,632	–	3,790,270,632
Net Book Value	₱11,847,065,023	₱16,758,054,647	₱3,460,413,004	₱32,065,532,674



December 31, 2015

	Land	Building and Improvements	Construction in Progress	Total
Cost				
Balance at beginning of year	₱8,383,819,304	₱8,370,773,726	₱2,013,711,623	₱18,768,304,653
Transfers (to) from:				
Property and equipment (Note 15)	–	62,717,658	–	62,717,658
Additions	3,080,311,400	794,334,830	7,019,638,620	10,894,284,850
Reclassifications	–	1,105,974,711	(1,105,974,711)	–
Balance at end of year	11,464,130,704	10,333,800,925	7,927,375,532	29,725,307,161
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	2,456,329,924	–	₱2,456,329,924
Depreciation and amortization (Note 26)	–	592,654,001	–	592,654,001
Balance at end of year	–	3,048,983,925	–	3,048,983,925
Net Book Value	₱11,464,130,704	₱7,284,817,000	₱7,927,375,532	₱26,676,323,236

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include Vista Malls and Starmalls that are located in key cities and municipalities in the Philippines and three BPO commercial centers in Metro Manila, with a combined gross floor area of 882,009 sq.m. The construction in progress represents capitalized costs arising from construction of commercial centers that are located in Molino and Kawit, Cavite. The percentage of completion of various constructions in progress ranges from 4% to 90% in 2016 and from 40% to 98% in 2015 and are due to be completed on various dates starting July 2014 up to June 2018.

The reclassification of ₱8,740.83 million in 2016 from construction in progress to building and improvements represent completed BPO commercial center in Las Pinas and retail malls in San Jose del Monte, Molino, Imus, Sta. Rosa and Bataan with gross floor area of 265,730 sq. m. The remaining ₱3,460.41 million under the construction in progress account represents ongoing development in Taguig, Molino and Kawit, Cavite.

Rental income earned from investment properties amounted to ₱4,375.33 million, ₱2,367.88 million and ₱1,567.76 million in 2016, 2015 and 2014, respectively (Note 25). Repairs and maintenance costs recognized under “operating expenses” arising from investment properties amounted to ₱107.12 million, ₱279.59 million and ₱231.46 million for the years ended December 31, 2016, 2015 and 2014, respectively (Note 26). Cost of property operations amounted to ₱1,874.25 million, ₱996.96 million and ₱904.76 million for the years ended December 31, 2016, 2015 and 2014. For the terms and conditions on the lease, refer to Note 34.

Except as stated, there are no other investment properties used as collateral or pledged as security to secure the borrowings of the Group (Note 20).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

Building and improvements that are intended to be developed for commercial and retail purposes that are made available for lease were transferred to investment property in 2016 and 2015 and these amounted to nil and ₱62.72 million, respectively, (Note 15).



The fair value of the land amounted to ₱28,344.29 million and ₱28,258.46 million as of December 31, 2016 and 2015, respectively. This is based on the most recent selling price of similar property. The parcels of land are located in cities and municipalities like Mandaluyong, Las Pinas, Taguig, Naga, Imus, San Jose del Monte, Sta. Rosa, Alabang and Kawit.

As of December 31, 2016 and 2015, the aggregate fair values of investment properties amounted to ₱51,801.83 million and ₱45,023.81 million, respectively. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The firms that conducted the appraisal of the investment properties are SEC accredited.

The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and land improvements.

The market price per square meter of these investment properties ranged from ₱3,502.00 to ₱129,999.00. Except for the land, the estimated useful life of the investment properties is 10 to 40 years.

Borrowing costs capitalized to investment properties in 2016 and 2015 amounted to ₱1,167.18 million and ₱468.63 million, respectively (Note 24).

15. Property and Equipment

The rollforward analyses of this account follow:

December 31, 2016

	Land	Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balance at beginning of year	₱83,333,600	₱446,793,455	₱546,741,889	₱587,206,720	₱246,744,788	₱154,985,876	₱2,065,806,328
Additions	—	127,166,105	7,324,645	28,652,665	84,208,684	30,555,108	277,907,207
Balance at end of year	83,333,600	573,959,560	554,066,534	615,859,385	330,953,472	185,540,984	2,343,713,535
Accumulated Depreciation and Amortization							
Balance at beginning of year	—	229,338,282	385,358,664	463,724,899	83,104,688	103,304,883	1,264,831,416
Depreciation and amortization (Note 26)	—	109,945,304	41,338,289	77,672,381	22,890,659	4,785,278	256,631,911
Balance at end of year	—	339,283,586	426,696,953	541,397,280	105,995,347	108,090,161	1,521,463,327
Net Book Value	₱83,333,600	₱234,675,974	₱127,369,581	₱74,462,105	₱224,958,125	₱77,450,823	₱822,250,208



December 31, 2015

	Land	Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost							
Balance at beginning of year	₱—	₱278,179,628	₱500,246,727	₱481,388,601	₱178,441,744	₱129,650,398	₱1,567,907,098
Additions	83,333,600	203,242,750	46,495,162	109,729,444	88,815,785	29,000,147	560,616,888
Transfers to investment properties (Note 14)	—	(34,628,923)	—	(3,911,325)	(20,512,741)	(3,664,669)	(62,717,658)
Balance at end of year	83,333,600	446,793,455	546,741,889	587,206,720	246,744,788	154,985,876	2,065,806,328
Accumulated Depreciation and Amortization							
Balance at beginning of year	—	160,350,322	361,798,676	408,919,197	81,851,715	78,910,834	1,091,830,744
Depreciation and amortization (Note 26)	—	68,987,960	23,559,988	54,805,702	1,252,973	24,394,049	173,000,672
Balance at end of year	—	229,338,282	385,358,664	463,724,899	83,104,688	103,304,883	1,264,831,416
Net Book Value	₱83,333,600	₱217,455,173	₱161,383,225	₱123,481,821	₱163,640,100	₱51,680,993	₱800,974,912

Depreciation and amortization expense charged to operations amounted to ₱1,029.98 million, ₱798.92 million and ₱722.14 million for the years ended December 31, 2016, 2015 and 2014 (Note 26). respectively.

As of December 31, 2016 and 2015, fully depreciated assets that are still actively in use amounted to ₱220.91 million and ₱177.82 million, respectively.

The Group's transportation equipment with a carrying value of ₱66.74 million and ₱103.99 million as of December 31, 2016 and 2015, respectively, were pledged as collateral under chattel mortgage to secure the car loans of the Group with various financial institutions (Note 20).

There are no other property and equipment items pledged or used as collateral to secure the liabilities of the group.

16. Investments and Advances in Project Development Costs

Investments and advances in project development costs pertain to deposits, cash advances and other charges in connection with the Land Development Agreements (LDA) entered into by the Group with individuals, corporate entities and related parties for the development of real estate projects. The LDA provides, among others, the following: a) the Group will undertake the improvement, subdivision and development of the real estate project within a certain period as prescribed by the LDA, subject to certain conditions to be fulfilled by the real estate property owner; and b) the parties shall divide among themselves all saleable inventories of the real estate projects or the proceeds from the sale of real estate projects in accordance with the ratio mutually agreed.



The following are the subsidiaries that have outstanding LDAs accounted for as investments and advances in project development costs:

Entity	Project	2016	2015
PCLHI	Horizontal	₱1,103,277,582	₱885,837,030
Brittany	Horizontal	829,260,419	826,665,329
CAPI	Horizontal	596,617,680	588,857,179
HDC	Horizontal	317,424,319	243,341,136
CPI	Horizontal	272,361,240	221,854,452
URI	Vertical	113,370,000	88,370,000
		₱3,232,311,240	₱2,854,925,126

17. Other Noncurrent Assets

This account consists of:

	2016	2015
Deposits	₱1,026,167,814	₱566,133,243
Model house accessories at cost	208,658,041	282,817,090
Goodwill (Note 7)	147,272,020	147,272,020
Systems development costs	22,695,623	20,210,092
	₱1,404,793,498	₱1,016,432,445

Deposits include deposits for real estate purchases and deposits to utility companies which will either be applied or recouped against future billings or refunded upon completion of the real estate projects. These deposits are necessary for the construction and development of real estate projects of the Group.

Model house accessories pertain to the furniture and fixture and other interior decorations used and displayed in the model house inventory.

The rollforward analyses of system development costs follow:

	2016	2015
Balance at beginning of year	₱20,210,092	₱18,326,426
Additions	48,198,547	35,148,803
Amortization (Note 26)	(45,713,016)	(33,265,137)
Balance at end of year	₱22,695,623	₱20,210,092

Amortization of system development costs amounted to ₱45.71 million, ₱33.27 million and ₱41.42 million for the years ended December 31, 2016, 2015 and 2014, respectively. These are included in the "Depreciation and amortization" account under "Operating expenses" in the statement of comprehensive income (Note 26).



18. Accounts and Other Payables

This account consists of:

	2016	2015
Accounts payable		
Contractors	₱3,157,581,768	₱3,142,057,973
Suppliers	978,485,959	1,069,720,751
Buyers	160,069,831	122,946,304
Incidental costs	793,241,102	580,810,574
Liabilities for purchased land (Note 22)	1,728,397,118	2,083,876,736
Accrued expenses	1,525,065,470	1,421,137,175
Retentions payable (Note 22)	1,020,918,247	1,088,054,189
Commissions payable	809,619,299	599,500,719
Deferred output tax (Note 22)	695,644,782	469,616,216
Other payables	531,349,938	630,528,085
	₱11,400,373,514	₱11,208,248,722

Accounts payable - contractors pertain to contractors' billings for construction services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

Accounts payable - suppliers represent construction materials, marketing collaterals, office supplies and property and equipment ordered and delivered but not yet due. These are expected to be settled within a year from recognition date.

Accounts payable - buyers pertain to refunds arising from the cancellation of contract to sell agreement which is determined based on the required refund under the Maceda Law.

Accounts payable - incidental costs pertain to liabilities incurred in relation to land acquisitions. This includes payable for titling costs, clearing, security and such other additional costs incurred.

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate payables. The fair value of liabilities for purchased land is derived using the discounted cash flow model using the discount rate ranging from 2.67% to 4.59% with EIR ranging from 0.73% to 3.52%. The unamortized discount as of December 31, 2016 and 2015 amounted to ₱178.92 million and ₱80.35 million, respectively. The related accretion amounted to ₱71.17 million, ₱64.99 million and ₱75.28 million in 2016, 2015 and 2014, respectively. These are presented in "Accretion of unamortized discount" under "Interest income and interest and other financing charges" (Note 24). Liabilities for purchased land that are payable beyond one year from year end date are reported as noncurrent liabilities (Note 22).

Accrued expenses consist mainly of accruals for project cost estimate, interest on bonds and bank loans, light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security and insurance. Accruals for marketing costs amounted to ₱509.57 million and ₱465.09 million as of December 31, 2016 and 2015, respectively.



Retentions payable pertains to 10.00% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10.00% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects. Retention payables that are payable beyond one year from year end date are presented as noncurrent liability (Note 22).

Commissions payable pertain to fees due to brokers for services rendered.

Deferred output tax pertains to the VAT charged to the buyers on installment upon contracting but which were not yet collected as of reporting date. Further, upon collection on the installment receivables, the equivalent output tax from collected installment receivables are included in the current VAT payable on the month where such collection is made. The deferred output VAT pertaining to installment receivables that are beyond one year from year end date are presented as noncurrent liabilities (Note 22).

Other payables include amounts pertaining to other non-trade liabilities such as salaries related premiums, withholding taxes and VAT payable. The majority of this pertains to withholding taxes with amounts of ₱75.31 million and ₱74.17 million as of December 31, 2016 and 2015, respectively.

