SEC Number 152249
CODE NO. PR-005
File Number ________

1

ARANETA PROPERTIES, INC.
Company's Full Name

21st Floor Citibank Tower, Paseo de Roxas, Makati City
Company's Address

(632) 848-1501 to 04
Telephone Number

December 31
Calendar Year Ending
(month & day)

17-A ANNUAL REPORT
Amended
(Form Type)

____
(Amendment Designation (if applicable)

December 31, 2016
(Period Ended Date)

Registered and Listed
(Secondary License Type and File Number)

ARANETA PROPERTIES, INC.
21st Floor Citibank Tower, Paseo de Roxas Makati City
Philippines

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION17OF THESECURITIES REGULATION CODE ANDSECTION 141OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended: **December 31, 2016**

2. SEC Identification Number: **152249**

3. BIR Tax Identification No. **000-840-355**

4.Exact name of registrant as specified in its charter:
ARANETA PROPERTIES, INC.

5. **Makati City, Philippines**
 Province, Country or other jurisdiction of
 Incorporation or organization

6. (SEC Use Only)
 Industry Classification Code:

7. **21/F Citibank Tower, Paseo de Roxas, Makati City** 1227.
 (Address of Principal Office) (Postal Code)

8. **(632) 848-1501 to 04**
 (Registrant's telephone number, including area code)

9. **Not applicable**
 (Former name, former address and former fiscal year, if changed since last report)

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common - - - - -Php1.00par value	**1,951,387,570 shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange

 Yes **(x)** No ( )

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).

Yes (**x**)   No ( )

(b) has been subject to such filing requirements for the past 90 days.

Yes (**x**)   No ( )

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

a. Total number of shares held by non-affiliates as of
December 31, ,2016 ---**476,532,818 shares**

b. Closing price of the registrant's share on the exchange
as of December 29, 2016 ------**PhP1.12 per share**

c. Aggregate market price
as of December 31, 2016 ---**PhP533,716,756.16**

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

15. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [x]   No [ ] Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

16. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

None

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Business Development

Araneta Properties, Inc. (the "Company" or "ARA") is a publicly listed corporation in the Philippine Stock Exchange with real estate development as its primary purpose. The Company was formerly known as Integrated Chrome Corporation (INCHROME) which was organized on June 15, 1988. The principal business was to mine chrome ore and produce ferro silicon metal or commonly known as ferrochrome. INCHROME stopped its smelter operations in January 1996 because of the depressed ferrochrome market and increasing production costs. In September 1996, the stockholders and the Board of Directors approved the following changes in the Company's business and structure:

1) Change in the corporate name from INCHROME to Araneta Properties, Inc.;
2) Change in the primary purpose of business to land and property development and maintain the smelter operations as a secondary purpose;
3) Removal of stockholders' pre-emptive right to subscribe with respect to issuance of shares of stock of the Company from un-issued portion of the authorized capital stock, including increases thereof;
4) Change in par value from P0.30 to P1 per share;
5) Increase in authorized capital stock from P300,000,000 (divided into 1 billion shares with a par value of P0.30 per share) to P5,000,000,000 (divided into 5 billion shares with a par value of P1 per share); and
6) Removal of classification of shares of stock.

Since its inception, the Company has not gone through any bankruptcy, receivership or similar proceeding. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On November12, 2015 Board of Directors meeting the board unanimously approved the private placement of Gregorio Araneta Inc. The use of the proceeds from said placement is to boast the Company's land banking activity

On November 17, 2015 Gregorio Araneta, Inc., a corporation duly registered with Securities and Commission and with business address located at 6th Floor, Suite A, Adamson Center Centre, 121 LP Leviste Streets, Salcedo Village, Makati City, subscribed and paid three hundred ninety million two hundred seventy seven thousand five hundred (390,277,500) shares at P1.12 per share for the aggregate amount of Philippine Pesos: Four hundred thirty seven million one hundred ten thousand eight hundred (P437,110,800.00).

Business of Issuer

As at end of December 31, 2016 the total lots sold by the Company is ***Nine Hundred Nineteen Thousand Five Hundred Thirty Four*** (919,534) square meters of developed lots to Three Thousand Eight Hundred Four (4,572) buyers.

Phase 3, Phase 3A and Phase 3B, has been opened to buyers with more or less total aggregate lot area of Three Hundred Eighteen Thousand Eight Hundred Four (318,804) square meters.

The project engineer in-charge of the over-all Project development has reported that Phase 1, Phase 2 and Phase 3 are 100%, 100% and 93.00%, respectively complete. While the Country Club is 100% complete as of December 31, 2016.

As part of the land banking activities of the Company started in year 2012 total land acquisitions as of December 31, 2016 detailed as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
Marga Dev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	199,863,053.00	230,611,215.00
Sub-total	***2,326,403***	***899,934,051.05***	***699,322,836.05***	***230,611,215.00***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***362,583,800.00***	*-0-*	***362,583,800.00***
Total (Sn Jose Del Monte)	**3,167,646**	**1,262,517,851.05**	**669,322,836.05**	**593,195,015.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et all	225,752	61,032,240.00	30,964,280.00	30,067,960.00
Total land banking	**3,450,609**	**1,352,155,591,05**	**728,892,616.05**	**623,262,975.00**

On June 5, 2003 ARA signed a Joint Venture Agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) to develop the Company's 2,364,082 square meters property being described in the master plan which consists of Class A Residential and Commercial Subdivision with a Country Club. The developer gave a period of not more than two (2) years for the project implementation of the commercial subdivision. The Company hired Orchard Property Marketing Corp to handle the sales and marketing of said joint venture project.

Pursuant to the Joint Venture Agreement between the Company and the Sta. Lucia Realty and Development, Inc. (SLRDI), the Company being the owner of the land is entitled to forty percent (40%) of the net proceeds; in case of a Cash Override, or forty percent (40%) of the saleable, in case of lot override, while the SLRDI is entitled to sixty percent (60%) on Cash or lot override as it has to carry the masterplan and implement it including all the required development such road preparation, drainage system, pavement of roads, curbs, gutters, sidewalks, water systems, deepwell or water tank, electrical system, perimeters or security walls, planting of trees or landscaping, and development of park ways or open spaces at their own cost.

No problem is foreseen as far as suppliers are concerned, since all the materials needed for property development are 100% available locally.

There are no other transactions with and/or dependence on related parties.

The Company is the only establishment holding such large area of land in contiguous lots. The management positively believes that there will be no such "competitor/s" seen in the near future within the geographic area for the reason that there are no more such large quantity of land easy to consolidate for "Commercial, Residential and Mixed" project like the **Ayala Business District of Makati**, the Trinoma of Quezon City, the **Fil-Invest of Ayala Alabang** or the **Nuvali of Sta. Rosa City**. Thus, competition or such is no longer an issue in the business operation of the Company.

As mentioned above the business of the Company is developing more or less 2,364,082 square meters property in San Jose Del Monte Bulacan, and the inclusion of more or less 2,326,403 square meters of parcels of land described above. The Company has already consolidated more or less 4,690,485 square meter as at end of December 31, 2016, and with the potential for acquisition of 841,243 square meter which is presently the negotiation is in process

The percentage of revenues during each of the last three fiscal year, are as follows:

Particulars	Year 2016	Year 2015	Year 2014
Sale from Real Estate	134,877,756	93,284,365	204,697,130
Cost of Land	66,876,325	31,869,647	34,352,430
Percentage to revenue	49.58%	34.16%	16.78%

Note:

There is an increase in sales in Year 2016 by 44% as compared with that of the previous year the reason for the increase is brought about by the Project Percentage of Completion (PPOC) being use in the accounting of sales and revenue .

Government Approvals and Regulations

Since the primary business of the Company is to develop and sell real properties, it needs the following governmental approvals are needed:

1) Environmental Clearance Certificate – (Approved ECC),
2) Locational Clearance Certificate – (Approved LCC for Lot 13, approximately 96 hectares).
3) Effect of existing or probable governmental regulation on the business - None

Human Resources

As December 31, 2016 the total number of officers, managers, consultants and regular employees of the Company are as follows:

Legal officers	1
Managers	6
Consultants	3
Supervisors, Rank and File	47
Total number of employees	57

Employees & consultants described above does not include stock-transfer agent as well as external auditors.

The above employees of the Company are not subject to Collective Bargaining Agreement and have not experienced any conflict between employees and with the management for the past three (3) years. At present there are no supplemental benefits or incentive arrangements that the Company has or will have with its employees

Financial Instruments and Capital Management

In General Management

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, receivables and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables, AFS investments, accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. As of December 31, 2016 and 2015, the Company has minimal exposure to any significant foreign currency risk because most of its financial instruments are denominated in Philippine peso. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial asset and as such, has no material impact to the financial statements. The BOD reviews and approves the policies for managing each of these risks such as:

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

Certain Issues or Issuers

***Investment Company Securities*.**
On June 5, 2003 ARA signed a Joint Venture Agreement with SLRDI to develop the Company's 2,364,082 square meters property being described in the master plan as a Class "A" Residential and Commercial Subdivision with Country Club. The JV appointed Orchard Property Marketing Corporation to handle the marketing plan and strategy for the sales of said joint venture project.

Land banking activities- Sn Jose Del Monte Bulacan
In August 24, 2012 signed a contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract excludes Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years the contract is already fully paid

On December 19, 2012, the company signed another contract to acquire land from BDO Strategic Holdings, Inc. located also in San Jose Del Monte, Bulacan, with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters. The contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum, the acquisition contract is already fully paid.

On February 21, 2014 the company signed a memorandum of understanding to acquire land located at Barrio Tungkong Mangga, City of San Jose Del Monte Bulacan with a total area of

Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest, the contract is fully paid as at end of December 31, 2016.

On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest payable until September 16, 2020, and

Land banking activities-City of Laoag, Ilocos Norte

On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019.

On November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meters.

ITEM 2 PROPERTIES

DESCRIPTION OF PROPERTIES

San Jose del Monte, Bulacan Property

Size and Location - The property of the Company consists of 2,364,082 sq.m. of prime land most of which are located in Barrio Tungkong Mangga, San Jose del Monte, Bulacan, and bounded by Caloocan City on the southwest, Quezon City on the South, Montalban on the East and San Jose del Monte on the northeast. The 236.408 hectares of prime land subject of the above discussion do not include the 232.640 hectares of land already acquired as at end of December 31, 2016 making the total consolidated lot area of 4,690,485 square meters, and with highly potential to acquire is the more or less 841,243 square meters to complement additional expansion which the negotiation is still in progress.

Access - The main road leading to the property is the Quirino Highway. It can be easily be reached via Gregorio Araneta Avenue which runs for about 6 kms. from the southwest entrance in Kalookan City to the northeast point of the development site. In the near future, the proposed C-6 (from the Bicutan junction of the South Luzon Tollway to North Luzon Tollway in Marilao, Bulacan) will either cut through the property or pass right next to it.

Likewise, the proposed North Luzon Expressway East (which will connect C-5 to Nueva Ecija and will run parallel to North Luzon Toll Way) will pass nearby. The Quezon City LRT (from Welcome Rotonda through Commonwealth Avenue and its proposed extension via Quirino Highway to Norzaragay) and the EDSA LRT will provide faster, easier access to and from Metro Manila.