The accounts payable and other payables are noninterest-bearing and are expected to be settled within a year after the reporting date.

19. Customers' Advances and Deposits

This account consists of customers' reservation fees, downpayments and excess of collections over the installment contracts receivable.

The Group requires buyers of residential houses and lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction.

Payments from buyers which have not reached the minimum required percentage are presented as customers' advances and deposits. When the level of required payment is reached by the buyer, a sale is recognized and these deposits and downpayments are applied against the related installment contracts receivable.

The excess of collections over the recognized receivables is applied against the POC in the succeeding years.

20. Bank Loans and Loans Payable

Bank Loans

Bank loans pertain to the borrowings of the Group from various local financial institutions. These bank loans are obtained to finance capital expenditures and for general corporate purposes.



Details follow:

	2016	2015
Parent company	₱23,734,479,509	₱16,106,752,927
Subsidiaries	12,352,762,383	14,432,987,824
	36,087,241,892	30,539,740,751
Less current portion	5,972,290,312	3,360,953,001
	₱30,114,951,580	₱27,178,787,750

On April 17, 2013, the Group entered into a bilateral loan agreement with local banks. A portion of the corporate notes was redeemed in 2013 and bank loans with principal amount of ₱1,700.00 million were issued during the year which bears annual fixed interest rate of 7.27%. The bank loan will mature on April 17, 2017. As of December 31, 2016 and 2015 the outstanding balance of the loans amounted to ₱200.00 million and ₱600.00 million, respectively.

These bilateral loans are divided into three banks with principal balances of ₱800.00 million (secured), ₱600.00 million (unsecured) and ₱300.00 million (unsecured), respectively. The bilateral loan with the principal balance of ₱800.00 million requires VLLI to maintain current ratio of 1:1.75, debt to equity ratio of 1:1.00 and debt-service coverage ratio (DSCR) of 1:1.00. These were complied with by the Group as of December 31, 2015 and 2016.

In June 2013, the Group obtained unsecured ₱1,000.00 million and secured ₱5,000.00 million peso-denominated bank loans from local banks which bear annual fixed interest rate of 5.90% and 5.75%, respectively. The loans will mature in June 2018. The principal balance of the loans will be paid in twelve (12) and twenty (20) equal quarterly installments, respectively. The ₱5,000.00 million loan requires the VLLI to maintain current ratio of 1:1.75 and DSCR of 1:1.00. These were complied with by the Group as of December 31, 2015 and 2016.

On September 11, 2014, the Group obtained a peso-denominated bank loan from a local bank amounting ₱1,500.00 million with interest of 4.25% per annum. The bank loan matures and renewed annually. The note will mature on July 17, 2017. The loan is secured by the same HTM investments of VII amounting US\$37.50 million.

In 2015, the Group have various peso-denominated bank loans from different local banks amounting ₱12,200.00 million with fixed interest rates ranging from 3.58% to 4.31% per annum. The loans are secured by a hold-out on the HTM investments of VII amounting US\$305.00 million.

In November 2015, the Company acquired Starmalls together with ₱10,748.25 million loans from various local banks. These loans bear fixed interest rates ranging from 4.50% to 7.25% per annum which are payable in six months to seven years. These loans are secured by selected investment properties amounting to ₱3,906.84 million (Note 14).

In 2016, the Parent Company have various peso-denominated bank loans from different local banks amounting ₱13,551.25 million with fixed interest rates ranging from 3.88% to 4.00% per annum. The loans will mature on various dates starting March 23, 2017 to December 20, 2017. The loans are secured by a hold-out on the HTM investments of VII amounting \$325.00 million.

On September 23, 2016, the Group obtained a 7-year unsecured peso-denominated loan from a local bank amounting ₱3,500.00 million which bears annual fixed interest rate of 5.00%. The principal balance of the loan will be paid in twenty eight (28) equal quarterly installments



commencing on the first interest payment date. The loan requires VLLI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as of December 31, 2016.

On October 5, 2016, the Group obtained a 7-year unsecured peso-denominated loan from a local bank amounting ₱5,000.00 million which bears annual fixed interest rate of 5.00%. The principal balance of the loan will be paid in twenty five (25) equal quarterly installments commencing on the fourth interest payment date. The loan requires VLLI to maintain a current ratio of at least 1.00:1.00, a maximum debt-to-equity ratio of 2.50:1.00 and a debt-service coverage ratio (DSCR) of at least 1.00:100. These were complied with by the Group as of December 31, 2016.

In addition to financial covenants, the bank loans of the Group provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets. These restrictions and requirements were complied with by the Group as of December 31, 2016 and 2015.

Bank loans amounting ₱14.58 million and ₱103.99 million as of December 31, 2016 and 2015, respectively, were secured by a chattel mortgage on the Group's transportation equipment (Note 15).

Banks loans amounting ₱8,681.66 million and ₱3,906.84 million as of December 31, 2016 and 2015, respectively, were secured by a real estate mortgage on the Group's investment properties (Note 14).

Interest expense on bank loans amounted to ₱898.38 million, ₱1,625.21 million and ₱1,236.24 million in 2016, 2015 and 2014, respectively (Note 24).

Loans Payable

As stated in Note 10 to the consolidated financial statements, loans payable pertain to the remaining balance of "Installment contracts receivable" of subsidiaries that were sold on a with recourse basis. These loans bear annual fixed interest rates ranging from 7.00% to 12.00% in 2016 and 2015, payable on equal monthly installments over a maximum period of 3 to 15 years. The installment contracts receivables serve as the collateral for the loans payable. These will mature on various dates up to December 2027.

Movement of loans payable follows:

	2016	2015
Balance at beginning of year	₱3,694,889,102	₱2,692,826,644
Availments	2,243,998,245	3,003,488,369
Payments	(2,051,634,740)	(2,001,425,911)
	3,887,252,607	3,694,889,102
Less current portion	1,122,548,064	574,356,966
	₱2,764,704,543	₱3,120,532,136



21. Notes Payable

This account consists of:

	2016	2015
Dollar denominated bonds	₱29,068,413,335	₱24,418,895,931
Retail bonds	4,934,226,365	4,916,337,512
Corporate note facility	5,514,622,937	1,089,021,541
Homebuilder bonds	7,852,935	4,652,684
	39,525,115,572	30,428,907,668
Less current portion	475,475,872	4,652,684
	₱39,049,639,700	₱30,424,254,984

Dollar Denominated Bonds

US\$125.00 million Notes

On February 2, 2016, the Group issued US\$125.00 million notes ("Notes") with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to settle the US\$125.00 million notes issued last April 2014. There are no properties owned by the Group that were pledged as collateral to this note.

Redemption at the option of the issuer

At any time the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of the person in whose name the Note is registered on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma Fixed Charge Cover Ratio (FCCR) of not less than 2.5x. These were complied with by the Group as of December 31, 2016 and 2015.

US\$300.00 million Notes

On June 18, 2015, the Group issued US\$300.00 million notes with a term of seven years from initial draw down date. The interest rate is 7.375% per annum payable semi-annually in arrears on June 18 and December 17 of each year beginning on December 17, 2015. Said notes were used to settle the US\$125.00 million notes issued last April 2014. Some of the proceeds amounting US\$81.68 million were used to settle outstanding notes payable. There are no properties owned by the Group that were pledged as collateral to this note.

Redemption at the option of the issuer

At any time the Issuer may on any one or more occasions redeem all or a part of the Notes, by giving notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the date of redemption, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date.



Covenants

The Notes provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as of December 31, 2016 and 2015.

On September 29, 2016, VII repurchased US\$54.54 million out of the US\$425.00 million notes outstanding balance prior to the repurchase date.

US\$350.00 million Notes

On April 29, 2014, the Group issued unsecured US\$225.00 million Notes due April 29, 2019 to refinance its debt and for general corporate purposes. The interest rate of 7.45% per annum is payable semi-annually in arrears on April 29 and October 29 of each year commencing on October 29, 2014.

On September 11, 2014, an additional unsecured note, with the same terms and conditions with the above notes, were issued by the Group amounting US\$125.00 million. The notes were issued at 102% representing a yield to maturity of 6.935%.

The Notes are unconditionally and irrevocably guaranteed by the Parent Company and its subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer

At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Redemption upon a change of control

Unless the Notes are previously redeemed, repurchased and cancelled, the issuer will, no later than 30 days following a change of control make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount together with accrued and unpaid interest, if any. Change of control includes the sale of all or substantially all the properties or assets of the issuer or its restricted subsidiaries.

Covenants

The Notes provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as of December 31, 2016 and 2015.

US\$100.00 million Notes

On October 4, 2013, VII issued unsecured US\$100.00 million bonds with a term of five years from the issue date. The interest rate is 6.75% per annum payable semi-annually in arrears on April 4 and October 4 of each year commencing on April 4, 2014.



The Notes are unconditionally and irrevocably guaranteed by the Group and Subsidiaries. Other pertinent provisions of the Notes follow:

Redemption at the option of the issuer - equity clawback

At any time prior to September 30, 2013, the Group may redeem up to 35% of the aggregate principal amount of the US Notes originally issued at a redemption price equal to 106.75% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption with the net cash proceeds of an equity offering; provided that: (i) at least 65% of the aggregate principal amount of US Notes originally issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption occurs within 60 days of the date of the closing of such equity offering. The Notes contains an equity clawback option.

Redemption at the option of the issuer - early redemption

At any time the Group may redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the applicable premium as of, and accrued and unpaid interest, if any, to the date of the redemption, subject to the rights of note holders on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The Notes provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the Group to have a proforma FCCR of not less than 2.5x. These were complied with by the Group as of December 31, 2016 and 2015.

On September 29, 2016, VII repurchased US\$10.70 million out of the remaining US\$62.51 million notes outstanding prior to the repurchase date.

Retail Bonds

On May 9, 2014, the Group offered and issued unsecured fixed-rate Peso Retail Bonds with an aggregate principal amount of ₱3,000.00 million and an overallotment option of up to ₱2,000.00 million. The proceeds of the issuance shall be used to partially finance certain commercial development projects of CPI and its subsidiaries. There are no securities pledged as collateral for these bonds.

The offer is comprised of five year fixed rate bonds due on November 9, 2019 and seven year fixed rate bonds due on May 9, 2021 with interest rate of 5.65% and 5.94% per annum, respectively. Interest on the Retail Bonds shall be payable quarterly in arrears starting on August 9, 2014 for the first interest payment date and on February 9, May 9, August 9 and November 9 each year for each subsequent interest payment date.

The Retail Bonds shall be repaid at maturity at par plus any outstanding interest, unless the Group exercises its early redemption option. The maturity date for the Five Year Bonds and Seven Year Bonds shall be on November 9, 2019 and on May 9, 2021, respectively.



Redemption at the option of the issuer

The Group may redeem in whole, the outstanding Retail Bonds on the following relevant dates. The amount payable to the bondholders upon the exercise of the early redemption option by the Group shall be calculated, based on the principal amount of Retail Bonds being redeemed, as the sum of: (i) accrued interest computed from the last interest payment date up to the relevant early redemption option date; and (ii) the product of the principal amount of the Retail Bonds being redeemed and the early redemption price in accordance with the following schedule:

- a) Five Year Bonds:
 - i. Three (3) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Four (4) years from issue date at early redemption price of 100.50%
- b) Seven Year Bonds:
 - i. Five (5) years and six (6) months from issue date at early redemption price of 101.00%
 - ii. Six (6) years from issue date at early redemption price of 100.50%

Covenants

The Retail Bonds provide for the Group to observe certain covenants including, among others, incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; consolidation or merger with other entities; and certain other covenants. These were complied with by the Group as of December 31, 2016 and 2015.

Corporate Note Facility

On December 28, 2016, the Group entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.00 million. The first drawdown was at ₱5,150.00 million. The proceeds will be utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interest at the first drawdown at 6.19% per annum is payable quarterly in arrears while the principal amount is payable in 2% annual amortizations on each principal repayment date with 82% to be repaid on maturity date. In case of default on the notes, interest and any amount payable due the lender, the borrower will pay a default interest. The issue cost amounted to P38.72 million.

The corporate notes provide early redemption at the option of the Group as follows:

Early Redemption Date	Early Redemption Amount
7th anniversary from issue date and interest payment thereafter	102.00%
8th anniversary from issue date and interest payment thereafter	101.00%
9th anniversary from issue date and interest payment thereafter	100.50%

The corporate notes requires the Group to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Group is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.0. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue



guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by the Group as of December 31, 2016.

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

On April 20, 2012, the Group secured a Peso Corporate Note Facility of up to ₱4,500.00 million from certain financial institutions to fund the Group's on-going real estate development projects, to refinance or replace existing borrowings and for general corporate purposes. The Corporate Notes shall bear annual fixed interest rate based on applicable bench mark rate on drawdown date plus a certain spread and will mature five (5) years from drawdown date. The notes will mature on April 25, 2017 with interest rate of 7.27% per annum. There are no properties owned by the Group that are pledged as collateral for this specific note.

Covenants

The Corporate Note Facility provides for the Group to observe certain covenants including, among others, incurrence of additional debt; dividend restrictions; maintenance of financial ratios; granting of loans; and certain other covenants. The financial ratios are current ratio, debt to equity ratio, DCCR and FCCR which are to be maintained at 1.75, 1.50, 100 and 2.50, respectively. These were complied with by the Group as of December 31, 2016 and 2015.

Homebuilder Bonds

On November 16, 2012, the Group offered and issued to the public unsecured Homebuilder Peso bonds (the Bonds) of up to ₱2,500.00 million with an initial offering of ₱500.40 million for funding general corporate purposes. There are no properties pledged as collateral for the Homebuilder Bonds.

The first tranche was issued in equal monthly installments of up to ₱13.90 million over a period of thirty-six (36) months, commencing on November 16, 2012 at a fixed interest rate of 5.00% per annum and shall mature three (3) years from the initial issue date. As of December 31, 2016 and 2015, total bonds issued by the Parent Company amounted to ₱371.84 million and ₱369.87 million, respectively. On November 2015, the company paid out ₱362.97 million upon maturity. The carrying value of the bonds as of December 31, 2016 and 2015 amounted to ₱6.01 million and ₱272.12 million, respectively.

Other pertinent provisions of the bonds follow:

Redemption at the option of the issuer

At any time prior to November 16, 2015, the Group may redeem the bonds if the bondholder selects the application of payment for the purchase of the Group's property provided that: (i) early application of payment is only available to eligible bondholders allowed by law to purchase the selected property of the Group; (ii) the bondholder expresses his intention to apply the payment for the purchase of the Group's property through written notice to the Group; and (iii) the Group approves the early application of payment. However, the bondholder can avail itself of this early application of payment only if: (i) such bondholder is able to fully pay or obtain firm bank or in-house financing; and (ii) the property of the bondholder's choice is from what the Group makes available to the bondholder to choose from.



Extension option

The bondholder may opt to extend the maturity of the bonds held and subscribe additional bonds for another twenty four (24) months, for and at the same monthly subscription payment, with the following terms:

- The first tranche of the bonds will have a maximum aggregate principal amount of ₱834.00 million, including any and all additional subscriptions;
- All subscriptions held by bondholders who exercised the extension option shall mature on the fifth (5th) anniversary of the initial issue date;
- Upon exercise of the extension option at least six (6) months prior to the initial maturity date, all subscriptions held shall bear interest on principal amount at a fixed rate of 6.75% per annum, applied prospectively from the initial maturity date to the extended maturity date; and
- Interest will not be compounded and shall be payable on the relevant maturity date or on the early redemption date, as may be applicable, less the amount of any applicable withholding taxes.

Interest expense on notes payable amounted to ₱3,866.16 million, ₱2,302.00 million and ₱1,478.69 million in 2016, 2015 and 2014, respectively (Note 24).

22. Other Noncurrent Liabilities

This account consists of:

	2016	2015
Liabilities for purchased land (Note 18)	₱1,809,275,473	₱1,199,347,532
Retentions payable (Note 18)	457,264,712	614,073,575
Deferred output tax - net of current portion (Note 18)	111,969,819	283,993,311
	₱2,378,510,004	₱2,097,414,418

23. Equity

Capital Stock

The details of the Parent Company's capital stock follow:

	2016	2015	2014
<u>Common</u>			
Authorized shares	17,900,000,000	17,900,000,000	11,900,000,000
Par value per share	₱1.00	₱1.00	₱1.00
Issued shares	13,114,136,376	12,654,891,753	8,538,740,614
Treasury shares	(₱6,917,014,956)	(₱6,297,793,026)	₱—
Value of shares issued	₱13,114,136,376	₱12,654,891,753	₱8,538,740,614
<u>Preferred</u>			
Authorized shares	10,000,000,000	10,000,000,000	10,000,000,000
Par value per share	₱0.01	₱0.01	₱0.01
Issued and outstanding shares	3,300,000,000	3,300,000,000	3,300,000,000
Value of shares issued	₱33,000,000	₱33,000,000	₱33,000,000



Common shares

In February 2016, the Parent Company issued 459.24 million new common shares out of the unissued portion of its authorized capital stock at issue price of ₱7.15 per share or ₱3,283.60 million, out of which additional paid-in capital amounted to ₱2,824.35 million (Note 7).

In November 2015, the Securities and Exchange Commission approved the increase in the authorized capital stock of the Company from ₱12,000.00 million divided into: (i) 11,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱11,900.00 million; and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100.00 million to ₱18,000.00 million divided into: (i) 17,900,000,000 common shares with par value of ₱1.00 per share, or an aggregate par value of ₱17,900.00 million and (ii) 10,000,000,000 preferred shares with par value of ₱0.01 per share, or an aggregate par value of ₱100.00 million.

As of December 31, 2015, the Company issued 4,116,151,139 common shares out of the increase in the authorized capital stock. The issuance of the common shares that amounted to ₱29,187.77 million, out of which additional paid-in capital amounted to ₱25,071.57 million. The issuance of the common shares pertains to the Company's acquisition of Starmalls Group (Note 7). The common shares issued at ₱1.00 par value per share totaled ₱13,114.14 million, ₱12,655.89 million and ₱8,539.74 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The movement in the Parent Company's common stock and amounts involved follows:

	2016		2015		2014	
	Shares	Amount	Shares	Amount	Shares	Amount
At January 1	12,654,891,753	₱12,654,891,753	8,538,740,614	₱8,538,740,614	8,538,740,614	₱8,538,740,614
Issuances	459,244,623	459,244,623	4,116,151,139	4,116,151,139	—	—
At December 31	13,114,136,376	₱13,114,136,376	12,654,891,753	₱12,654,891,753	8,538,740,614	₱8,538,740,614

Preferred shares

On March 21, 2013, the Parent Company issued in favor of Fine Properties, Inc. ("Fine Properties"), 3,300.00 million new preferred shares out of the unissued portion of its authorized capital stock at par or an aggregate issue price of ₱33.00 million. The subscription price was fully paid on the same date.

The preferred shares are voting, non-cumulative, non-participating, non-convertible and non-redeemable. The BOD may determine the dividend rate which shall in no case be more than 10% per annum.

Registration Track Record

On July 26, 2007, the Parent Company launched its follow-on offer where a total of 8,538,740,614 common shares were offered at an offering price of ₱6.85 per share. The registration statement was approved on June 25, 2007. After the listing in 2007, there have been subsequent issuances on November 10, 2015 and December 22, 2015 covering a total of 4,116,151,139 shares. The Parent Company has 971 and 992 existing certified shareholders as of December 31, 2016 and 2015, respectively.

Treasury Shares

As of December 31, 2016, treasury shares totaling 274,685,200 in 2016 and 147,867,100 in 2015 of the Parent Company amounting ₱1,538.73 million and ₱919.50 million, respectively, represents the shares of stock held by the Parent Company, while treasury shares (752,208,215) amounting



₱5,378.29 million represents Parent Company stocks held by Manuela. These treasury shares are recorded at cost.

On March 17, 2015, the BOD of the Parent Company approved the buyback of its common shares up to the extent of the total purchase price of ₱1,500.00 million subject to the prevailing market price at the time of the buyback over a 24-month period but subject to periodic review by the management.

For the years ended December 31, 2016 and 2015, the Parent Company bought back from the market a total of 126,818,100 shares or ₱619.22 million in value and 147,867,100 or ₱919.50 million in value, respectively.

The movement in the Parent Company's treasury shares follows:

	2016		2015		2014	
	Shares	Amount	Shares	Amount	Shares	Amount
At January 1	147,867,100	₱919,504,288	—	₱—	—	₱—
Additions	126,818,100	619,221,931	147,867,100	919,504,288	—	—
At December 31	274,685,200	₱1,538,726,219	147,867,100	₱919,504,288	—	₱—

Retained Earnings

In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016, after reconciling items, amounted to ₱2,243.71 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱31,356.20 million, ₱25,684.72 million and ₱20,430.27 million in 2016, 2015 and 2014, respectively. These are not available for dividends until declared by the subsidiaries. Also, the retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱1,538.73 million, ₱919.50 million and nil as at and for the years ended December 31, 2016, 2015 and 2014, respectively.

Under the Tax Code of the Philippines, publicly listed companies are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax. Nonetheless, the retained earnings available for dividend declaration, after reconciling items, as of and for the year ended December 31, 2016 amounted to ₱2,243.71 million, which is below the paid-up capital of ₱43,802.57 million. The paid up capital includes capital stock and additional paid-in capital of the Parent Company.

On September 15, 2014, the BOD approved the declaration of a regular cash dividend amounting ₱1,012.52 million or ₱0.119 per share, payable to all stockholders of record as of September 30, 2014. The said dividends were paid on October 24, 2014.

On September 15, 2015, the BOD approved the declaration of a regular cash dividend amounting ₱1,694.43 million or ₱0.1357 per share, in favor of all stockholders of record as of September 15, 2015, payable on September 30, 2015.

On September 28, 2016, the BOD approved the declaration of a regular cash dividend amounting ₱1,437.14 million or ₱0.1185 per share, in favor of all stockholders of record as of September 28, 2016, payable on October 13, 2016.



Non-controlling interest

In 2016, the Vista Group acquired additional 750,265,955 shares of Starmalls, Inc. for a total consideration of ₱3,383.70 million. The transaction was accounted for as an equity transaction since there was no change in control. The movements within equity are accounted as follows:

Fair value of consideration paid	₱3,383,699,457
Book value of shares	1,500,705,403
Difference charged to equity	1,882,994,054
Attributable to OCI	119,711,596
Equity reserves recognized in additional paid in capital	₱1,763,282,458

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2016, 2015 and 2014, the Group had the following ratios:

	2016	2015	2014
Current ratio	302%	342%	295%
Debt-to-equity ratio	99%	87%	66%
Net debt-to-equity ratio	49%	46%	23%
Asset-to-equity ratio	230%	219%	194%

As of December 31, 2016, 2015 and 2014, the Group had complied with all externally imposed capital requirements (Notes 20 and 21). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2016, 2015 and 2014.