What It Looks Like - The rolling terrain rises gently from the SW entrance to the NE tip, reaching a height of 280 meters at its highest point. From there one can see the Capitol Hills area nearby and Manila Bay farther out in the distance. Most of the property (approximately 65%) has a slope of less than ten degrees, which is suitable to commercial and residential development. About 25% of the land has a 10-20 degree slope, which presents constraints to commercial development but is suited to housing. Some 10% of the terrain has a 20-30 degree slope, making it fit mostly for hillside housing. From the air, one can see the Marilao River running along the eastern and southern boundaries of the site. Much of it now is grassland, with some areas planted to crops and mango groves. A few spots of heavy vegetation exist. Surrounding the property - and keeping it free from pollution - are the Angat and La Mesa watersheds.

Utilities - Electricity is provided by Manila Electric Company. Philippine Long Distance Telephone Company and Digitel share the telecommunications franchise in the area. Water comes from underground sources and the San Jose del Monte Sapang Palay filtration plant. Over the long run, however, the water needs of the developed property will be supplied by a MWSS aqueduct connected to Angat River and coursed through an in-site filtration plant.

The above properties are recorded in the balance sheet as Real estate inventories

<u>Smelting Plant Property - Existing Smelting Plant</u>

The Company has an existing smelting plant built on a 5 hectare land located within the Poblacion of Barrio Patag, Manticao, Misamis Oriental. This plant was shut down in 1996 when the production of ferrochrome in the country was no longer competitive with the decreasing world market price and the increasing production costs.

Size and Location of Land - The property consists of 17.3 hectare of industrial/residential land with 5 hectare smelting plant and about 1 hectare residential lot with (2) story staff-house built on it and located along the national highway of Cagayan de Oro City to Iligan City and within the Poblacion of Barrio Patag, Manticao, Misamis Oriental adjacent to the plant. This property formed part of the "Investment property" account in the balance sheet.

The Company is currently in discussion with the management of Platinum Group Metal Corporation (PGMC) with respect to the existing terms of the installment receivable.

On January 24, 2005, the Company entered into a contract of sale with Platinum Group Metal Corporation (PGMC) for the sale of the non-operating properties for a total agreed price of ₱

150.0 million. In accordance with the agreement, the Company received ₱2.0 million on the initial signing of contract on January 24, 2005 together with checks dated April 24, 2005 and July 24, 2005 which amounted to ₱3.0 million and ₱5.0 million, respectively. The remaining balance of the purchase price will be received in monthly installments starting January 24, 2006. The sale of the non-operating properties resulted in a gain amounting to ₱37.6 million in year 2005.

The investment property subject to an operating lease with a fair value of ₱242.20 million based on the prevailing market price as of December 31, 2016. For the year 2016, 2015 and 2014, the Company did not recognize the rent income from this lease arrangement as management assessed that it is not possible that the benefit associated with the transaction will flow to the Company

<u>Land Banking Activities-San Jose Del Monte, Bulacan</u>

On August 24, 2012 the company entered a contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract excludes Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years. On December 19, 2012, the company signed another contract to acquire land from BDO Strategic Holdings, Inc. located at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters. The contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum. On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio Tungkong Mangga , City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.

<u>Land Banking Activities- City of Laoag, Ilocos Norte</u>

On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest. On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019, and on November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meter.

As at end of December 31, 2016 the Company has already consolidated more or less 2,326,403 square meters of parcels of land making to the total land area for expansion of 4,690,485 square meters not to include the potential acquisition of 841,243 square meter which is presently negotiation is in process.

The above properties are recorded in the balance sheet as Land Held for future development.

ITEM 3. LEGAL PROCEEDINGS

a) No legal proceeding was filed or is pending involving claims exceeding 10% of the current assets for or against the Company;

b) There were No 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 (2) years prior to that time;

c) There were No conviction by final judgment of competent court, including the nature of the offense, in a criminal proceedings, domestic or foreign or being subject to a pending criminal proceeding domestic foreign excluding traffic violations and other minor offenses;

d) There have been No order of 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 involvement in any type of business, securities, commodities, or banking activities, and

e) The company have not been found by a domestic or foreign court of competent Jurisdiction (in a civil action)commission or comparable foreign body, a domestic or foreign exchange, other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The stockholder's meeting of the Company was held last November 28, 2016at the 34th Floor Citibank Tower, Paseo de Roxas, Salcedo Village Makati City. At the said meeting, the Annual Report including the Financial Statement and the minutes of the meeting of the stockholders for the year 2014-2015and interim financial statements for the year 2016 were presented and approved by the stockholders present representing 61.48% of the outstanding shares entitled to vote. The Company also presented for approval the issuance of ARA Common Shares of up to 25% of the Company's Total Outstanding Capital Stock and the delegation to the Company's Board of Directors the determination of the terms and other details of the issuances. The majority of the minority shareholders present or represented during the meeting also approved to waive the conduct of a rights or public offering relative to the aforesaid issuance of common shares

The following were elected Directors of the Company for the year 2016-2017, namely: Gregorio Ma. Araneta III, Crisanto Roy B. Alcid, Cesar C. Zalamea, Alfonso M. Araneta, Luis M. Araneta, Santiago G. Araneta and as independent Directors, Perry L. Pe,Alfredo de Borja, and Mr. Alfredo D. Roa III.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY *and* RELATED STOCKHOLDERS MATTERS

(1) Market Information

(a) The principal market of the Company's shares of stocks is the Philippine Stock Exchange. The high and low sales price of the Company's shares for the last three (3) years are as follows:

	2015		2016	
	High	Low	High	Low
First Quarter	1.37	1.29	1.58	1.57
Second Quarter	1.34	1.20	2.18	2.13
Third Quarter	1.28	1.03	2.71	2.65
Fourth Quarter	1.19	1.06	2.35	2.35

(b) The closing prices of the Company's stock as of the latest practicable trading dates were as follows:

Year	Month/Date	Closing Price (in Php)
2017	March 15, 2017	P2.35
2017	February 28, 2017	P2.59
2017	January 31, 2017	P1.05

(2) The approximate number of shareholders as of December 31, 2016 is 2,208 shareholders and the top twenty (20) shareholders as of December 31, 2016 are the following:

1	PCD Nominee Corporation	Filipino	681,708,296	43.67%
2	Carmel Development Inc..	Filipino	499,999,997	32.03%
3	Gamma Properties, Inc	Filipino	136,000,000	8.71%
4	Olongapo Mabuhay Express Corp.	Filipino	124,855,422	8.00%
5	PCD Nominee Corporation	Other alien	84,546,166	5.42%
6	Brand Realty Corporation	Filipino	13,725,404	0.88%
7	Seafront Resources Corporation	Filipino	3,756,788	0.24%
8	MJ Soriano Trading, Inc.	Filipino	1,621,000	0.10%
9	Pedro O. Tan	Filipino	870,000	0.06%
10	Ruby D. Roa	Filipino	588,599	0.04%
11	Teresita Dela Cruz	Filipino	528,458	0.03%
12	Maria Cristina Dela Paz	Filipino	525,000	0.03%
13	Flora Pascual	Filipino	493,720	0.03%
14	Leonides Francisco Balmeo Lovell Redondo Bautista	Filipino Filipino	425,000 425,000	0.03% 0.03%
15	Luis V. Ongpin, JR ITF Victor Luis M. Ongpin	Filipino	411,000	0.03%
16	Pan Malayan Management & Investment Corp	Filipino	392,727	0.03%
17	Paolo Tuason	Filipino	376,500	0.02%
18	EBC Securities Corporation	Filipino	300,000	0.02%
19	Roque C. Gonzales	Filipino	291,000	0.02%
20	Rosanna Isable T. Torres	Filipino	255,000	0.02%
	Total **Add: Other Stockholders**		**1,552,095,077** **9,014,993**	**79.54%** **0.46%**
	Total Shares **Add: Gregorio Araneta, Inc. (non-public)**	 **Filipino**	**1,561,110,070** **390,277,500**	**80.00%** **20.00%**
	Total shares		**1,951,387,570**	**100.00%**

(3) Dividends

The Company has no restrictions that will limit the ability to pay dividends on common equity. But the Company, as a general rule, shall only declare from surplus profits as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

Since the Company has only started recognizing income, no dividends have been declared for the last three (3) years.

(4) Recent Sales of unregistered securities

a) No unregistered securities have been sold during the calendar year ended.
b) Underwriter and other purchases – Not applicable
c) Exemption from registration claimed – 10.1 (k) The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period.

On November 12, 2015 Board of Directors meeting the board unanimously approved the private placement of Gregorio Araneta Inc. The use of the proceeds from said placement is to boast the Company's land banking activity

On August November 17, 2015 Gregorio Araneta, Inc., a corporation duly registered with Securities and Commission and with business address located at 6th Floor, Suite A, Adamson Center Centre, 121 LP Leviste Streets, Salcedo Village, Makati City, subscribed and paid three hundred ninety million two hundred seventy seven thousand five hundred (390,277,500) shares at P1.12 per share for the aggregate amount of Philippine Pesos: Four hundred thirty seven million one hundred ten thousand eight hundred (P437,110,800.00).

ITEM 6 MANAGEMENT'S DISCUSSION and ANALYSIS OR PLAN OF OPERATION

(1) Management's Discussion and Status of Operation

2016

The performance of the Company in terms of sales volume has increase by as much as 140% the 134.878 million in 2016 as compared to 93.284 million in year 2015. This performance is directly attributed to the accounting of sales based on the Project Percentage of Completion (PPOC). The PPOC is the accounting standard used in the recognition of revenue in real estate business.

As of December 31, 2016, the residential area of Phase 1, Phase 2 and Phase 3 are 100%, 100% and 93.00% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

The Company started land banking in year 2012, total land acquisitions as of December 31, 2016 detailed as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	199,863,053.00	230,611,215.00
Sub-total	***2,326,403***	***899,934,051.05***	***699,322,836.05***	***230,611,215.00***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	*841,243*	*362,583,800.00*	*-0-*	*362,583,800.00*

Total (Sn Jose Del Monte)	**3,167,646**	**1,262,517,851.05**	**669,322,836.05**	**593,195,015.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et all	225,752	61,032,240.00	30,964,280.00	30,067,960.00
Total land banking	**3,450,609**	**1,352,155,591,05**	**728,892,616.05**	**623,262,975.00**

Key Performance Indicators

The Company operates in one business segment, the real estate. The following Key Performance Indicators were adopted by the corporation in order to measure the profitability of the Company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

	As of Dec 31, 2015	As of Dec 31, 2016
Current Ration (1)	18.7220: 1	18.6116 : 1
Debt to Equity Ratio (2)	1: 0.0385	1: 0.1755
Earnings per Share (3)	1: 0.0184	1: 0.01652
Earnings before interest and Income Taxes (4)	P50.100 million	P24,148 million
Return on Equity	0.0208	0.0089

1) Current Assets / Current Liabilities
2) Total Liabilities / Stockholders' Equity
3) Net Income / Outstanding Shares
4) Net Income plus Interest Expenses and Provision for Income Tax
5) Net Income / Average Stockholder's Equity

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporate has made a significant impact resulted to a sales increased . There are no known trends, events or uncertainties with significant impact on net sales, or income that will have a material impact on liquidity or that would trigger direct or contingent liability, including default or acceleration of obligation other than what was mentioned in the Plan of Operation, The Company has not found any future cash flow problem that would trigger the default or breach of note, loan, lease or other indebtedness or financing arrangement requiring it to make payments of any significant amount. None the trade payables have been unpaid within the staled trade terms. There were no material deficiency in any nature identified and there were no internal and external source of liquidity.