The Group considers as capital the equity attributable to equity holders of the Group. The following table shows the component of the Group's equity which it manages as capital as of December 31, 2016, 2015 and 2014:

	2016	2015	2014
Total paid-up capital	₱43,802,565,725	₱42,158,532,614	₱31,889,760,221
Deposits for future stock subscription (Note 7)	—	—	5,153,850,644
Retained earnings	36,953,581,723	30,483,778,682	24,593,203,951
Treasury shares	(6,917,014,956)	(6,297,793,026)	—
Other comprehensive income (loss)	1,111,006,329	742,530,256	(125,273,391)
Non-controlling interest	1,545,167,378	2,878,040,833	2,745,698,984
	₱76,495,306,199	₱69,965,089,359	₱64,257,240,409



Financial Risk Assessment

The Group's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by regularly availing of short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

Exposure to foreign currency holdings are as follows:

	2016	2015
Cash and cash equivalents	US\$6,195,197	US\$48,806,149
AFS financial assets	162,494,525	153,160,980
HTM investments	419,380,701	287,325,972
Notes payable	(584,642,263)	(518,888,566)

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

24. Interest Income and Interest and Other Financing Charges

Below are the details of interest income:

	2016	2015	2014
Installment contracts receivable	₱609,080,060	₱672,339,166	₱728,341,032
Accretion of unamortized discount (Note 10)	33,562,135	37,942,404	32,307,635
	642,642,195	710,281,570	760,648,667
Cash and cash equivalents and short-term investments (Notes 8 and 9)	143,350,393	110,473,069	196,873,219
HTM investments (Note 9)	721,024,942	482,511,647	242,144,060
	864,375,335	592,984,716	439,017,279
	₱1,507,017,530	₱1,303,266,286	₱1,199,665,946

Interest and other financing charges consist of:

	2016	2015	2014
Interest expense on:			
Bank loans (Note 20)	₱898,383,961	₱1,625,206,609	₱1,236,243,521
Notes payable (Note 21)	3,866,156,523	2,301,995,739	1,478,691,180
	4,764,540,484	3,927,202,348	2,714,934,701
Amounts capitalized (Notes 11 and 14)	(2,606,768,817)	(2,114,794,175)	(1,400,462,510)
Accretion of unamortized discount (Note 18)	71,169,719	64,987,041	75,280,869
Interest cost on benefit obligation (Note 28)	7,324,790	64,012,545	13,287,418
	₱2,236,266,176	₱1,941,407,759	₱1,403,040,478



The capitalization rate used to determine the borrowings eligible for capitalization is 6.47% in 2016, 12.24% in 2015 and 9.71% in 2014.

25. Miscellaneous Income

Miscellaneous income mostly pertains to income from forfeited reservation fees and partial payments from customers whose sales contracts are cancelled before completion of required down payment (Note 19).

This also includes the operating income from the malls such as reimbursable expenses.

To conform with the 2016 presentation, the Group reclassified the excess of reimbursable light and water expenses amounting ₱159.34 million and ₱131.09 million previously deducted from “Occupancy costs” to miscellaneous income in 2015 and 2014, respectively (Note 26).

26. Costs and Expenses

Cost of real estate sales

Cost includes acquisition cost of subdivision land, construction and development cost and capitalized borrowing costs. Cost of real estate sales recognized for the years ended December 31, 2016, 2015 and 2014 amounted to ₱12,321.00 million, ₱12,253.89 million and ₱11,032.28 million, respectively (Note 11).

Operating expenses

This account consists of:

	2016	2015	2014
Commissions	₱1,376,399,761	₱1,247,561,867	₱1,207,335,847
Salaries, wages and employees benefits (Notes 28)	1,281,718,370	1,247,618,013	973,646,773
Advertising and promotions	1,129,111,882	1,317,186,308	1,465,341,815
Depreciation and amortization (Notes 14, 15 and 17)	1,029,980,066	798,919,810	722,140,062
Repairs and maintenance (Note 14)	836,619,978	756,898,068	701,366,395
Occupancy costs (Notes 25 and 34)	715,360,838	591,121,951	539,115,142
Taxes and licenses	461,211,182	282,585,300	249,059,216
Professional fees	300,101,628	305,200,669	249,373,403
Representation and entertainment	86,656,689	125,947,227	129,932,712
Transportation and travel	73,495,820	114,250,464	121,451,828
Office expenses	39,597,211	56,259,898	44,779,613
Provision for impairment losses on receivables (Note 10)	1,974,771	50,544,672	5,394,498
Miscellaneous	262,281,221	157,479,117	177,017,138
	₱7,594,509,417	₱7,051,573,364	₱6,585,954,442



Operating expenses represent the cost of administering the business of the Group. These are recognized when the related services and costs have been incurred.

Rent expenses

The Group entered into various lease agreements for administrative and selling purposes. These agreements are renewed on an annual basis with advanced deposits. Rent expenses included under “Occupancy costs” amounted to ₱136.74 million, ₱142.71 million and ₱171.21 million in 2016, 2015 and 2014, respectively (Note 34).

Miscellaneous expenses

Miscellaneous expenses include dues and subscriptions, donations and other expenditures.

27. Other Expenses

This account consists of foreign exchange losses amounting ₱25.69 million, ₱7.02 million and ₱29.29 million in 2016, 2015 and 2014, respectively.

28. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2016	2015	2014
Current service cost (Note 26)	₱83,952,065	₱133,810,647	₱89,506,451
Interest cost (Note 24)	7,324,790	14,091,148	16,353,996
Total pension expense	₱91,276,855	₱147,901,795	₱105,860,447

Funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

	2016	2015	2014
Defined benefit obligation	₱532,630,210	₱491,637,680	₱632,840,548
Plan assets	(434,496,381)	(377,164,819)	(320,844,860)
Liability recognized in the consolidated statements of financial position	₱98,133,829	₱114,472,861	₱311,995,688



Changes in the combined present value of the combined defined benefit obligation are as follows:

	2016	2015	2014
Balance at beginning of year	₱491,637,680	₱632,840,548	₱473,458,705
Transfer in	(13,215,360)	–	9,408,241
Current service cost	83,952,065	133,810,647	89,506,451
Interest cost	22,847,291	28,683,671	32,010,427
Elimination arising from disposed subsidiary	–	–	(9,352,497)
Actuarial gain	(52,591,466)	(303,697,186)	37,809,221
Balance at end of year	₱532,630,210	₱491,637,680	₱632,840,548

Changes in the fair value of the combined plan assets are as follows:

	2016	2015	2014
Balance at January 1	₱377,164,819	₱320,844,860	₱250,700,633
Interest income included in net interest cost	15,522,501	14,592,524	15,656,431
Actual return excluding amount included in net interest cost	2,172,478	(7,338,319)	(529,907)
Contributions	39,636,583	49,065,754	55,017,703
Balance at December 31	₱434,496,381	₱377,164,819	₱320,844,860

The movements in the combined net pension liabilities follow:

	2016	2015	2014
Balance at beginning of year	₱114,472,862	₱311,995,688	₱222,758,072
Pension expense	91,276,855	147,901,795	105,860,447
Transfer in	(13,215,360)	–	9,408,241
Elimination arising from disposed subsidiary	–	–	(9,352,497)
Total amount recognized in OCI	(54,763,945)	(296,358,868)	38,339,128
Contributions	(39,636,583)	(49,065,754)	(55,017,703)
Balance at end of year	₱98,133,829	₱114,472,861	₱311,995,688

The Group immediately recognized to OCI any actuarial gains and losses.

The assumptions used to determine the pension benefits for the Group are as follows:

	2016	2015	2014
Discount rates	5.51%	5.65%	4.54%
Salary increase rate	7.75%	7.75%	9.00%



The distribution of the plan assets at year end follows:

	2016	2015	2014
Assets			
Cash	₱213,444,809	₱122,890,077	₱59,605,041
Investments in private companies	198,399,874	202,148,585	—
Investments in government securities	27,126,277	51,215,649	259,210,683
Receivables	2,112,871	2,159,162	2,086,354
	441,083,831	378,413,473	320,902,078
Liability			
Trust fee payable	552,834	320,546	244,563
Net plan assets	₱440,530,997	₱378,092,927	₱320,657,515

The carrying amounts disclosed above reasonably approximate fair value at year-end. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The actual return on plan assets amounted to ₱2.17 million, ₱7.34 million and ₱0.53 million in 2016, 2015 and 2014, respectively.

The net unrealized gains on investments in government securities amounted to ₱1.82 million, ₱2.16 million and ₱2.09 million as of December 31, 2016, 2015 and 2014, respectively.

The Group expects to contribute ₱55.02 million to its retirement fund in 2017.

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as at December 31, 2013, assuming if all other assumptions were held constant.

	Rates	PVO
Discount rate	5.51%	+1% (₱424,982,613)
		-1% 621,330,187
Salary increase	7.75%	+1% ₱621,980,963
		-1% (423,677,825)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Union Bank's (UB) current strategic investment strategy consists of 47.29% of cash, 6.33% of investments in government securities, 45.89% of investment in private companies and 0.49% receivables. For the Group other than UB, the principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

29. Income Tax

Provision for income tax consists of:

	2016	2015	2014
Current:			
RCIT/MCIT	₱1,218,757,113	₱887,669,604	₱929,270,192
Final	7,914,896	9,356,228	23,672,659
Deferred	355,563,409	103,973,660	(211,511,669)
	₱1,582,235,418	₱1,000,999,492	₱741,431,182



The components of the Group's deferred taxes are as follows:

Net deferred tax assets:

	2016	2015	2014
Deferred tax assets on:			
NOLCO	₱2,911,709	₱9,613,462	₱14,458,816
Unrealized foreign exchange losses	20,826,711	—	—
Excess of tax basis over book basis of deferred gross profit on real estate sales	397,686,311	258,901,652	229,043,040
Allowance for probable losses	6,614,982	—	3,607,800
Accrual of retirement costs	21,649,338	20,365,354	14,756,290
Allowance for impairment losses on land and improvements	—	2,519,137	2,259,705
Carry forward benefit of MCIT	—	72,742	—
Deferred tax component of OCI	10,427,970	6,639,768	—
Unamortized discount on receivables	4,075,483	5,857,946	2,024,217
	464,192,504	303,970,061	266,149,868
Deferred tax liabilities on:			
Excess of book basis over tax basis of deferred gross profit on real estate sales	2,358,131	1,187,878	9,287,035
Capitalized interest and other expenses	8,829,861	—	—
Deferred tax component of OCI	15,825,541	12,758,126	—
	27,013,533	13,946,004	9,287,035
	₱437,178,971	₱290,024,057	₱256,862,833

Net deferred tax liabilities:

	2016	2015	2014
Deferred tax assets on:			
Excess of book basis over tax basis of deferred gross profit on real estate sales	₱559,451	₱1,990,319	₱4,949,970
Allowance for impairment losses on land and improvements	56,259,059	49,796,496	64,959,897
Allowance for probable losses	105,145,815	82,443,193	82,443,193
Accrual of retirement costs	70,267,721	100,089,396	76,013,491
Carryforward benefit of MCIT	14,914,385	19,470,784	38,714,143
Unamortized discount on receivables	7,487,835	17,074,606	16,455,606
NOLCO	50,582,310	60,247,102	50,086,744
Unrealized foreign exchange losses	—	—	—
Straight line lease adjustment	83,357,101	77,494,142	70,671,168
Deferred tax component of OCI	(14,297,532)	1,105,277	—
Others	—	19,682,261	19,750,777
	374,276,145	429,393,576	424,044,989