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

There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

There were material commitments for capital expenditures specifically the acquisition of parcels of land in relation to Company's land banking activity details of which already described above.

There are no known trends events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no material change from period to period including vertical and horizontal analyses of any material item, except for land acquisition the details of which is already described in the above captioned land banking activity.

2015

The performance of the Company in terms of sales volume dropped by as much as 54% as compared to P204.697 million of the year 2014. This performance is directly attributed to marketing strategies being implemented specifically the holding on of some Inventory for much better price.

As of December 31, 2015, the residential area of Phase 1, Phase 2 and Phase 3 are 99.96%, 99.97% and 93.00% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

The Company started land banking in year 2012, total land acquisitions as of December 31, 2015 detailed as follows:

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	66,256	9,475,646.47	9,475,645.47	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Sub-total	***1,763,583***	***471,739,029.52***	***471,739,029.52***	-0-
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Insular Life Insurance Co.,	581,500	348,900.000.00	Under negotiation	348,900,000.00
Philippine National Bank	1.237.000	742.200.000.00	Under negotiation	742,200,000.00
Sub-total	*2,659,743*	*1,353,684,600.00*		*1,353,684,600.00*

Total (Sn Jose Del Monte)	**4,423,326**	**1,825,423,626.52**	**471,739,029.52**	**1,353,684,600.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	Under negotiation	28,605,500.00
Almazan et all	225,752	61,032,240.00	30,964,280.00	30,067,960.00
Total land banking	**4,706,289**	**1,915,061,366.52**	**502,703,309.52**	**1,412,358,057.00**

Key Performance Indicators

The Company operates in one business segment, the real estate. The following Key Performance Indicators were adopted by the corporation in order to measure the profitability of the Company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

	As of Dec 31, 2015	As of Dec 31, 2014
Current Ration (1)	18.7220 : 1	1.2336 : 1
Debt to Equity Ratio (2)	1: 0.0385	1: 0.2305
Earnings per Share (3)	1: 0.0184	1: 0.0384
Earnings before interest and Income Taxes (4)	P50.100 million	P117.897 million
Return on Equity	0.0208	0.0755

1) Current Assets / Current Liabilities
2) Total Liabilities / Stockholders' Equity
3) Net Income / Outstanding Shares
4) Net Income plus Interest Expenses and Provision for Income Tax
5) Net Income / Average Stockholder's Equity

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporate has made a significant impact resulted to a sales increased . There are no known trends, events or uncertainties with significant impact on net sales, or income that will have a material impact on liquidity or that would trigger direct or contingent liability, including default or acceleration of obligation other than what was mentioned in the Plan of Operation, The Company has not found any future cash flow problem that would trigger the default or breach of note, loan, lease or other indebtedness or financing arrangement requiring it to make payments of any significant amount. None the trade payables have been unpaid within the staled trade terms. There were no material deficiency in any nature identified and there were no internal and external source of liquidity.

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

There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

There were material commitments for capital expenditures specifically the acquisition of parcels of land in relation to Company's land banking activity details of which already described above.

There are no known trends events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no material change from period to period including vertical and horizontal analyses of any material item, except for land acquisition the details of which is already described in the above captioned land banking activity.

2014

The performance of the Company in terms of sales performs well with revenue of 179%higher as compared with that of the year 2013. This performance is a result of marketing strategies being implemented specifically the market price indicators showing significant jumped into a higher price per square meter, the said trend is brought about by the new real estate company introduced within the locality. The strategy includes deferment of full opening to market the land inventory resulted to much better price.

As of December 31, 2014, the residential area of Phase 1, Phase 2 and Phase 3 are 99.96%, 99.97% and 84.70% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

As of December 31, 2014 the Land Banking expansion program of the company acquired the following parcels of land:

Name of Seller	Lot area	Location
Don Manuel Corporation	410,377 square meters	Sn Jose Del Monte, Bulacan
BDO Strategic Holdings	926,550 square meters	Sn Jose Del Monte, Bulacan
Marga Capital Holdings, Inc.	360,000 square meters	Sn Jose Del Monte, Bulacan

Key Performance Indicators

The Company operates in one business segment, the real estate. The following Key Performance Indicators were adopted by the corporation in order to measure the profitability of the Company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

	As of Dec 31, 2014	As of Dec 31, 2013
Current Ration (1)	1.4770 : 1	2.2811 : 1
Debt to Equity Ratio (2)	1: 0.2374	1: 0.2422
Earnings per Share (3)	1: 0.0671	1: 0.0082
Earnings before interest and Income Taxes (4)	P182.078 million	P33.837 million
Return on Equity	0.0780	0.0077

6) Current Assets / Current Liabilities
7) Total Liabilities / Stockholders' Equity
8) Net Income / Outstanding Shares
9) Net Income plus Interest Expenses and Provision for Income Tax
10) Net Income / Average Stockholder's Equity

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporate has made a significant impact resulted to a sales increased . There are no known trends, events or uncertainties with significant impact on net sales, or income that will have a material impact on liquidity or that would trigger direct or contingent liability, including default or acceleration of obligation other than what was mentioned in the Plan of Operation, The Company has not found any future cash flow problem that would trigger the default or breach of note, loan, lease or other indebtedness or financing arrangement requiring it to make payments of any significant amount. None the trade payables have been unpaid within the staled trade terms. There were no material deficiency in any nature identified and there were no internal and external source of liquidity.

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

There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

There were material commitments for capital expenditures specifically the acquisition of parcels of land as a result of land banking activity details of which already described above.

There are no known trends events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no material change from period to period including vertical and horizontal analyses of any material item, except for land acquisition the details of which is already described in the above captioned land banking activity.

(2) Analysis of Financial Condition and Results of Operations.

The full detail of the analysis of financial condition and results of operations is stated in the audited financial statement which is form part of this report.

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 months or less from dates of placement and are subject to an insignificant risk of change in value.

The carrying amounts of cash and cash equivalents approximate fair values primarily due to relatively short-term maturity of these financial instruments. The movement in cash is attributable to the net cash flows generated by the Company in its operating activities.

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned from cash with banks and short-term investments amounted to ₱2.39 million, ₱0.68 million and ₱0.16 million in 2016, 2015 and 2014, respectively.

Receivables. The total gross amount of individually impaired receivables amounted to ₱ 301.654 million and ₱252,498 million as of December 31, 2016 and 2015, respectively. Some of the receivables were fully provided with allowance for impairment losses both in 2016 and 2015.

Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI. Collections of interests and penalties arising from late payment of these receivables amounting to ₱17.27 million, ₱42.35 million and ₱26.54 million in 2016, 2015 and 2014, respectively, are recognized as "Interests and penalties" in the "Revenue and Other Income" section in the statements of comprehensive income

Advances to officers and employees, suppliers and others are non-interest bearing and are due within 12 months from balance sheet date.

As of December 31, 2016 and 2015, allowance for impairment losses on individually impaired receivables amounting to ₱55.301 million and ₱55.301 million respectively

Real Estate Inventories. This account pertains to land developed for residential subdivisions including the land under the project agreement with SLRDI. As discussed in Note 18 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2016, the residential area of Phase 1, Phase 2, and Phase 3 are 100%, 100%, and 93% completed, respectively, based on the physical completion report provided by the project's supervising engineer.

Based on management's evaluation, the NRV of the real estate inventories is substantially higher than its cost, accordingly, no write-down was recognized in 2016, 2015 and 2014.

The amount of real estate inventories recognized under "Cost of real estate sold" in the statements of comprehensive income amounted to ₱66.88 million, ₱31.87 million and ₱34.35 million in 2016, 2015 and 2014, respectively.

Property and Equipment. The net movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱3.328 million, and the retired/Sold of none performing equipment, partially offset by acquisition of additional property and equipment in the amount of ₱1.119 million.

Investment Property. On January 24, 2005, the Company entered into a contract of lease with PGMC for the lease of the land where the non-operating properties are located (see Note 5 of the audited financial statement). The contract is for a period of 10 years subject to renewal upon mutual consent of both parties. The contract also calls for an initial payment of ₱0.60 million comprising of one month advance rental deposit and security deposit amounting to ₱ 0.20 million and ₱0.40 million, respectively.

Investment property being leased out under the operating lease classification has a fair value of ₱258.93 million based on the latest prevailing market price as reported by a SEC accredited independent appraiser. This is classified under level 2 of the fair value hierarchy.

Land Held for Future Development- This account comprises parcels of land acquired by the Company for future real estate development.

On September 19, 2016, the Company entered into a contract for acquisition of land, with a lot area of 580,154 sqm. from Insular Life Insurance Company for a total gross consideration of ₱430.47 million, inclusive of input VAT amounting to ₱46.07 million. As of December 31, 2016, the Company has already paid ₱199.86 million of the contract price. The remaining balance of ₱230.61 million is payable on installment basis over a period of four years and is recognized under "Liability for purchased land" account (see Note 12 of the audited financial report). The effect of discounting of the liability amounting to ₱20.91 million was deducted from the contract price to arrive at the cost of the acquired *land.*

Also in 2016, the Company purchased parcels of land from third parties for a total consideration of ₱29.68 million.

Land transferred from deposit for land acquisition pertains to land with total area of 169,904 sqm. acquired in 2015 for a consideration of ₱61.03 million from a third party. As of December 31, 2016, the Company has already paid ₱41.90 million while the remaining balance of ₱19.13 million was recognized under "Liability for purchased land" (see Notes 10 and 12).

Based on management's evaluation, the NRV of the land held for future development is substantially higher than its cost, accordingly, no write-down was recognized in 2016, 2015 and 2014.

Land Banking Activities-San Jose Del Monte, Bulacan
On August 24, 2012 the company entered a contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract excludes Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years. On December 19, 2012, the company signed another contract to acquire land from BDO Strategic Holdings, Inc. located at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters. The contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum. On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio Tungkong Mangga , City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.

Land Banking Activities- City of Laoag, Ilocos Norte
On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest. On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019, and on November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meter.

As at end of December 31, 2016 the Company has already consolidated more or less 2,326,403 square meters of parcels of land making to the total land area for expansion of 4,690,485 square meters not to include the potential acquisition of 841,243 square meter which is presently the negotiation is in process

Acquired from	Lot area (in Sq.m.)	Value of Land	Payment made	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid

Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	199,863,053.00	230,611,215.00
Sub-total	***2,326,403***	***899,934,051.05***	***699,322,836.05***	***230,611,215.00***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***362,583,800.00***	***-0-***	***362,583,800.00***
Total (Sn Jose Del Monte)	**3,167,646**	**1,262,517,851.05**	**669,322,836.05**	**593,195,015.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et all	225,752	61,032,240.00	30,964,280.00	30,067,960.00
Total land banking	**3,450,609**	**1,352,155,591,05**	**728,892,616.05**	**623,262,975.00**

Prepayments. The accounts amounting ₱7.657 million represents advance payment of real property tax for the year 2017 to avail early birds discount offered by the local government.

Other Assets (net). The movement in other assets account represents conclusion of negotiation for land banking project specifically the acquisition of 57,211 square meter parcel of land situated at Laoag, Ilocos Norte

Accounts payable and accrued expenses. Trade payables are unsecured, noninterest-bearing and are generally due and demandable.

Accrued expenses include accruals for professional fees, utilities, salaries, wages and outside services.