(Forward)



	2016	2015	2014
Deferred tax liabilities on:			
Excess of book basis over tax basis of deferred gross profit on real estate sales	₱1,320,017,722	₱1,188,315,051	₱1,771,822,647
PAS 17 Rental Income	615,532,454	286,239,613	94,898,323
Capitalized interest and other expenses	410,868,230	364,574,878	119,970,571
Deferred tax component of OCI	24,320,764	66,832,511	—
Fair Value Adjustments - Malay	23,619,214	24,415,579	—
Discount on rawlands payable	21,373,197	1,017,419	1,017,419
Unamortized bond transaction cost	13,809,483	35,165,647	44,827,287
Retirement Expense	9,630,024		701,867
Unrealized foreign exchange gain	747,265	—	6,104,039
	2,439,918,353	1,966,560,698	2,039,342,153
	(₱2,065,642,208)	(₱1,537,167,122)	(₱1,615,297,164)

As of December 31, 2016, 2015 and 2014, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2016	2015	2014
NOLCO	₱4,503,058,091	₱158,263,294	₱3,909,907,916
Accrual of retirement cost	30,476,159	5,868,838	13,997,716
MCIT	6,545,367	2,543,371	4,106,220
Post-employment benefit obligation	1,497,145	630,361	14,080,913
Allowance on probable losses	26,742,003	—	26,742,003
Unrealized foreign exchange loss	11,925,344	—	—
	₱4,580,244,109	₱167,305,864	₱3,968,834,768

The related unrecognized deferred tax assets on these deductible temporary differences amounted to ₱1,378.65 million, ₱51.97 million and ₱1,193.52 million as of December 31, 2016, 2015 and 2014, respectively.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2016, the details of the unused tax credits from the excess of the MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

NOLCO

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱1,297,633,329	(₱1,297,633,329)	₱—	2016
2014	1,578,172,076	(62,683,883)	1,515,488,193	2017
2015	1,562,731,542	—	1,562,731,542	2018
2016	1,589,720,373	—	1,589,720,373	2019
	₱6,028,257,320	(₱1,360,317,212)	₱4,667,940,108	



MCIT

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱16,577,145	(₱16,577,145)	₱–	2016
2014	16,221,217	(10,937,783)	5,283,434	2017
2015	20,696,410	–	20,696,410	2018
2016	6,570,554	–	6,570,554	2019
	₱60,065,326	(₱27,514,928)	₱32,550,398	

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2016	2015	2014
Provision for income tax computed at the statutory income tax rate	30.00%	30.00%	29.83%
Additions to (reductions in) income tax resulting from:			
Nondeductible interest and other expenses	5.65	5.06	6.12
Change in unrecognized deferred tax assets	17.65	(12.20)	(8.39)
Tax-exempt income	(29.42)	(11.31)	(33.83)
Expired MCIT and NOLCO	(3.95)	(0.04)	4.02
Interest income already subjected to final tax	(0.04)	(0.22)	(0.44)
Equity in net loss of an associate	–	–	13.55
Others	(3.56)	0.61	(0.32)
Provision for income tax	16.33%	11.90%	10.54%

Board of Investments (BOI) Incentives

The BOI issued in favor of certain subsidiaries in the Group a Certificate of Registration as Developer of Mass Housing Projects for its 11 projects in 2016, 5 projects in 2015 and 17 projects in 2014, in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects have been granted an Income Tax Holiday for a period of either three years for new projects, or four years for expansion projects, commencing from the date of issuance of the Certificate of Registration.

30. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to herein as “affiliates”). Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group’s policy is to settle its intercompany receivables and payables on a net basis.



The consolidated statement of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) to related parties as of December 31, 2016 and 2015:

December 31, 2016

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Fine Properties, Inc.	Ultimate Parent	Nontrade Receivables	₱245,474,309	₱2,880,040,145	Non-interest bearing	Unsecured
All Value Group	Entities under Common Control	Nontrade Receivables	23,020,397	941,544,680	Non-interest bearing	Unsecured, No impairment
Golden Haven Memorial Park, Inc.	Entities under Common Control	Nontrade Receivables	(1,115,430)	85,716,091	Non-interest bearing	Unsecured, No impairment
Althorp Holdings, Inc.	Common Control	Nontrade Payable	223,540,009	9,368,542	Non-interest bearing	Unsecured
			₱490,919,285	₱3,916,669,458		

December 31, 2015

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
Fine Properties, Inc.	Ultimate Parent	Nontrade Receivables	(₱156,171,890)	₱2,634,565,836	Non-interest bearing	Unsecured
All Value Group	Entities under Common Control	Nontrade Receivables	117,083,006	918,524,283	Non-interest bearing	Unsecured, No impairment
Golden Haven Memorial Park, Inc.	Entities under Common Control	Nontrade Receivables	–	86,831,521	Non-interest bearing	Unsecured, No impairment
Althorp Holdings, Inc.	Common Control	Nontrade Payable	(214,171,467)	(214,171,467)	Non-interest bearing	Unsecured
			(₱253,260,351)	₱3,425,750,173		

Terms and conditions of transactions with related parties

The US\$125 million Notes issued by VII on February 2, 2016 and the US\$300 million Notes issued by VII are unconditionally and irrevocably guaranteed by the Parent Company and its Subsidiaries. No fees are charged for these guarantee agreements.

The ₱5,150.00 million Corporate Notes issued by the Parent Company on February 2, 2016 are unconditionally and irrevocably guaranteed by Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc. No fees are charged for these guarantee agreements.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. These principally consist of dividends, advances, reimbursement of expenses and management income. As of December 31, 2016 and 2015 the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Except as stated in Notes 20 and 21 to the consolidated financial statements, there have been no guarantees provided or received for any related party receivables or payables.

The compensation of key management personnel by benefit type follows:

	2016	2015	2014
Short-term employee benefits	₱129,966,238	₱99,131,155	₱93,390,694
Post-employment benefits	39,221,549	16,331,896	15,738,284
	₱169,187,787	₱115,463,051	₱109,128,978



31. Earnings Per Share and Non-controlling Interest

The following table presents information necessary to compute the EPS:

	2016	2015	2014
Basic and Diluted EPS			
Net income attributable to equity holders of Parent	₱7,906,941,679	₱7,031,723,340	₱6,156,162,273
Weighted average common shares	11,695,512,230	11,307,484,341	12,654,891,796
Earnings per share	₱0.676	₱0.622	₱0.486

There were no potential dilutive common shares for the years ended December 31, 2016, 2015 and 2014.

As of December 31, 2016, 2015 and 2014, the accumulated balances of and net income attributable to non-controlling interests follows:

	2016	2015	2014
Accumulated balances:			
Starmalls Group	₱1,348,688,755	₱2,692,595,308	₱2,609,905,920
Manuela	196,478,623	185,445,525	135,793,064
Share in dividend			
Starmalls Group	21,367,435	—	—
Net income attributable to:			
Starmalls Group	179,100,462	81,340,194	115,656,734
Manuela	14,325,779	73,939,422	14,625,451
Other comprehensive income attributable to:			
Starmalls Group	(934,178)	1,349,193	12,009,157
Manuela	(3,292,680)	(24,286,960)	—

32. Fair Value Determination

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents and short-term cash investments: Due to the short-term nature of the account, the fair value of cash and cash equivalents and short-term cash investments approximate the carrying amounts in the consolidated statements of financial position.



Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 1.57% to 3.79% in 2016 and 1.20% to 5.80% in 2015.

Other receivables: Due to the short-term nature of the account, the fair value of other receivables approximates the carrying amounts.

Receivables from related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

AFS financial assets: For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

The AFS financial assets carried at cost are preferred shares of a utility company issued to the Group as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units. The said preferred shares have no active market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

For shares in open ended investment companies, fair value is by reference to net asset value per share.

HTM investments: The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date.

Investment properties: The valuation techniques adopted for the measurement of fair values are the market approach for the land and cost approach for the buildings and building improvements.

Accounts and other payables: fair values of accounts and other payables approximate their carrying amounts in the consolidated statement of financial position due to the short-term nature of the transactions.

Payables to related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

Bank loans, loans payable, notes payable and liabilities for purchased land: Estimated fair values of bank loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 2.45% to 7.45% for 2016 and 2.67% to 8.03% in 2015



The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities recognized as of December 31, 2016 and 2015:

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets measured at fair value:				
AFS financial assets - fixed maturity bond funds	₱8,079,227,776	₱—	₱—	₱8,079,227,776
AFS financial assets - equity securities	3,774,100,001	—	3,204,170	3,777,304,171
Assets for which fair values are disclosed:				
Installment contract receivables	—	—	29,157,814,080	29,157,814,080
Investment properties - land	—	28,344,294,702	—	28,344,294,702
HTM investments	20,915,051,920	—	—	20,915,051,920
Liabilities				
Financial liabilities measured at fair value	—	—	—	—
Bank loans	—	—	36,462,525,254	36,462,525,254
Loans payable	—	—	39,525,115,571	39,525,115,571
Liabilities for purchased land	—	—	3,276,611,919	3,276,611,919

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets measured at fair value:				
AFS financial assets - fixed maturity bond funds	₱7,244,717,725	₱—	₱—	₱7,244,717,725
Assets for which fair values are disclosed:				
Installment contract receivables	—	—	26,430,215,542	26,430,215,542
Investment properties - land	—	28,258,460,602	—	28,258,460,602
HTM investments	14,127,412,000	—	—	14,127,412,000
Liabilities				
Financial liabilities measured at fair value				
Bank loans	—	—	30,539,740,751	30,539,740,751
Loans payable	—	—	30,428,907,668	30,428,907,668
Liabilities for purchased land	—	—	2,460,957,759	2,460,957,759

In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include installments contracts receivables and long-term cash investments. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Installment contracts receivables	Discounted cash flow analysis	Discount rate
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence

33. Financial Asset and Liabilities

Financial Risk Management Objectives and Policies

Financial risk

The Group's principal financial liabilities comprise of bank loans, loans payable, notes payable, accounts and other payables and liabilities for purchased land. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and short-term, long-term cash investments, HTM investments and AFS financial assets which arise directly



from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Cash flow interest rate risk

The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing for the years 2016 and 2015:

	December 31, 2016	
	Effective Interest Rate	Amount
Financial assets		
<i>Fixed rate</i>		
Cash and cash equivalents (excluding cash on hand)	0.10% to 0.50%	₱8,879,974,838
Short-term cash investments	1.37% to 2.50%	99,998,562
HTM investments	1.33% to 3.12%	20,851,608,453
Installment contracts receivable	1.33% to 3.50%	29,157,514,308
		₱58,989,096,161
Financial liabilities		
<i>Fixed rate</i>		
Notes payable	4.25% to 12.00%	₱39,525,115,572
Bank loans	3.57% to 11.50%	36,087,242,292
Loans payable	1.50% to 10.00%	3,887,252,607
Liabilities for purchased land	1.49% to 2.38%	3,537,672,591
		₱83,037,283,062



	December 31, 2015	
	Effective Interest Rate	Amount
Financial assets		
<i>Fixed rate</i>		
Cash and cash equivalents (excluding cash on hand)	1.00 to 2.00%	₱6,018,262,065
Short-term cash investments	3.50% to 5.00%	2,097,301,354
HTM investments	0.81% to 26.57%	13,521,560,251
Installment contracts receivable	1.20% to 5.80%	26,430,215,542
		₱48,067,339,212
Financial liabilities		
<i>Fixed rate</i>		
Notes payable	7.67% to 8.53%	₱30,428,907,668
Bank loans	6.17% to 8.03%	30,539,740,751
Loans payable	6.00% to 8.03%	3,694,889,102
Liabilities for purchased land	0.73% to 3.52%	3,283,224,268
		₱67,946,761,789

As of December 31, 2016 and 2015, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 36.56% and 29.57% of the debt of the Group as of December 31, 2016 and 2015, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the bonds in 2016 and 2015.