Liability for Purchase of Land. This account pertains to the outstanding payable of the Company as of December 31, 2016 for the cost of land purchased recognized under "Land held for future development". On September 19, 2016, the Company entered into a contract for acquisition of land, with a lot area of 580,154 sqm. from Insular Life Insurance Company for a total gross consideration of ₱430.47 million. As of December 31, 2016, the Company has already paid ₱199.86 million of the contract price. The liability pertaining to the remaining balance which is payable on installment basis over a period of four years was recorded at fair value upon initial recognition using the discounted cash flow model using the prevailing discount rate at the time of acquisition

In 2015, the Company entered into a contract for acquisition of land, with total lot area of 169,904 sqm. for a consideration of ₱61.03 million from a third party. This was initially recorded as deposit for land acquisition (see Note 10). In 2016, this was reclassified to "Land held for future development" account (see Note 6). As of December 31, 2016, the Company has already paid ₱41.90 million while the remaining balance of ₱19.13 million was recognized as "Liability for purchased land".

Related Party Transactions. Parties are considered related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and other operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

Retirement Benefits Obligation. The Company has an unfunded defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary.

The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement in 2016, 2015 and 2014.
Capital stock and Capital Surplus. This account pertains to the outstanding payable of the Company as of December 31, 2016 for the cost of land purchased recognized under "Land held for future development" In November 2015, the Company issued 390,277,500 shares with par value of P=1.00 to Gregorio Araneta, Inc. based on the latter's agreed subscription. There were no movements in the Company's registered securities in 2014 and 2013. As of December 31, 2016, there are 2,208 shareholders who hold 1,951,387,570 shares in the Company

Income. The Company recorded a Net Income (loss) before income tax of ₱24.178 million, ₱ 50.100 million ,₱117.896 million, in 2016, 2015, and 2015, respectively.

Other Revenue. Interest and other income generated from installment sales from various lot buyers during the period.

ITEM 7 FINANCIAL STATEMENTS

The Audited Financial Report, Financial Supplementary and as well as Statement of Management's Responsibility for Financial Statement for the year ended December 31, 2016 has been incorporated hereto under caption "Annex A"

ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTSON ACCOUNTING &FINANCIAL DISCLOSURE.

The Company has no disagreement with the SGV & CO. regarding matters of accounting principle, practice, auditing scope and procedure.

Aggregate fees for the audit services for those fiscal years

Period covered	Amount of fees
For the year 2016	P711,480.00
For the year 2015	P646,800.00
For the year 2014	P568,445.32

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS and EXECUTIVE OFFICERS

(1) Directors and Executive Officers

The incumbent directors and executive officers of the Company are as follows:

Name	Age	Position Held	Citizenship
Gregorio Ma. Araneta III	68	Director - Chief Executive Officer / Chairman	Filipino
Crisanto Roy B. Alcid	47	Director – President	Filipino
Cesar C. Zalamea	79	Director	Filipino
Alfonso M. Araneta	33	Director	Filipino
Luis M. Araneta	31	Director	Filipino
Santiago Araneta	45	Director	Filipino
Perry L. Pe	55	Independent Director	Filipino
Alfredo de Borja	73	Independent Director	Filipino
Alfredo D. Roa III	70	Independent Director	Filipino
Jose O. Eustaquio III	69	Chief Financial Officer	Filipino
Christine P. Base	47	Corporate Secretary	Filipino

Directors

GREGORIO MA. ARANETA III, 68 years old, Filipino, is the Chairman of the Board, CEO and Director of the Company. He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Holdings Corporation. He is the President and Chairman of Energy Oil and Gas Holdings, Inc., He is the President and Chairman of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc., He is also a director of ISM Telecommunications, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

CRISANTO ROY B. ALCID, 47 years old, Filipino, is currently the President of Araneta Properties, Inc. He is also the President of Envirotest Inc. and Roycomm Holdings, Inc. He holds directorship in various companies namely: Carmel Development Corporation, Gregorio Araneta, Inc., ARAZA Resources, Inc. HE. Heacock Corporation, Gamma Holdings, Midrac Realty, Inc., and Philippine Coastal Storage & Pipeline Corporation. Formerly, he was connected with Ayala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid obtained his degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and has completed the General Management Program at the Harvard Business School.

CESAR C. ZALAMEA, is one of the TOYM Awardees of 1964. He is a former Senior Vice-President and AIG Global Investment Group-Asia President & CEO. Cesar Zalamea retired from AIG after more than 50 years of service.

Mr. Zalamea joined the American International organization in the Philippines as an investment analyst in 1954 and served from 1969-1981 as President of the Philippine American Life Insurance Company (Philamlife), AIG's life insurance in the Philippines. He held posts in the government of the Philippines on two occasions, serving first as Deputy Director General of the Presidential Economic Staff and later as Chairman and CEO of the Development Bank of the Philippines. Mr. Zalamea was elected AIG Vice President, Investments in 1997 and AIG Senior Vice President, Investments in 2002. He has headed the AIG investment units in Asia since 1986, first as Managing Director of AIG Investment Corporation (Asia) Ltd., and subsequently as President & CEO of AIGGIG Asia.

ALFREDO DE BORJA, 73 years old, Filipino, is one of the Directors of the Company. He is the President of Makiling Ventures, Inc. and E. Murio, Inc. He also holds directorship in various corporations such as ICCP Ventures, Inc., ICCP Management Corp., Rustans Supercenters, Inc., RFM-Science Park of the Phils., Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Development Corp., and Cebu Light Industrial Park, Inc. Mr. de Borja graduated in Ateneo de Manila University, where he obtained his degree in Bachelor of Science in Economics. He earned his Masters in Business Administration from Harvard University.

PERRY L. PE, 55 years old, Filipino, is one of the Directors of the Company. He is also a Director of Delphi Group, Inc., Oriental Petroleum & Minerals Corp., and Ace Saatchi & Saatchi Philippines, Inc., He is a Partner in Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Firm.

SANTIAGO G. ARANETA, Filipino, 45, is the Chairman and CEO of LBC Express, Inc., the largest cargo, courier and remittance company in the Philippines. He is also the Chairman of LBC Mabuhay Hawaii Corporation, LBC Mabuhay Saipan Corporation and LBC Holdings USA Corp., Director and President of Rudy Project Philippines, a Director and Treasurer of LBC Properties Inc., a Director for Advanced Global Systems Inc. and LBC Mundial Inc. and Executive Vice President of LBC Development Corporation.

Mr. Santiago G. Araneta is likewise one of the Trustees of LBC's foundation, LBC Hari ng PadalaFoundation, Inc. He is also the Chairman of the United Football League, the Philippines premier professional football league. For the year 2013, Santiago Araneta was nominated as Ernst and Young's CEO. Since 2003, he has been an active member of the Philippine chapter of the Entrepreneur Organization. Mr. Araneta graduated in De La Salle University, Manila where he obtained his degree in Bachelor of Arts Major in Management.

ALFONSO ARANETA, Filipino, 33, is currently the Executive Vice-President and Director of Envirotest, Inc., Vice President and Director of Carmel Development, Inc., Vice-President and Director of Gregorio Araneta, Inc. Concurrently, he is a Director of ARAZA Resources Corp., ATSI PETC, Inc. Pagrel, Inc., Gamma Properties, Inc., Securicor Security Investigation Services, Inc., and Alumma Foods, Inc., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. Mr. Araneta graduated at De La Salle-College of St. Benilde, Manila where he earned his degree in Bachelor of Science in Business Administration.

LUIS M. ARANETA, Filipino, 31 years old, , is currently the Business Development Manager of Araneta Properties, Inc. He was elected Director of the Company in 2012. He is the President of Estancias Holdings, Inc. and Cerros Corp, Vice-President and Treasurer of ARAZA Resources Corporation, Director and Corporate Secretary of Carmel Development, Inc, Director of PAGREL, Inc., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. and Corporate Secretary of Gamma Properties, Inc. Mr. Araneta studied at the Pace University in New York City where he earned his degree in Business Administration in Management.

ALFREDO D. ROA III, 70 years old, Filipino, is one of the Directors of the Company. He is presently the President of Inland Corporation

(2) Key Officers

The members of the management team aside from those mentioned above are as follows:

CHRISTINE P. BASE, Filipino, 45 years old, is the Corporate Secretary of Araneta Properties, Inc. and is currently a Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and the Managing Director of Legisforum, Inc. She is a Director and Corporate Secretary of Anchor Land Holdings, Inc. and the Corporate Secretary of Asiasec Equities, Inc. She is also director and corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer of Sycip, Gorres, Velayo& Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a Bachelor of Science Degree in Commerce Major in Accounting.

JOSE O. EUSTAQUIO, III, Filipino, 69 years old, is presently the Chief Financial Officer of Araneta Properties, Inc. He was a consultant of Honda Cars Makati and Honda Cars Cebu from 2007 to 2008. In 1987, he was the Financial Control Officer of Ayala Corporation (Control and Analysis Division). He was the Chief Finance Officer of Ayala Corporation for Ayala Theaters Management, Inc., Ayala Property Management Corporation, and Ayala Alabang Commercial Corporation from 1982 to 1987. He was a staff Auditor of Sycip, Gorres, Velayo & Co. Mr. Eustaquio III is a Certified Public Accountant. He graduated from Philippine School of Business Administration with a Bachelor of Science Degree in Commerce Major in Accounting.

(3) Significant Employees

There were no employees identified for disclosure to which the operational decisions and strategies of the Company are entirely dependent on them.

(4) Family relationship.

Mr. Luis M. Araneta and Mr. AlfonsoM. Araneta are the sons of Mr. Gregorio Ma. Araneta III. There are no family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

(5) Involvement in Certain Legal Proceedings

The Company is not aware of any bankruptcy petition of any civil or criminal legal proceedings filed against any one of its directors or executive officer during the past three (3) years.

ITEM 10. MONTHLY EXECUTIVE COMPENSATION

(1) Compensation Table

Compensation of the Chief Executive Officer and Managers of the Company are accrued and paid for the years 2012 and 2011 detailed below. All other directors of the Company assumed their positions and served the Company without any compensation.

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Compensation
Gregorio Ma. Araneta III *	2014			
Director and CEO	2015			
	2016			
Crisanto Roy Alcid*	2014			
President	2015			
	2016			
Luis M. Araneta*	2014			
Project Development Officer	2015			
	2016			
RhoanPurugganan*	2014			
Legal Head	2015			
	2016			
Jose O. Eustaquio III*	2015			
Chief Finance Officer	2015			
	2016			
TOTAL FOR THE GROUP	2014	10,126,800.00		
	2015	10,126,800.00		
	2016			
Other Officers as a group	2014	5,624,000.00		
unnamed	2015	5,624,000.00		
	2016	5,624,000.00		

* Key officers

Employment contracts of all Supervisors and Rank are all hired as long-term employment period until regularization or termination of any cause.

(2) Compensation of Directors and Officers

(a) Standard Arrangements

Compensation of the Chief Executive Officer and Managers of the Company are accrued and paid for the years 2016, 2015 and 2014. All other directors of the Company assumed their positions and served the Company without any compensation.