Below are the carrying values and the amounts in US\$ of these foreign currency denominated financial assets and liabilities.

	December 31, 2016	
	Peso	US\$
Cash and cash equivalents	₱308,025,195	US\$6,195,197
Short-term cash investments	—	—
AFS financial assets	8,079,227,783	162,494,525
HTM investments	20,851,608,454	419,380,701
Notes payable	(29,068,413,316)	(584,642,263)
	December 31, 2015	
	Peso	US\$
Cash and cash equivalents	₱2,286,285,862	US\$48,582,360
Short-term cash investments	—	—
AFS financial assets	7,207,755,771	153,160,980
HTM investments	13,521,560,242	287,325,972
Notes payable	(24,418,895,915)	(518,888,566)

In translating the foreign currency- denominated monetary assets in peso amounts, the Philippine Peso - US dollar exchange rates as of December 31, 2016 and 2015 used were ₱49.72 to US\$1.00 and ₱47.06 to US\$1.00.



The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's 2016 and 2015 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2016 and 2015:

	December 31, 2016	
	Increase/ Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1.44%	1,362,943
	-1.44%	(1,362,943)
Short-term cash investments	+1.44%	—
	-1.44%	—
HTM investments	+1.44%	92,263,754
	-1.44%	(92,263,754)
AFS financial assets	+1.44%	35,748,795
	-1.44%	(35,748,795)
Notes payable	+1.44%	(128,621,298)
	-1.44%	128,621,298

	December 31, 2015	
	Increase/ Decrease in US Dollar rate	Effect on income before tax
Cash and cash equivalents	+1.08%	24,777,004
	-1.08%	(24,777,004)
Short-term cash investments	+1.08%	23,079,911
	-1.08%	(23,079,911)
HTM investments	+1.08%	78,112,100
	-1.08%	(78,112,100)
AFS financial assets	+1.08%	146,536,246
	-1.08%	(146,536,246)
Notes payable	+1.08%	(264,633,169)
	-1.08%	264,633,169

The assumed movement in basis points for foreign exchange sensitivity analysis is based on the currently observable market environment, showing no material movements as in prior years.

There are no items affecting equity except for those having impact on profit or loss.

Credit risk

The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivables is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of buyers.



With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents, short-term and long-term cash investments and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality because these are investments with the biggest electric utility company in the country.

The table below shows the comparative summary of maximum credit risk exposure on financial assets as of December 31, 2016 and 2015:

	2016			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	₱8,879,974,432	₱—	₱8,879,974,432	₱—
Short-term cash investments	99,998,562	—	99,998,562	—
Receivables				
Installment contracts receivables	28,123,412,383	36,892,198,739	—	28,123,412,383
Others	9,811,601,814	—	9,811,601,814	—
	46,914,987,191	36,892,198,739	18,791,574,808	28,123,412,383
HTM investments	20,851,608,454	—	20,851,608,454	—
AFS Financial Assets				
Investments in fixed maturity bond funds	8,079,227,776	—	8,079,227,776	—
Investments in unquoted equity shares	96,248,934	—	96,248,934	—
	₱75,942,072,355	₱36,892,198,739	₱47,818,659,972	₱28,123,412,383
	2015			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand)	₱6,018,262,065	₱—	₱6,018,262,065	₱—
Short-term cash investments	2,097,301,354	—	2,097,301,354	—
Receivables				
Installment contracts receivables	26,430,215,542	32,737,769,428	—	26,430,215,542
Others	7,824,245,579	—	7,824,245,579	—
	42,370,024,540	32,737,769,428	15,939,808,998	26,430,215,542
HTM investments	13,521,560,251	—	13,521,560,251	—
AFS Financial Assets				
Investments in fixed maturity bond funds	7,244,717,725	—	7,244,717,725	—
Investments in unquoted equity shares	134,248,934	—	134,248,934	—
	₱63,270,551,450	₱32,737,769,428	₱36,840,335,908	₱26,430,215,542



Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.
As of December 31, 2016 and 2015, the aging analyses of past due but not impaired receivables, presented per class are as follows:

December 31, 2016

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Installment contract receivables	₱25,309,207,745	₱315,834,095	₱416,439,292	₱245,423,707	₱1,716,217,290	₱2,693,914,384	₱120,290,254	₱28,123,412,383
Other receivables	6,259,366,612	857,881,681	83,737,811	48,887,078	2,288,675,792	3,279,182,362	273,052,840	9,811,601,814
Total	₱31,568,574,357	₱1,173,715,776	₱500,177,103	₱294,310,785	₱4,004,893,082	₱5,973,096,746	₱393,343,094	₱37,935,014,197

December 31, 2015

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Installment contract receivables	₱23,560,431,718	₱626,810,465	₱144,927,131	₱233,299,126	₱1,727,693,757	₱2,732,730,479	₱137,053,345	₱26,430,215,542
Other receivables	5,295,923,162	183,518,426	243,904,405	201,722,975	2,036,229,956	2,665,375,762	255,251,044	8,216,549,968
Total	₱28,856,354,880	₱810,328,891	₱388,831,536	₱435,022,101	₱3,763,923,713	₱5,398,106,241	₱392,304,389	₱34,646,765,510

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high.



The tables below show the credit quality of the Group's financial assets as of December 31, 2016 and 2015, gross of allowance for impairment losses:

December 31, 2016

	Neither past due nor impaired			Total	Past due but not impaired	Impaired	Total
	High grade	Medium grade	Low grade				
Cash and cash equivalents (excluding cash on hand)	₱8,879,974,432	₱—	₱—	₱8,879,974,432	₱—	₱—	₱8,879,974,432
Short-term cash investments	99,998,562	—	—	99,998,562	—	—	99,998,562
Receivables							
Installment contracts receivable	25,004,080,861	258,330,503	46,796,381	25,309,207,745	2,693,914,384	120,290,254	28,123,412,383
Others	6,259,366,612	—	—	6,259,366,612	3,279,182,362	273,052,840	9,811,601,814
Long-term cash investments	—	—	—	—	—	—	—
Total loans and receivables	40,243,420,467	258,330,503	46,796,381	40,548,547,351	5,973,096,746	393,343,094	46,914,987,191
HTM investments	20,851,608,453	—	—	20,851,608,453	—	—	20,851,608,453
AFS Financial Assets							
Investments in fixed maturity bond funds	8,079,227,776	—	—	8,079,227,776	—	—	8,079,227,776
Investments in unquoted equity shares	96,248,934	—	—	96,248,934	—	—	96,248,934
	₱69,270,505,630	₱258,330,503	₱46,796,381	₱69,575,632,514	₱5,973,096,746	₱393,343,094	₱75,942,072,354

December 31, 2015

	Neither past due nor impaired			Total	Past due but not impaired	Impaired	Total
	High grade	Medium grade	Low grade				
Cash and cash equivalents (excluding cash on hand)	₱6,018,262,065	₱—	₱—	₱6,018,262,065	₱—	₱—	₱6,018,262,065
Short-term cash investments	2,097,301,354	—	—	2,097,301,354	—	—	2,097,301,354
Receivables							
Installment contracts receivable	16,436,061,334	5,463,761,674	25,325,730	21,925,148,738	2,732,730,479	1,532,336,325	26,190,215,542
Others	5,288,954,130	—	—	5,288,954,130	2,665,375,762	262,220,076	8,216,549,968
Long-term cash investments	—	—	—	—	—	—	—
Total loans and receivables	29,840,578,883	5,463,761,674	25,325,730	35,329,666,287	5,398,106,241	1,794,556,401	42,522,328,929
HTM investments	13,521,560,251	—	—	13,521,560,251	—	—	13,521,560,251
AFS Financial Assets							
Investments in fixed maturity bond funds	7,244,717,725	—	—	7,244,717,725	—	—	7,244,717,725
Investments in unquoted equity shares	134,248,934	—	—	134,248,934	—	—	134,248,934
	₱50,741,105,793	₱5,463,761,674	₱25,325,730	₱56,230,193,197	₱5,398,106,241	₱1,794,556,401	₱63,422,855,839



High grade cash and cash equivalents and short-term and long-term cash investments are money market placements and working cash fund placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant. Installment contract receivables under bank-financing are assessed to be high grade since accounts under bank-financing undergone credit evaluation performed by two parties, the Group and the respective bank, thus credit evaluation underwent a more stringent criteria resulting to higher probability of having good quality receivables.

Medium grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group's experience, its loans and receivables are highly collectible or collectible on demand. The receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the "Real estate inventories" account in the consolidated statement of financial position amounted to ₱190.40 million, ₱758.01 million and ₱467.92 million as of December 31, 2016, 2015 and 2014, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2016 and 2015.

Equity Price Risk

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment in mutual funds classified as AFS financial assets. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.



In 2016, the Group determined the reasonably possible change in index using the specific adjusted data for each equity security the Group holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in market value of AFS financial assets):

	Change in NAV per Share	Impact on Equity
December 31, 2016	+9.51%	₱3,004,878
	-9.51%	(3,004,878)
	Change in NAV per Share	Impact on Equity
December 31, 2015	+7.64%	₱2,824,230
	-7.64%	(2,824,230)

The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2016 and 2015 based on undiscounted contractual payments, including interest receivable and payable.

December 31, 2016

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
<i>Loans and receivables</i>					
Cash and cash equivalents	₱5,699,507,743	₱3,203,030,195	₱—	₱—	₱8,902,537,938
Short-term cash investments	—	—	96,944,262	—	96,944,262
Receivables from related parties	—	—	3,916,669,458	—	3,916,669,458
Receivables					
Installment contracts receivables	9,865,911,150	3,137,785,500	6,893,212,488	8,226,503,245	28,123,412,383
Others	6,012,800,077	990,381,496	2,808,420,241	—	9,811,601,814
Long-term cash investment	—	—	—	—	—
HTM investments	—	—	1,709,730,739	19,141,877,715	20,851,608,454
<i>AFS Financial Assets</i>					
Investments mutual funds	—	254,929,521	1,537,597,600	6,286,700,655	8,079,227,776
Investments in unquoted equity shares	96,248,934	—	—	—	96,248,934
Total undiscounted financial assets	₱21,674,467,904	₱7,586,126,712	₱16,962,574,788	₱33,655,081,615	₱79,878,251,019
Financial Liabilities					
<i>Financial liabilities at amortized cost</i>					
Bank loans	₱4,760,773	₱23,246,444	₱5,936,148,446	₱30,498,369,589	₱36,462,525,252
Loans payable	3,537,672	286,147,688	832,862,703	2,764,704,543	3,887,252,606
Liabilities for purchased land	475,421,547	352,118,432	1,018,500,974	1,809,275,473	3,655,316,426
Accounts payable and other payables	5,593,805,022	1,421,696,692	1,018,500,975	2,145,165,315	10,179,168,004
Notes payable	—	208,061,469	259,561,469	5,047,000,000	5,514,622,938
Total undiscounted financial liabilities	₱6,077,525,014	₱2,291,270,725	₱9,065,574,567	₱42,264,514,920	₱59,698,885,226