(b) Other Arrangements

No compensatory arrangements were executed during the last three (3) years of operations other than the compensation arrangements mentioned above.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Employment contracts of all supervisors and rank in file employees are standard.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERSand MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

There were no delinquent stocks of the Company as of December 31, 2015. The direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of December 31, 2015 are as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Nature of ownership	Percent Held
Common	Carmel Development, Inc. 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	499,999,997	Direct	25.62%
Common	Gamma Properties, Inc., 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	264,472,892	Direct	13.55%
Common	Gregorio Araneta, Inc. 6/F Adamson Center Suite A, 121 LP Leviste St. Makati City	Nominee: __________________	Filipino	390,277,500	Direct	20%
Common	LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila		Filipino	195,043,744	Direct	10%
Common	Olongapo Mabuhay Express Corp. LBC Compound Aviation Airport Road, Pasay City	11,826,800.00	Filipino	124,855,422	Direct	6.4%

(2) Security Ownership of Management

The following is a summary of the aggregate shareholdings of the Company's directors and executive officers in the Company and the percentage of their shareholdings as of December 31, 2016

Title of Class	Name & Address of Beneficial Owner	No. of shares & nature of Beneficial Ownership	Citizenship	Nature of Ownership	Percent of Class (%)
Common	Gregorio Ma. Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	120,060	Filipino	***r & b***	0.01%
Common	Santiago Araneta LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila	85,800	Filipino	***r & b***	0.00
Common	Perry L. Pe Romulo Mabanta Law Offices 30/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.00
Common	Alfredo de Borja Unit 300, Milelong Bldg. Amorsolo St. Legaspi Village, Makati City	1	Filipino	***r & b***	0.00
Common	Alfredo D. Roa III 119 Avocado Dr., Ayala Alabang, Muntinlupa City	1	Filipino	***r & b***	0.00
Common	Crisanto Roy B. Alcid 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.00
Common	Alfonso Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.00
Common	Luis Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r&b***	0.00
Common	Cesar Zalamea 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r&b***	0.00
	TOTAL FOR THE GROUP	**205,867**			**0.01%**

r – record ownership
b – beneficial ownership

ITEM 12. CERTAIN RELATIONSHIPS and RELATED PARTYTRANSACTIONS

As of 31st December 2015, stockholders Carmel Development Inc., Gamma Properties, Inc., and LBC Express, Inc. held more than (10%) each of the securities of the Company broken down as follows:

SECURITY	CLASS	AMOUNT	NATURE	PERCENTAGE

Carmel Development, Inc.	Common	499,999,997	Direct	25.62%
Gamma Properties, Inc.	Common	264,472,892	Direct	13.55%
Gregorio Araneta, Inc.	Common	390,277,500	Direct	20.00%
LBC Express, Inc.	Common	195,043,074	Direct	10.00%
Olongapo Mabuhay Express Corp.	Common	124,855,422	Direct	6.40%

Messrs. Gregorio Ma. Araneta III and Carlos R. Araneta are related to the fourth civil degree of consanguinity. Moreover, Mr. Alfonso Araneta as well as Mr. Luis Araneta are children of Mr. Gregorio Ma. Araneta III. There are no other family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

PART IV. CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company has promulgated a Manual on Corporate Governance that took effect in 2002 which was revised on 2014. The Manual continues to guide the activities of the Company and compliance therewith has been consistently observed.

There has been no deviation from the Company's Manual on Corporate Governance.

The Company believes that its Manual on Corporate Governance is in line with the leading practices and principles on good governance, and such, is in full compliance.

The Company will improve its Manual Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

Please see attached herein the Annual Corporate Governance Report.

The Board

There is an effective and appropriately constituted Board who received relevant information required to properly accomplish their duties.

The Nomination Committee is mandated to ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board. When appropriate, every director shall receive training, taking into account his individual qualifications and experience. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

Board Process

Members of the Board shall meet when necessary throughout the year to adopt and review its key strategic and operational matters; approve and review major investments and funding decision; adopt and monitor appropriate internal control; and ensure that the principal risks of the Company are identified and properly managed.

The Board shall work on an agreed agenda as it reviews the key activities of the business.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Atty. Christine P. Base holds the post.

Committees

The Board has established a number of committees with specific mandates to deal with certain aspects of its business. All of the Committees have defined terms of reference.

Audit Committee

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

Nomination Committee

The Committee assesses and recommends to the Board candidates for appointment of executive and non-executive directors positions. The Committee also makes recommendations to the Board on its composition. The Committee meets as required.

Remuneration Committee

The Remuneration Committee is responsible in determining the Company's policy on executive remuneration and in specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. All decisions of the Remuneration Committee are only recommendatory and they are referred to the Board for final approval. The Remuneration Committee also monitors the compensation packages of other senior executives in the group below the Board level. The Committee meets as required.

Compliance Officer

The Compliance Officer (CO) is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and her role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

PART IV – EXHIBITS and SCHEDULES

ITEM 14. EXHIBITS AND SCHEDULES

(a) Reports on SEC Form 17-C

Date of Report	Nature of Item Reported
November 12, 2015	Material Information/Transactions
November 25, 2016	Annual Stockholders' Meeting

(b) Exhibits

1) Annex ____ General Notes to Financial Statement (pls. see Audited Financial Report)
2) Annex ____ Balance Sheet
3) Annex ____ Income Statement
4) Annex _____ Schedules

Schedule A.. - Marketable Securities (current marketable equity securities and other short-term cash investments).

Schedule B. - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties).

Schedule C. - Non-current marketable equity securities, other long-term investments in stock, and other investments.

Schedule D. - Intangible Assets – Other Assets.

Schedule E. - Long Term Debt

Schedule F. -Indebtedness to Related Parties.

Schedule G. - Guarantees of Securities of other Issuer (1).

Schedule H.	- Capital Stock.
Schedule I.	-Supplementary Schedule Required under SRC Rule 68, as amended (2011)
Schedule J.	- Security of Ownership/Ownership held by CEO
Schedule K.	- Schedule of Property, Plant & Equipment & Related Depreciation

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati City on APR 17, 2017.

SIGNATURES

GREGORIO MA. ARANETA III
Chairman of the Board

CRISANTO ROY B. ALCID
President

PERRY L. PE
Independent Director

ALFREDO de BORJA
Independent Director

CHRISTINE P. BASE
Corporate Secretary and Corporate Information Officer

SUBSCRIBED AND SWORN to before me this _______ day of APR 17 2017 20__ , affiant(s) exhibiting to me their ________________, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE

NOTARY PUBLIC

Doc No. 377
Page No. 76
Book No. I
Series of 2017

CARLO ARTEMUS V. DIAZ
Pacis & Reyes Law Office
8/F, Chatham House, 116 Valero cor. V.A. Rufino Sts.
1227 Salcedo Village, Makati City, Tel No 8443906
Roll No. 65662 / IBP Lifetime No. 014850/ Manila I Chapter
PTR No. 5908805/Makati City/ Jan. 3, 2017/ Appt. No. M-07
Notary Public for Makati City until 31 December 2017

SCHEDULE A

Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)

Name of Issuing Entity and association of each issue (1)	Number of shares or Principal amount of bonds and notes	Amount shown in the balance sheet (2)	Value based on market quotation at balance sheet date (3)	Income received and accrued
	NONE - NOT APPLICABLE			

SCHEDULE B

Amounts of Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related Parties)

Name and Designation of debtor (1)	Balance at Beginning of period	Additions	Amount collected/ Liquidated and reclass (2)	Amounts written off and allowance For D/A (3)	Balance at end of the period
Trade Receivable	251,724,322	143,546,484	(94,604,122)	-0-	300,666,684
Impaired Installment receivables	55,074,832	-0-	-0-	-0-	55,074,832
Advances to Suppliers, Officers, Employees and Others					
Impaired	226,458	-0-	-0-	-0-	226,458
Unimpaired	774,000	288,330	(74,935)	-0-	987,395
Allowance for Impairment Loss	(55,301,290)	-0-	-0-	-0-	(55,301,290)
Net	252,498,322	143,834,814	94,979,057	-0-	301,654,079
Less: Noncurrent portion of Trade Receivables	(137,637,873)	-0-	5,301,379	-0-	(132,336,494)
Current Portion	114,860,449	143,834,814	89,377,678	-0-	169,317,585

SCHEDULE C

Current Marketable Equity Securities, Other Long-term Investments in Stock, and other Investments

Name of Issuing entity and description of investments (1)	Number of shares of Principal amount of bonds and Notes (2)	Amounts in Pesos	Equity in Earnings (losses) of Investees for the period (3)	Distribution of earnings by Investees (5)	Number of shares of principal amount of bonds and note (6)	Amount in Pesos (7)	Dividends received from Investments not accounted for by the equity method
Tagaytay Midland	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Subic Yacht Club, Inc	1	1,500,000	n/a	n/a	n/a	n/a	n/a
Alphaland Balesin Island	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Colinas Verdes Country Club	1	700,000	n/a	n/a	n/a	n/a	n/a
Total Less: Allow for AFS		4,200,000 (1,800,0000)					
Net		2,400,000					

SCHEDULE D

Intangible Assets-Other Assets

Description (1)	Beginning Balance	Additions At costs Reclassify cation (2)	Charged to Cost and Expenses (provision for D/A) or Writ off	Others Additions (Deduction/Sold) Input tax applies to Recoverable Tax (VAT) and statutory Income tax	Balance at End of Period
Input Vat	36,922,917	47,131,939	-0-	(4,501,391)	79,553,467
Prepaid Taxes	5,536,361	7,656,926	-0-	(3,536,361)	7,656,926
Investment property	5,444,077	-0-	-0-	-0-	5,444,077
Deposits in Land Banking	33,506,830	4,483,115	0	(33,506,830)	79,553,467
Total	**79,410,185**	**59,271,980**	**-0-**	**(41,544,582)**	**97,137,583**

SCHEDULE E

Long Term and Short Term Loan

Title of Issue and Type of Obligation (1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-term debt" in related balance sheet (3)
Noncurrent liabilities for Purchased of land	160,232,929	160,232,929	160,232,929

SCHEDULE F

Indebtedness to Related Parties (Long-term Loans from related parties)

Name of Related	Balance at beginning of period	Balance at end of period
None	n/a	n/a

SCHEDULE G

Guarantees of Securities of Other Issuer (1)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each of securities guaranteed	Total amount guaranteed and outstanding (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)
None	n/a	n/a	n/a	n/a

SCHEDULE H (1)

Capital Stock

Title of Issue	Common
Number of share authorized	5,000,000,000
Number of shares issued and outstanding	1,951,387,570
Number of shares reserved for options, warrants, conversion & etc.	None
Number of shares held by related parties	1,154,750,389
Shares held by Directors, officers & employees	141,726
Others	796,495,455

SCHEDULE H (2)

Capital Stock track record

Date of registration (SEC approval)	Description	Number of shares (in 000's)	Par value Per share	Amount of share (in 000's)
1988	Capital upon registration Class A Class B	 30,000,000 20,000,000	 P0.01 0.01	 P300,000 200,000
1992	Change of par value from P0.01 to P1.00 Class A Class B	 150,000 100,000	 P1.00 1.00	 P150,000 100,000
1994	Change of par value from P1.00 to P0.30 Class A Class B	 150,000 100,000	 P0.30 0.30	 P45,000 30,000
1995	Increased in authorized Capital stock and removal of classification of shares of stock	1,000,000	P0.30	P300,000
1996	Increased in authorized Capital stock and change of par value from P0.30 to P1.00	5,000,000	P1.00	P5,000,000

As of December 31, 2016 and 2015, there were no movements in the Company's registered securities.
There are 2,208 shareholders who hold 1,951,387,570 shares as of December 31, 2016

SCHEDULE J (1)

Security ownership of certain beneficial owners and managements

Name of Company	Class	Number of shares	Nature	Percentage
Carmel Development, Inc. (of which 99% held by Gregorio Ma. Araneta III)	Common	499,999,997	Direct	25.62%
Gregorio Araneta, Inc. (of which 18% held by Gregorio Ma. Araneta III)	Common	390,277,500	Direct	20.00%
Gamma Properties, Inc. (of which 50% held by Gregorio Ma. Araneta III)	Common	264,472,892	Direct	13.55%
Olongapo Mabuhay Express Corp. (of which 80% held by Ma. Joy A. Cruz)	Common	124,855,422	Direct	10.00%

SCHEDULE J (2)

Ownership held by CEO and four (4) highly compensated executive officers

Name of Executive	Position	Total ownership held	Compensation
Gregorio Ma. Araneta III	Chairman / CEO and Director	60 % of outstanding shares	n/a
Crisanto Roy B. Alcid	President and Director	1 share	n/a
Luis M. Araneta	Director & Project Dev' Officer	1 share	n/a
RobertinaFuerte	Management Officer	None	n/a

SCHEDULE K (1)

Supplemental Statement of Financial Report

Property, Plant and Equipment

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	46,047,004			46,047,004
Building and Improvements	15,290,341			15,290,341
Machinery and Equipment	4,486,929			4,486,929
Transportation & Hauling Equipt	7,065,297	4,486,929		11,958,448
Furniture, Fixtures & Other Equipt	8,883,205	596,545		9,479,749
Total (at cost)	**81,8198,601**	**5,489,695**		**87,262,471**

SCHEDULE K (2)

Supplemental Statement of Financial Report

Accumulated Depreciation - Property, Plant and Equipment

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	33,124,610	1,841,880		34,966,490
Building and Improvements	13,031,392	611,614		13,643,008
Machinery and Equipment	4,486,929			4,486,929
Transportation & Hauling Equipt	5,305,894	1,333,094		6,638,985
Furniture, Fixtures & Other Equipt	8,155,232	274,327		8,429,560
Total (at cost)	**64,104,057**	**4,060,915**		**68,164,972**

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	5	2	2	4	9	

C O M P A N Y   N A M E

ARANETA PROPERTIES, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

21ST FLOOR, CITIBANK TOWER, PASEO DE ROXAS, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
Not Applicable	**(02) 848-1501**	**Not Applicable**
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,208	**11/16**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Gerardo Deloso	**gerardo_deloso@yahoo.com**	**(02) 848-1501**	**Not Applicable**

CONTACT PERSON's ADDRESS

21st Floor, Citibank Tower, Paseo de Roxas, Makati 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.

ARANETA PROPERTIES, INC.

21ST FLOOR CITIBANK TOWER PASEO DE ROXA S, SALCEDO VILLAGE, MAKATI CITY PHILIPPINES 1200
PHONE: (632)8481501 TO 04 • FAX: (632)848-1495•E-MAIL ara@info.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS (SRC RULE 68)

The Management of Araneta Properties, Inc., is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2014, including the additional components attached therein:

a. Schedule of receipts and disbursements (not applicable);

b. Reconciliation of Retained Earnings Available for Dividend Declaration (not applicable);

c. Schedule of all the effective standards and interpretations as of reporting date;

d. Supplementary schedules required by Annex 68-E;

e. Map of the relationships of the companies within the group

in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances, including the additional components attached therein:

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members.

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with the 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 examination.

GREGORIO MA. ARANETA III
Chairman of the Board *and* CEO

CRISANTO ROY B. ALCID
President

JOSE O. EUSTAQUIO III
Chief Finance Officer

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8, MAKATI
RECEIVED
07 APR 2017
RCO CODE: 3279

Date Approved
April ___, 2017

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

MAKATI CITY APR 11 2017

SUBSCRIBED AND SWORN to before me this ________the day of April, 2017 at Makati City, Philippines, affiant exhibiting to me their Identification Cards as follows:

Name	Identification Cards No.
Gregorio Ma. Araneta III	TIN#136-998-184
Crisanto Roy B. Alcid	TIN#107-973-163
Jose O. Eustaquio III	TIN#108-128-015

Notary Public

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31/ 2018
PTR NO.5909514 / 01-03-2017/MAKATI
IBP NO 655155 LIFETIME MEMBER
APPT. NO.M-104/2017/ROLL NO. 40091
MCLE COMPLIANCE NO.V-0006934
UNIT 102 PENINSULA COURT BLDG.
8735 MAKATI AVE., MAKATI CITY

Doc. No. 479;
Page No. 97;
Book No. 96;
Series of 2017

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Araneta Properties, Inc.
21st Floor, Citibank Tower
Paseo de Roxas, Makati City

Report on the Audit of the Financial Statements

We have audited the financial statements of Araneta Properties, Inc. (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the 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 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 financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue Recognition on Real Estate Sales

The Company presently derives its revenue solely from the sale of real estate arising from a project agreement which has been substantially completed as discussed in Note 18 of the financial statements. In 2016, the Company recognized revenue from sale of real estate amounting to ₱134.88 million. This matter is significant to our audit because revenue is material to the financial statements and depends on the completeness and accuracy of information used by the Company in its calculation and recognition of said revenue.

Audit Response

We obtained an understanding of the Company's revenue recognition process with respect to the real estate project and tested the related controls. We performed inquiries with relevant personnel on the sales, collection and reporting processes. We obtained sales and collection reports and compared the data with the information in the Company's revenue calculation and monitoring schedule, and reviewed the disposition of differences noted. On a test basis, we traced reported lot sales and actual collection remittances to corresponding sales invoices and contracts to sell and official receipts and bank records. We performed cut-off procedures by examining sales and collection reports for the month subsequent to the cut-off date.

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 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 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Araneta Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908769, January 3, 2017, Makati City

April 12, 2017

ARANETA PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱75,947,377**	₱306,748,770
Trade and other receivables (Notes 5 and 18)	**169,317,585**	114,860,449
Due from related parties (Note 13)	**32,869,529**	–
Real estate inventories (Notes 6 and 18)	**881,024,137**	947,900,462
Input value-added tax (VAT) - net	**79,553,465**	36,922,917
Prepaid taxes	**7,656,927**	3,536,361
Total Current Assets	**1,246,369,020**	1,409,968,959
Noncurrent Assets		
Trade receivables - net of current portion (Note 5)	**132,336,494**	137,637,873
Land held for future development (Note 7)	**644,840,422**	190,684,677
Property and equipment (Note 8)	**19,097,499**	17,668,719
Investment property (Note 9)	**5,444,076**	5,444,076
Available-for-sale (AFS) financial assets	**2,400,000**	2,350,000
Deposit for land acquisition (Note 10)	**4,483,115**	33,506,830
Total Noncurrent Assets	**808,601,606**	387,292,175
TOTAL ASSETS	**₱2,054,970,626**	₱1,797,261,134
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱30,631,504**	₱29,871,161
Liability for purchased land (Note 12)	**70,983,305**	–
Total Current Liabilities	**101,614,809**	29,871,161
Noncurrent Liabilities		
Liability for purchased land - net of current portion (Note 12)	**160,232,929**	–
Retirement benefit obligation (Note 14)	**22,191,012**	21,795,135
Deferred tax liability - net (Note 15)	**22,830,211**	14,884,081
Total Noncurrent Liabilities	**205,254,152**	36,679,216
Total Liabilities	**306,868,961**	66,550,377
Equity		
Capital stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued - 1,951,387,570 shares (Note 17)	**1,951,387,570**	1,951,387,570
Additional paid-in capital (Note 17)	**201,228,674**	201,228,674
Unrealized valuation losses on AFS financial assets	**(120,000)**	(170,000)
Remeasurement losses on retirement benefit plan (Note 14)	**(3,837,580)**	(5,532,573)
Deficit (Note 17)	**(400,556,999)**	(416,202,914)
Total Equity	**1,748,101,665**	1,730,710,757
TOTAL LIABILITIES AND EQUITY	**₱2,054,970,626**	₱1,797,261,134

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
SALE OF REAL ESTATE (Notes 5 and 18)	**₱134,877,756**	₱93,284,365	₱204,697,130
COST OF REAL ESTATE SOLD (Note 6)	**66,876,325**	31,869,647	34,352,430
GROSS PROFIT	**68,001,431**	61,414,718	170,344,700
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and wages	**13,981,870**	13,204,139	13,098,280
Security services	**11,108,348**	9,333,068	8,901,900
Entertainment, amusement and recreation	**9,282,041**	9,091,450	17,966,458
Taxes and licenses	**8,232,346**	6,795,474	13,009,736
Depreciation (Note 8)	**4,060,915**	3,328,011	2,957,149
Retirement benefit expense (Note 14)	**2,817,295**	1,982,455	1,644,097
Professional fees	**1,682,337**	1,257,610	1,884,464
Building dues and related charges	**1,603,379**	1,707,977	2,708,678
Utilities	**655,815**	777,539	1,078,358
Others	**5,703,507**	6,865,287	9,843,197
	59,127,853	54,343,010	73,092,317
OTHER INCOME (EXPENSE)			
Interests and penalties (Notes 4 and 5)	**19,657,136**	43,028,983	26,747,393
Interest expense (Note 12 and 21)	**(2,383,190)**	–	(6,503,272)
Gain on disposal of property and equipment	**–**	–	400,000
	17,273,946	43,028,983	20,644,121
INCOME BEFORE INCOME TAX	**26,147,524**	50,100,691	117,896,504
PROVISION FOR INCOME TAX (Note 15)			
Current	**3,281,904**	9,105,193	30,690,852
Deferred	**7,219,705**	3,182,346	27,231,248
	10,501,609	12,287,539	57,922,100
NET INCOME	**15,645,915**	37,813,152	59,974,404
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (losses) on retirement benefit plan, net of deferred taxes of ₱0.73 million in 2016, ₱0.77 million in 2015 and ₱1.34 million in 2014 (Note 14)	**1,694,993**	(1,797,087)	(3,135,899)
Item to be reclassified to profit or loss in subsequent periods			
Unrealized valuation gains (losses) on AFS financial assets	**50,000**	(20,000)	–
	1,744,993	(1,817,087)	(3,135,899)
TOTAL COMPREHENSIVE INCOME	**₱17,390,908**	₱35,996,065	₱56,838,505
EARNINGS PER SHARE			
Basic and diluted (Note 16)	**₱0.0080**	₱0.0233	₱0.0384

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Unrealized Valuation Gains (Losses) on AFS Financial Assets	Remeasurement Gains (Losses) on Retirement Benefit Plan, net of Deferred Taxes (Note 14)	Deficit	Total
Balances at January 1, 2014	**₱1,561,110,070**	**₱154,395,374**	**(₱150,000)**	**(₱599,587)**	**(₱513,990,470)**	**₱1,200,765,387**
Net income	–	–	–	–	59,974,404	59,974,404
Other comprehensive loss	–	–	–	(3,135,899)	–	(3,135,899)
Total comprehensive income (loss)	–	–	–	(3,135,899)	59,974,404	56,838,505
Balances at December 31, 2014	**1,561,110,070**	**154,395,374**	**(150,000)**	**(3,735,486)**	**(454,016,066)**	**1,257,603,892**
Issuance of shares (Note 17)	390,277,500	46,833,300	–	–	–	437,110,800
Net income	–	–	–	–	37,813,152	37,813,152
Other comprehensive loss	–	–	(20,000)	(1,797,087)	–	(1,817,087)
Total comprehensive income (loss)	–	–	(20,000)	(1,797,087)	37,813,152	35,996,065
Balances at December 31, 2015	**1,951,387,570**	**201,228,674**	**(170,000)**	**(5,532,573)**	**(416,202,914)**	**1,730,710,757**
Net income	–	–	–	–	15,645,915	15,645,915
Other comprehensive income	–	–	50,000	1,694,993	–	1,744,993
Total comprehensive income	–	–	50,000	1,694,993	15,645,915	17,390,908
Balances at December 31, 2016	**₱1,951,387,570**	**₱201,228,674**	**(₱120,000)**	**(₱3,837,580)**	**(₱400,556,999)**	**₱1,748,101,665**