December 31, 2015

	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial Assets					
<i>Loans and receivables</i>					
Cash and cash equivalents	₱5,263,434,561	₱779,621,875	₱—	₱—	₱6,043,056,436
Short-term cash investments	—	—	2,097,301,354	—	2,097,301,354
Receivables from related parties	—	—	3,450,908,441	—	3,450,908,441
<i>Receivables</i>					
Installment contracts receivables	1,041,641,598	2,051,685,782	14,010,871,913	9,326,016,249	26,430,215,542
Others	3,305,740,034	2,973,294,317	1,545,211,228	—	7,824,245,579
Long-term cash investment	—	—	—	—	—
<i>HTM investments</i>	—	—	—	13,521,560,251	13,521,560,251
<i>AFS Financial Assets</i>					
Investments mutual funds	7,244,717,725	—	—	—	7,244,717,725
Investments in unquoted equity shares	134,248,934	—	—	—	134,248,934
Total undiscounted financial assets	₱16,989,782,852	₱5,804,601,974	₱21,104,292,936	₱22,847,576,500	₱66,746,254,262
Financial Liabilities					
<i>Financial liabilities at amortized cost</i>					
Bank loans	₱61,494,697	₱762,223,814	₱12,911,064,635	₱16,804,957,605	₱30,539,740,751
Loans payable	3,699,824	75,568,680	263,803,473	3,351,817,125	3,694,889,102
Liabilities for purchased land	18,879,176	304,929,526	882,596,001	2,076,819,565	3,283,224,268
Accounts payable and other payables	2,828,920,422	4,232,844,323	2,055,952,130	859,648,692	9,977,365,567
Notes payable	—	—	735,422,926	29,693,484,742	30,428,907,668
Total undiscounted financial liabilities	₱2,912,994,119	₱5,375,566,343	₱16,848,839,165	₱52,786,727,729	₱77,924,127,356

34. Lease Commitments

The Group as Lessee

The Group has entered into noncancelable operating lease agreements for its several branch offices with terms of one to five years. The lease agreements include escalation clauses that allow a reasonable increase in rates. The leases are payable on a monthly basis and are renewable under certain terms and conditions.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2016 and 2015 follow:

	2016	2015
Within one (1) year	₱235,916,879	₱169,488,621
After 1 year but not more than five (5) years	882,978,925	2,698,720,436
	₱1,118,895,804	₱2,868,209,057

Rent expense included in the statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 amounted to ₱136.70 million, ₱142.71 million and ₱171.21 million, respectively (Note 26).

The Group as Lessor

The Group has entered into property leases on its investment property portfolio, consisting of the Group's surplus office spaces. These noncancelable leases have remaining lease terms of below fifteen (15) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.



Future minimum rentals receivable under noncancelable operating leases as of December 31, 2016 and 2015 follow:

	2016	2015
Within 1 year	₱2,265,562,198	₱1,246,280,635
After 1 year but not more than 5 years	8,846,993,112	2,214,310,948
More than 5 years	7,002,260,095	893,246,101
	₱18,114,815,405	₱4,353,837,684

Rental income included in the statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 amounted to ₱4,375.33 million, ₱2,367.88 million and ₱1,567.76 million, respectively (Note 24).

35. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing and financing activities pertain to the following:

- Transfers from land and improvements to real estate inventories amounting ₱1,652.12 million, ₱4,056.79 million and ₱2,187.79 million in 2016, 2015 and 2014, respectively.
- Transfers from property and equipment to investment property amounting to ₱62.72 million in 2015 and ₱12.09 million in 2014. There are no transfers in 2016.
- Purchase of land that are payable from one to three years amounting ₱609.93 million, ₱2,606.29 million, and ₱3,016.21 million in 2016, 2015 and 2014, respectively.
- In 2016, pension liability amounting ₱13.22 million was transferred to a related party.

Under the receivable discounting arrangements, the Group applies collections from installment contracts receivables against loans payable. The group considers the turnover of the receipts and payments under this type of arrangement as quicker and relatively shorter. Where the Group considers a quick turnaround, the receipts and payments are reported on a net basis. The effects on the cash flows arising from financing activities presented on a net basis follow:

	2016	2015	2014
Proceeds from loans payable	₱2,243,997,645	₱3,003,541,462	₱1,558,940,173
Collection of installment contract receivables	(1,839,906,656)	(1,970,343,823)	(2,017,760,661)
Proceeds from loans payable -net	₱404,090,989	₱1,033,197,639	(₱458,820,488)

	2016	2015	2014
Payments of loans payable	(₱1,839,906,656)	(₱1,970,343,823)	(₱2,017,760,661)
Collection of installment contract receivables	1,839,906,656	1,970,343,823	2,017,760,661
Payments of loans payable - net	₱-	₱-	₱-



36. Commitments and Contingencies

The Group has entered into several contracts with contractors for the development of its real estate properties. As of December 31, 2016 and 2015, these contracts have an estimated aggregate cost of ₱8,728.40 million and ₱10,409.89 million, respectively. These contracts are due to be completed on various dates starting January 2014 up to December 2020.

The progress billings are settled within one year from date of billings. These are unsecured obligations and carried at cost.

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect in the Group's financial position and results of operations.

37. Approval of the Financial Statements

The consolidated financial statements of the Group as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the BOD on March 20, 2017.

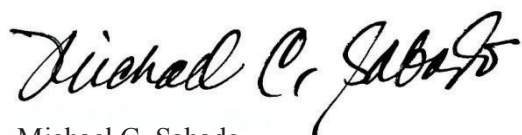


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.
3rd Level Starmall Las Piñas
CV Starr Avenue, Philamlife Village
Pamplona, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and its subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 and have issued our report thereon dated March 20, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of Vista Land & Lifescapes, Inc. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until April 30, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908755, January 3, 2017, Makati City

March 20, 2017



VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**SCHEDULE A: FINANCIAL ASSETS****DECEMBER 31, 2016**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents and Short-term cash investments	N/A	₱8,140,357,790	₱8,140,357,790	₱41,133,386
Installment contracts receivables	N/A	28,123,412,383	28,123,412,383	748,223,975
Investments in Held to Maturity and Available-for-sale financial assets	N/A	20,900,526,910	20,485,068,075	513,908,925
Total Financial Assets		₱57,164,297,083	₱56,748,838,248	₱1,303,266,286

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND
PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

NOT APPLICABLE

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

**SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Converted to APIC/Capital Stock	Current	Noncurrent	Balance at end of period

NOT APPLICABLE - NO TRADE AND NON-TRADE TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**SCHEDULE D: INTANGIBLE ASSETS****DECEMBER 31, 2016**

Description	Beginning balance	Additions	Amount of Amortization	Current	Not Current	Ending balance
Systems development cost	₱18,326,426	₱35,148,803	(₱2,094,969)	₱—	₱51,380,260	₱51,380,260

See Note 17 of the Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest rates	Amount	Number of periodic installments	Maturity date
Notes payable	₱3,100,000,000	—	₱1,089,021,541	7.27%	₱1,089,021,541	Quarterly Interest payments; 17 quarterly principal payments starting April 2013	April 25, 2017
Notes payable	\$100,000,000	—	₱2,809,639,312	6.75%	₱2,809,639,312	Semi-annual interest payments; bullet on principal	October 17, 2018
Notes payable	\$225,000,000	—	₱8,126,223,850	7.45%	₱8,126,223,850	Semi-annual interest payments; bullet on principal	April 29, 2019
Notes payable	\$300,000,000	—	₱13,483,032,769	7.375%	₱13,483,032,769	Semi-annual interest payments; bullet on principal	June 17, 2022
Notes payable	₱5,000,000,000	—	₱4,910,326,351	5.65% 5.94%	₱4,910,326,351	Semi-annual interest payments; bullet on principal	April 29, 2019
Notes payable	₱500,400,000	₱4,652,684	₱6,011,161	5.00%	₱10,663,845	Quarterly interest payments; bullet on principal	November 19, 2017
		₱4,652,684	₱30,424,254,984		₱30,428,907,668		

See Note 21 of the Consolidated Financial Statements

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS****DECEMBER 31, 2016**

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES**SCHEDULE H: CAPITAL STOCK****DECEMBER 31, 2016**

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock, P1 par value	16,900,000,000	12,507,024,653	—	8,181,013,353	517,175,161	3,808,836,139
Preferred Stock, P0.01 par value	10,000,000,000	3,300,000,000	—	3,300,000,000	—	—

See Note 23 of the Consolidated Financial Statements

VISTA LAND AND LIFESCAPES, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

[which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations]
effective as of December 31, 2016:

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5, Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7, Servicing Contracts	✓		
	Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27, Equity Method in Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures*	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34, Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine*			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.

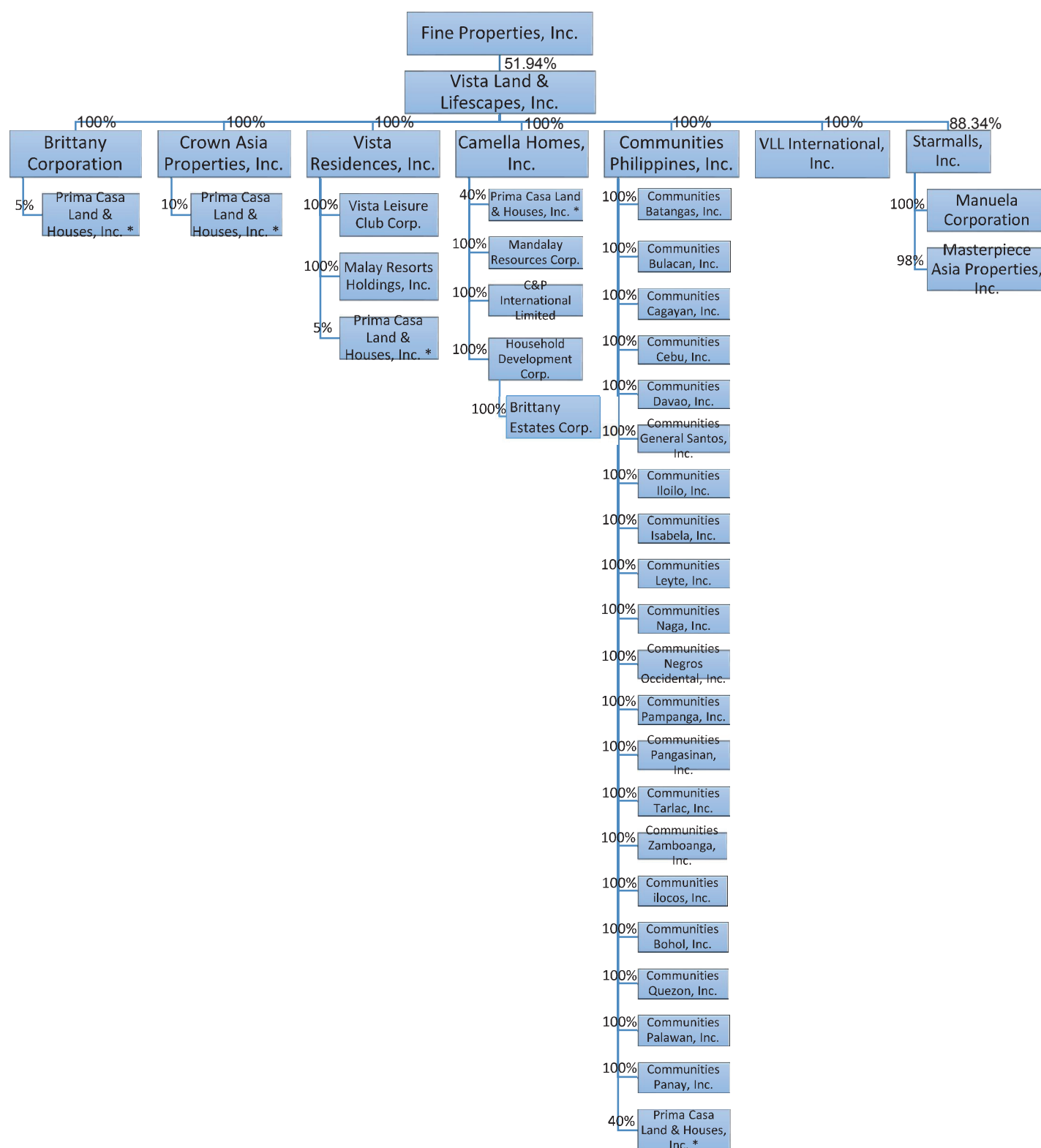
VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2016

Unappropriated retained earnings, beginning	₱2,982,517,612
Add: Net income during the year closed to retained earnings	2,237,056,746
Net income actually earned/realized during the period	5,219,574,358
Less: Dividend declarations during the year	(1,437,138,638)
Treasury Shares	(1,538,726,219)
TOTAL RETAINED EARNINGS, END	
AVAILABLE FOR DIVIDEND DECLARATION	₱2,243,709,501



Group Structure

Below is the map showing the relationship between and among group and its Ultimate parent company, and its subsidiaries as of December 31, 2016.



**Vista Land's combined ownership in Prima Casa Land & Houses, Inc. is 100%.*

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
DECEMBER 31, 2016

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2016, 2015 and 2014.

		2016	2015	2014
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.28	3.42	2.94
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	0.94	0.87	0.58
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.43	0.40	0.34
Debt to equity ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total equity}}$	0.99	0.87	0.66
Net debt to equity ratio	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.49	0.46	0.23
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.28	2.19	1.95
Interest service coverage ratio	$\frac{\text{EBITDA}}{\text{Total interest paid}}$	2.68	2.70	3.28
Asset to liability ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	1.78	1.84	2.06

¹ Pertains to long term portion of the Bank loans, Loans payable and Notes payable

² Includes Bank loans, and Notes payable

³ Interest bearing debt less Cash and cash equivalents, Short-term and Long-Term cash investments, AFS (quoted debt securities) and HTM

*Not early adopted.

HOMEBUILDER BONDS*Schedule and Use of Proceeds**As of December 31, 2016*

	PER PROSPECTUS	ACTUAL	COLLECTED as of December 31, 2016
Estimated proceeds from the sale of the Bonds	Php 500,400,000.00	Php 370,787,500.00	Php 8,332,500.00
Less: Estimated expenses			
SEC Registration			
SEC Registration Fee	1,187,500.00	1,199,425.00	
SEC Legal Research Fee	11,875.00	-	
Underwriting and Other Professional Fees			
Financial Advisory, Issue Management and			
Underwriting Fee	12,510,000.00	11,749,005.37	
Legal Fee - Underwriter	1,275,000.00	1,380,938.00	
Legal Fee - Issuer	2,000,000.00	1,325,962.20	
Marketing/Printing/Photocopying	750,000.00	422,735.94	
Costs and out-of-pocket expenses			
Trustee and Custodian Fees	720,000.00	720,000.00	
Registry and Calculating Agency Fees	4,920,000.00	4,920,000.00	
Collecting and Paying Agent Fees	1,500,000.00	1,500,000.00	
Technology Fee	400,000.00	400,000.00	
Documentary Stamp Tax	2,502,000.00	2,502,000.00	
Audit Fee	3,696,000.00	5,082,000.00	
	-	2,700.00	
	31,472,375.00	31,204,766.51	-
Net proceeds to Vista Land & Lifescapes, Inc.	Php 468,927,625.00	Php 339,582,733.49	Php 8,332,500.00

Balance of proceeds as of December 31, 2016**Php 8,332,500.00**

Vista Land sold P500.4 million of the Bonds on its initial offering. Six months prior to maturity, bondholders have the following options for their accumulated investments: (1) Apply as downpayment to Vista property; (2) Payout; and (3) Extend for another 2 years. On December 1, 2015, the Bonds matured and 398 bondholders were paid in cash for a total of P363.51 million and 20 bondholders extended for another 2 years. After issue-related expenses and payout, actual net collection amounted to P8.33 million as of December 31, 2016. The net collection were deposited in the bank and is part of the Cash and cash equivalents balance in the balance sheet as of December 31, 2016.

P5B RETAIL BONDS*Schedule and Use of Proceeds**As of December 31, 2016*

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	53,763,441.00	53,763,441.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,812,500.00	1,830,625.00
SEC Legal Research Fee	18,125.00	18,125.00
Publication Fee	150,000.00	150,000.00
Rating Agency Fee	3,360,000.00	3,000,000.00
Legal Fees (excluding OPE)	3,000,000.00	3,075,867.29
Trustee's Opening Fee	20,000.00	20,000.00
Listing Fee	150,000.00	150,000.00
Marketing and Signing Ceremony Expenses	800,000.00	1,255,214.84
Bond-related Expenses		261,670.76
	<u>88,074,066.00</u>	<u>88,524,943.89</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>4,911,925,934.00</u>	4,911,475,056.11
Amortization of Bond Issue Cost		22,751,308.15
Balance as of December 31, 2016		<u>4,934,226,364.26</u>

Vista Land sold P5 billion of the Bonds. After issue-related expenses, actual net collection amounted to P4.934 billion.

ADDITIONAL ANNEXES TO THE FINANCIAL STATEMENTS

Additional Annexes to the 2016 Consolidated Audited Financial Statements

Schedule A – Financial Assets

Additional Annexes to the Consolidated Unaudited Interim Financial Statements as of 31 March 2017

Schedule of Financial Soundness Indicators

Vista Land & Lifescapes, Inc.
Schedule A - Financial Assets
December 31, 2016

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARES OR PRINCIPAL AMOUNT OF BONDS AND NOTES	AMOUNT SHOWN IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION AT END OF REPORTING PERIOD	INCOME RECEIVED AND ACCRUED
Cash and cash equivalents and Short- term cash investments	N/A	Php 9,002,536,500	Php 9,002,536,500	143,350,393
Installment contracts receivables	N/A	28,075,066,246	Php 28,075,066,246	642,642,195
HTM debt securites	\$ 406,896,700	20,851,608,454	Php 20,915,051,920	721,024,942
AFS - equity quoted	1	69,588,143	69,588,143	0
AFS - equity unquoted	2,591,567	96,248,934	96,248,934	0
AFS - Debt securities	N/A	8,079,227,776	8,079,227,776	0
Total Financial Assets		Php 66,174,276,053	Php 66,237,719,519	Php 1,507,017,530

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the period ended March 31, 2017 and 2016.

		Mar-31-17	Dec-31-16
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2.79	3.28
Long-term debt-to-equity ratio	$\frac{\text{Long-term debt}^1}{\text{Equity}}$	0.84	0.94
Debt ratio	$\frac{\text{Interest bearing debt}^2}{\text{Total assets}}$	0.42	0.43
Debt to equity ratio	$\frac{\text{Interest bearing debt}}{\text{Total equity}}$	0.97	0.99
Net debt to equity	$\frac{\text{Net debt}^3}{\text{Total equity}}$	0.49	0.49
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	2.29	2.28
		Mar-31-17	Mar-31-16
EBITDA to total interest	$\frac{\text{EBITDA}}{\text{Total interest}}$	3.20	2.72
Price Earnings Ratio	$\frac{\text{Market Capitalization}^4}{\text{Net Income}^5}$	9.00	6.28
Asset to liability ratio	$\frac{\text{Total assets}}{\text{Total liabilities}}$	1.77	1.78
Net profit margin	$\frac{\text{Net profit}}{\text{Sales}}$	32%	32%
Return on assets	$\frac{\text{Net income}^5}{\text{Total assets}}$	5.1%	4.8%
Return on equity	$\frac{\text{Net income}^5}{\text{Total equity}}$	11.8%	10.9%
Interest Service Coverage Ratio	$\frac{\text{EBITDA}}{\text{Total interest}}$	3.20	2.72

¹ Pertains to long term portion of the Bank loans and Notes Payable

² Includes Bank Loans and Notes Payable

³ Interest bearing debt less Cash, Short-term and Long Term Cash Investments, Available-for-sale financial assets (excluding unquoted equity securities) & Held-to-Maturity Investments

⁴ Based on closing price at March 31, 2017 and 2016

⁵ Annualized

HOMEBUILDER BONDS
Schedule and Use of Proceeds
As of March 31, 2017

AS of March 31, 2017

	PER PROSPECTUS		ACTUAL		COLLECTED as of March 31, 2017	
Estimated proceeds from the sale of the Bonds	Php	500,400,000.00	Php	370,787,500.00	Php	8,493,725.63
Less: Estimated expenses						
SEC Registration						
SEC Registration Fee		1,187,500.00		1,199,425.00		
SEC Legal Research Fee		11,875.00		-		
Underwriting and Other Professional Fees						
Financial Advisory, Issue Management and Underwriting Fee		12,510,000.00		11,749,005.37		
Legal Fee - Underwriter		1,275,000.00		1,380,938.00		
Legal Fee - Issuer		2,000,000.00		1,325,962.20		
Marketing/Printing/Photocopying		750,000.00		422,735.94		
Costs and out-of-pocket expenses						
Trustee and Custodian Fees		720,000.00		720,000.00		
Registry and Calculating Agency Fees		4,920,000.00		4,920,000.00		
Collecting and Paying Agent Fees		1,500,000.00		1,500,000.00		
Technology Fee		400,000.00		400,000.00		
Documentary Stamp Tax		2,502,000.00		2,502,000.00		
Audit Fee		3,696,000.00		5,082,000.00		
		-		2,700.00		
		31,472,375.00		31,204,766.51		-
Net proceeds to Vista Land & Lifescapes, Inc.	Php	468,927,625.00	Php	339,582,733.49	Php	8,493,725.63
Balance of proceeds as of March 31, 2017					Php	8,493,725.63

Vista Land sold P500.4 million of the Bonds on its initial offering. Six months prior to maturity, bondholders have the following options for their accumulated investments: (1) Apply as downpayment to Vista property; (2) Payout; and (3) Extend for another 2 years. On December 1, 2015, the Bonds matured and 398 bondholders were paid in cash for a total of P363.51 million and 20 bondholders extended for another 2 years. After issue-related expenses and payout, actual net collection amounted to P8.49 million as of March 31, 2017. The net collection were deposited in the bank and is part of the Cash and cash equivalents balance in the balance sheet as of March 31, 2017.

P5B Retail Bonds
Schedule and Use of Proceeds
As of March 31, 2017

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	<u>5,000,000,000.00</u>	<u>5,000,000,000.00</u>
Less: Estimated expenses		
Arranger's Fee	53,763,441.00	53,763,441.00
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration Fee	1,812,500.00	1,830,625.00
SEC Legal Research Fee	18,125.00	18,125.00
Publication Fee	150,000.00	150,000.00
Rating Agency Fee	3,360,000.00	3,000,000.00
Legal Fees (excluding OPE)	3,000,000.00	3,075,867.29
Trustee's Opening Fee	20,000.00	20,000.00
Listing Fee	150,000.00	150,000.00
Marketing and Signing Ceremony Expenses	800,000.00	1,255,214.84
Bond-related Expenses		261,670.76
	<u>88,074,066.00</u>	<u>88,524,943.89</u>
Net proceeds to Vista Land & Lifescapes, Inc.	<u>4,911,925,934.00</u>	<u>4,911,475,056.11</u>
Balance as of March 31, 2017		4,911,475,056.11

Vista Land sold P5 billion of the Bonds. After issue-related expenses, actual net collection amounted to P4.911 billion.