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱26,147,524**	₱50,100,691	₱117,896,504
Adjustments for:			
Depreciation (Note 8)	**4,060,915**	3,328,011	2,957,149
Retirement benefit expense (Note 14)	**2,817,295**	1,982,455	1,644,097
Interest expense (Notes 12 and 21)	**2,383,190**	–	6,503,272
Interest income (Note 4)	**(2,385,504)**	(675,799)	(209,597)
Provision for impairment losses	**–**	–	48,946
Gain on disposal of property and equipment	**–**	–	(400,000)
Operating income before working capital changes	**33,023,420**	54,735,358	128,440,371
Decrease (increase) in:			
Trade and other receivables	**(49,155,757)**	16,801,483	(88,349,014)
Input VAT	**(42,630,548)**	(8,519,481)	(1,415,102)
Real estate inventories	**66,876,325**	31,869,647	14,352,430
Increase (decrease) in accounts payable and accrued expenses	**760,343**	(206,623,666)	122,945,833
Net cash generated from (used in) operations	**8,873,783**	(111,736,659)	175,974,518
Interest received	**2,385,504**	675,799	160,651
Income taxes paid	**(7,402,470)**	(36,293,264)	(16,351,438)
Interest paid	**–**	–	(6,459,062)
Net cash flows from (used in) operating activities	**3,856,817**	(147,354,124)	153,324,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Land held for future development	**(191,815,871)**	–	–
Acquisitions of property and equipment (Note 8)	**(5,489,695)**	(1,119,204)	(2,673,115)
Deposits for land acquisition (Note 10)	**(4,483,115)**	(33,506,830)	–
Decrease in other assets	**–**	–	87,003,759
Proceeds from disposal of property and equipment	**–**	–	400,000
Net cash flows from (used in) investing activities	**(201,788,681)**	(34,626,034)	84,730,644
CASH FLOWS FROM FINANCING ACTIVITIES			
Due from related parties (Note 13)	**(32,869,529)**	–	–
Proceeds from share issuance (Note 17)	**–**	437,110,800	–
Payment of loans (Note 21)	**–**	–	(204,167,102)
Net cash flows from (used in) financing activities	**(32,869,529)**	437,110,800	(204,167,102)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(230,801,393)**	255,130,642	33,888,211
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**306,748,770**	51,618,128	17,729,917
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱75,947,377**	₱306,748,770	₱51,618,128

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Araneta Properties, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 15, 1988 to acquire, own, hold, improve, develop, subdivide, sell, lease, rent, mortgage, manage and otherwise deal in real estate or any interest therein, for residential, commercial, industrial and recreational purposes, as well as to construct and develop or cause to be constructed and developed on any real estate or other properties, golf course, buildings, hotels, recreation facilities and other similar structures with their appurtenances; and in general, to do and perform any and all acts or work which may be necessary or advisable for or related incidentally or directly with the aforementioned business or object of the Company. The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since November 14, 1989.

The Company's registered office address is 21st Floor, Citibank Tower, Paseo de Roxas, Makati City.

The financial statements of the Company as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issuance by the Board of Directors (BOD) on April 12, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost basis, except for available for sale (AFS) financial assets which are carried at fair value. The financial statements are presented in Philippine peso (₱), which is the Company's functional currency. All values are rounded off to the nearest ₱ except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

Amended Standards and Improved PFRS Adopted in Calendar Year 2016

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improved PFRS which the Company has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Company.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standard (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. Since the Company is an existing PFRS preparer, this standard would not apply.

- 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, *Property, Plant and Equipment*, 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. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS

Improvements to PFRS (2012 2014 Cycle)
The Annual Improvements to PFRS contains non-urgent but necessary amendments to the following standards:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
- PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2016
The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new, revised and amended standards and new Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) to have a significant impact on the Company's financial statements.

Effective 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 financial statements of the Company.

  The Company is currently assessing the impact of adopting this standard.

- 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 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 Company is currently assessing the impacts of PFRS 15.

- 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 Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company 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 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 Company 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.

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 months or less from dates of placement and are subject to an insignificant risk of change in value.

Financial Instruments
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. The Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

Financial Assets
The Company's financial assets consist of loans and receivables and AFS financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are 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 financial assets or designated as financial assets at FVPL. This accounting policy mainly relates to the statement of financial position captions "Cash and cash equivalents", "Trade and other receivables" and "Due from related parties".

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate (EIR) 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 EIR. The amortization, if any, is included in "Interest" account in the statement of comprehensive income as part of profit or loss. The losses arising from impairment of receivables, if any, are recognized as expense in the statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

AFS Financial Assets
AFS financial assets are those investments which are designated as such or do not qualify to be classified as financial assets at FVPL 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 measurements, AFS financial assets are measured at fair value. Unrealized gains and losses arising from fair valuation of AFS equity investments are reported as part of the “Other comprehensive income” section of the statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the investment is disposed of, the cumulative gains or losses previously recognized in the statement of changes in equity is recognized as part of net income in the statement of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Dividends earned on holding AFS financial assets are recognized when the right to receive has been established which is usually the date of declaration of dividends. The losses arising from impairment of such investments are recognized as provision for impairment losses as part of profit or loss.

The Company has proprietary shares presented as “AFS financial assets” in the statements of financial position.

Financial Liabilities

The Company’s financial liabilities consist of other financial liabilities.

Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR 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.

This accounting policy applies primarily to the Company’s “Accounts payable and accrued expenses”, “Liability for purchased land” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement benefit obligation).

Determination of Fair Value

Certain assets and liabilities are required to be measured or disclosed at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is not observable

The only financial instrument of the Company that is measured at fair value using Level 1 of the fair value hierarchy is its quoted AFS financial assets. The investments amounted to ₱2.40 million and ₱2.35 million as of December 31, 2016 and 2015, respectively. For the years ended December 31, 2016, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where data used are 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 Company determines the appropriate method of recognizing the "Day 1" profit amount.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or 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 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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not

individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. 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.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss is charged to the statement of comprehensive income as part of profit or loss. If, in a subsequent year, the amount of the impairment loss decreases because 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 the statement of comprehensive income as part of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible.

AFS Financial Assets
The Company assesses at each reporting date whether there is objective evidence that an AFS investment is impaired.

In the case of an AFS equity investment, this would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. If an AFS financial assets is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income, is transferred from other comprehensive income to income in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in equity through the statement of comprehensive income.

Derecognition of Financial Instruments
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the Company's rights to receive cash flows from the asset have expired; or
- the Company 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
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company 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 Company'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 Company 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. When 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 the statement of comprehensive income.

Interests in Joint Operations
Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations. The assets are used to obtain benefits for the operators. Each operator takes a share of the output from the assets, as agreed between parties and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation. Contribution of the Company to the joint operation is included in real estate inventories.

The Company's project agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) is accounted for as a joint operation (see Note 18).

Real Estate Inventories
Property acquired or those that are being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost;
- Borrowing costs, professional fees, property transfer taxes and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

Land Held for Future Development
Land held for future development consists of properties for future development that are carried at the lower of cost and NRV. All costs incurred that are directly and clearly associated with the acquisition of the land and obtaining the necessary land conversion approval, including borrowing costs, are capitalized to land held under development. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred to "Real estate inventories".

Prepaid Taxes
Prepaid taxes pertain to the excess payment against the current income tax due which are expected to be utilized as payment for income taxes within twelve (12) months.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price, including import duties, any nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment 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 to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets or term of the lease, in the case of leasehold improvements, whichever is shorter, as follows:

Category	Number of Years
Office condominium unit	25
Building and improvements	25
Hauling and transportation equipment	5
Machinery and equipment	5
Furniture, fixtures and other equipment	5

The useful lives and method of depreciation and amortization are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accounts. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income as part of profit or loss in the year the asset is derecognized.

Fully depreciated and amortized assets are retained as property and equipment until these are no longer in use.

Investment Property
Investment property, comprising parcels of land, is held either to earn rental income or for capital appreciation or both. Investment property is measured initially and subsequently at cost, including transaction costs less any accumulated impairment losses.

Investment property is derecognized when 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 gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income as part of profit or loss in the year of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with PAS 16 up to the date of change in use.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers and service providers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated NRV.

Deposit for Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Company normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale (DOAS) is executed between the Company and the land owner. Deposit for land acquisition is initially measured at cost, including transaction costs. Subsequent to initial recognition, deposit for land acquisition is stated at cost less any accumulated impairment losses.

Impairment of Property and Equipment, Investment Property and Other Nonfinancial Assets
These assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income as part of profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income as part of profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Additional Paid-in Capital
The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

Deficit
Deficit includes accumulated losses attributable to the Company's stockholders. Deficit may also include effect of changes in the accounting policy as may be required by the transitional provisions of new and amended standards.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Real Estate
Real estate revenue arising from the project agreement with SLRDI is accounted for using the percentage of completion method. The percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the project's supervising engineer's percentage of completion report.

Interest Income
Interest income is recognized as it accrues using the EIR method.

Other Income
Other income is recognized when earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise while interest expenses are accrued in the appropriate period.

Cost of Real Estate Sold
Cost of real estate sales arising from the project agreement with SLRDI is recognized consistent with the revenue recognition method applied. Cost of subdivision land includes land cost, planning and design costs, professional fees, property transfer taxes and other related costs.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Retirement Benefit Expense
The Company has an unfunded, defined benefit retirement plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

Service costs which may include current service costs, past service costs and gains or losses on non-routine settlements are recognized in the statement of comprehensive income as part of profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized in the statement of comprehensive income as part of profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences 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. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 directly in equity is recognized in the statement of changes in equity and as other comprehensive income in the statement of comprehensive income.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income as part of profit or loss, net of any reimbursement.

Segment Reporting
The Company'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.

Earnings Per Share
The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares issued and outstanding during the period after giving retroactive effect to any stock dividends declared.

Diluted earnings per share is calculated in the same manner, adjusted for the effects of any dilutive potential common shares. Where the effect of the dilutive potential common shares would be anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Contingencies
Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefit is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (i.e., adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the 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
Distinction between Joint Operation and Joint Venture
The Company applies judgment when assessing whether a joint arrangement is a joint operation or a joint venture. The Company determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The Company assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. The Company's arrangement with SLRDI is not structured through a separate vehicle. The contractual arrangement establishes the Company's and SLRDI's rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, this agreement was accounted for as a joint operation (see Note 18).

Determining Indicators of Impairment of Property and Equipment, Investment Property and Deposit for Land Acquisition
The Company assesses impairment on these assets whenever events or changes in circumstances indicate that their carrying amounts are no longer recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make judgments and estimates that can materially affect the financial statements.

There were no impairment indicators noted for property and equipment, investment property and deposit for land acquisition in 2016, 2015 and 2014, as such, no impairment testing was performed. The aggregate carrying amounts of property and equipment, investment property and deposit for land acquisition amounted to ₱29.02 million and ₱56.62 million as of December 31, 2016 and 2015 respectively (see Notes 8, 9 and 10).

Estimates

Estimating Revenue and Cost Recognition
The Company's sale of real estate arises from its joint operation agreement with SLRDI. The Company's revenue from the sale of real estate and its related costs are recognized based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work by the project's supervising engineer. Furthermore, management uses 20% of the contract price as the collection threshold before a sale is recognized. Revenue from sale of real estate amounted to ₱134.88 million, ₱93.28 million and ₱204.70 million in 2016, 2015 and 2014, respectively. The related costs of real estate sold amounted to ₱66.88 million, ₱31.87 million and ₱34.35 million in 2016, 2015 and 2014, respectively.

Estimating Impairment of Trade and Other Receivables
The Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered in determining the amount of allowance for impairment that will be recorded. The allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment losses amounted to ₱55.30 million as of December 31, 2016 and 2015. No provision for impairment losses on trade and other receivables was recognized in 2016, 2015 and 2014. The carrying amounts of trade and other receivables amounted to ₱301.65 million and ₱252.50 million as of December 31, 2016 and 2015, respectively (see Note 5).

Estimating NRV of Real Estate Inventories and Land Held for Future Development
The Company estimates adjustments for write-down of real estate inventories and land held for future development to reflect the excess of cost of real estate inventories and land held for future development over their NRV. NRV of real estate inventories and land held for future development are assessed regularly based on selling prices of real estate inventories in the ordinary course of business, less the costs of marketing and distribution. The Company provides write-down on the carrying amount whenever NRV of real estate inventories and land held for future development becomes lower than cost due to changes in price levels or other causes. No adjustments on real estate inventories and land held for future development were recognized in 2016, 2015 and 2014. Real estate inventories and land held for future development, at cost, amounted to ₱1,525.86 million and ₱1,138.59 million and as of December 31, 2016 and 2015, respectively (see Notes 6 and 7).

Estimating Retirement Benefit Expense
The determination of the Company's retirement benefit obligation and expense is dependent on the management's selection of certain assumptions used by the actuary in calculating such amounts (see Note 14).

Retirement benefit expense amounted to ₱2.82 million, ₱1.98 million and ₱1.64 million in 2016, 2015 and 2014, respectively. Actuarial gain (losses) on retirement benefit plan recognized in other comprehensive income, net of tax amounted to ₱1.69 million gain, ₱1.80 million and ₱3.14 million losses in 2016, 2015 and 2014, respectively. Retirement benefit obligation amounted to ₱22.19 million and ₱21.80 million as of December 31, 2016 and 2015, respectively (see Note 14).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future planning strategies to which the deferred tax assets can be utilized as well as the volatility of government issuances on tax interpretations. As of December 31, 2016 and 2015, the Company's deferred tax assets amounted to ₱23.25 million and ₱23.13 million, respectively (see Note 15).

4. **Cash and Cash Equivalents**

	2016	2015
Cash on hand and in banks	**₱55,627,337**	₱31,174,902
Short-term investments	**20,320,040**	275,573,868
	₱75,947,377	₱306,748,770

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned from cash with banks and short-term investments amounted to ₱2.39 million, ₱0.68 million and ₱0.16 million in 2016, 2015 and 2014, respectively.

5. Trade and Other Receivables

	2016	2015
Trade receivables (see Note 18)	**₱300,666,684**	₱251,724,322
Impaired installment receivables	**55,074,832**	55,074,832
Advances to suppliers, officers and employees and others:		
Impaired	**226,458**	226,458
Unimpaired	**987,395**	774,000
	356,955,369	307,799,612
Less allowance for impairment losses	**55,301,290**	55,301,290
	301,654,079	252,498,322
Less noncurrent portion of trade receivables	**132,336,494**	137,637,873
Current portion	**₱169,317,585**	₱114,860,449

Trade receivables mainly represent the Company's outstanding balance on its share in the sale of real estate by SLRDI. These receivables pertain to amounts due from SLRDI and customers.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand.

Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years. Income from interests and penalties arising from late payment of these receivables amounting to ₱17.27 million, ₱42.35 million and ₱26.54 million in 2016, 2015 and 2014, respectively, are recognized as "Interests and penalties" in the "Revenue and other income" section in the statement of comprehensive income.

Impaired installment receivables pertain to the uncollected portion of the amount arising from the sale of non-operating properties to Platinum Group Metal Corporation (PGMC) in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted in an effective interest rate of 9.45%. The Company recognized full allowance on these receivables while they are currently in the process of renegotiating with the management of PGMC with respect to the settlement of the said installment receivables.

Advances to suppliers, officers and employees and others are noninterest-bearing receivables and are due within 12 months from the reporting date.

6. Real Estate Inventories

This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 18 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2016, the residential area of Phase 1, Phase 2, and Phase 3 are 100%, 100%, and

93% completed, respectively, based on the physical completion report provided by the project's supervising engineer.

The roll-forward of this account follows:

	2016	2015
At January 1	**₱947,900,462**	₱979,770,109
Recognized as cost of real estate sold	**(66,876,325)**	(31,869,647)
At December 31	**₱881,024,137**	₱947,900,462

Based on management's evaluation, the NRV of the real estate inventories is substantially higher than its cost, accordingly, no write-down was recognized in 2016, 2015 and 2014.

The amount of real estate inventories recognized under "Cost of real estate sold" in the statements of comprehensive income amounted to ₱66.88 million, ₱31.87 million and ₱34.35 million in 2016, 2015 and 2014, respectively.

7. Land Held for Future Development

This account comprises parcels of land acquired by the Company for future real estate development.

Movements in land held for future development are set-out below:

	2016	2015
At January 1	**₱190,684,677**	₱190,684,677
Additions	**393,123,505**	–
Transfer from deposit for land acquisition (see Note 10)	**61,032,240**	–
At December 31	**₱644,840,422**	₱190,684,677

On September 19, 2016, the Company entered into a contract for acquisition of land, with a lot area of 580,154 sqm. from Insular Life Insurance Company for a total gross consideration of ₱430.47 million, inclusive of input VAT amounting to ₱46.07 million. As of December 31, 2016, the Company has already paid ₱199.86 million of the contract price. The remaining balance of ₱230.61 million is payable on installment basis over a period of four years and is recognized under "Liability for purchased land" account (see Note 12). The effect of discounting of the liability amounting to ₱20.91 million was deducted from the contract price to arrive at the cost of the acquired land.

Also in 2016, the Company purchased parcels of land from third parties for a total consideration of ₱29.68 million.

Land transferred from deposit for land acquisition pertains to land with total area of 169,904 sqm. acquired for a consideration of ₱61.03 million from a third party that was secured by a deposit of ₱33.51 million paid in 2015. As of December 31, 2016, the Company has already paid ₱41.90 million while the remaining balance of ₱19.13 million was recognized under "Liability for purchased land" (see Notes 10 and 12).

Based on management’s evaluation, the NRV of the land held for future development is substantially higher than its cost, accordingly, no write-down was recognized in 2016, 2015 and 2014.

8. Property and Equipment

2016

	Office Condominium Unit	**Building and Improvements**	**Hauling and Transportation Equipment**	**Machinery and Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Costs:						
Balances at beginning of year	**₱46,047,004**	**₱15,290,341**	**₱7,065,298**	**₱4,486,929**	**₱8,883,204**	**₱81,772,776**
Additions	**–**	**–**	**4,893,150**	**–**	**596,545**	**5,489,695**
Balances at end of year	**46,047,004**	**15,290,341**	**11,958,448**	**4,486,929**	**9,479,749**	**87,262,471**
Accumulated depreciation:						
Balances at beginning of year	**33,124,610**	**13,031,394**	**5,305,891**	**4,486,929**	**8,155,233**	**64,104,057**
Depreciation	**1,841,880**	**611,614**	**1,333,094**	**–**	**274,327**	**4,060,915**
Balances at end of year	**34,966,490**	**13,643,008**	**6,638,985**	**4,486,929**	**8,429,560**	**68,164,972**
Net book values	**₱11,080,514**	**₱1,647,333**	**₱5,319,463**	**₱–**	**₱1,050,189**	**₱19,097,499**

2015

	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Total
Costs:						
Balances at beginning of year	₱46,047,004	₱14,728,007	₱6,926,905	₱4,486,929	₱8,464,727	₱80,653,572
Additions	–	562,334	138,393	–	418,477	1,119,204
Balances at end of year	46,047,004	15,290,341	7,065,298	4,486,929	8,883,204	81,772,776
Accumulated depreciation:						
Balances at beginning of year	31,282,730	12,436,649	4,648,471	4,486,929	7,921,267	60,776,046
Depreciation	1,841,880	594,745	657,420	–	233,966	3,328,011
Balances at end of year	33,124,610	13,031,394	5,305,891	4,486,929	8,155,233	64,104,057
Net book values	₱12,922,394	₱2,258,947	₱1,759,407	₱–	₱727,971	₱17,668,719

Fully depreciated property and equipment with cost of ₱16.41 million and ₱16.34 million are still being used in operations as of December 31, 2016 and 2015, respectively.

9. Investment Property

On January 24, 2005, the Company entered into a contract of lease with PGMC for the lease of the land where the non-operating properties are located (see Note 5). The contract is for a period of 10 years subject to renewal upon mutual consent of both parties. The contract also calls for an initial payment of ₱0.60 million comprising of one month advance rental deposit and security deposit amounting to ₱0.20 million and ₱0.40 million, respectively.

Investment property being leased out under the operating lease classification has a fair value of ₱258.93 million based on the latest prevailing market price as reported by a SEC accredited independent appraiser. This is classified under level 3 of the fair value hierarchy.

Valuation technique used and key inputs to valuation on investment property are as follows:

	Valuation technique	Significant unobservable inputs	Range
Land			
Residential	Market	Price per square meter	₱800 - ₱375
Industrial	Data Approach/		₱1,750 - ₱600
Foreshore/beaches	Sales Comparison		₱2,500 - ₱1,800

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the property.

As of December 31, 2016 and 2015, the carrying value of investment property amounted to ₱5.44 million. The Company did not recognize the rent income from this lease arrangement in 2016, 2015 and 2014, as management assessed that it is not probable that the benefit associated with the transaction will flow to the Company. There were no restrictions on realizability of the investment property and no significant costs were incurred to maintain the investment property. There are also no obligations on the part of the Company to develop this investment property.

10. Deposit for Land Acquisition

Movements in deposit for land acquisition are set-out below:

	2016	2015
Balances at beginning of year	**₱33,506,830**	₱–
Additions	**4,483,115**	33,506,830
Reclassified to land held for future development	**(33,506,830)**	–
Balances at end of year	**₱4,483,115**	₱33,506,830

In 2016, upon execution of the CTS, the Company transferred to "Land held for future development" account the deposit made to a third party in 2015 amounting to ₱33.51 million for the acquisition of a 169,904 sqm. parcel of land situated in Laoag, Ilocos Norte. The cost of the land transferred amounted to ₱61.03 million (see Note 7).

11. Accounts Payable and Accrued Expenses

	2016	2015
Trade payables	**₱24,257,852**	₱23,384,939
Accrued expenses	**5,882,912**	6,190,792
Others	**490,740**	295,430
	₱30,631,504	₱29,871,161

Trade payables are unsecured, noninterest-bearing and are generally due and demandable.

Accrued expenses include accruals for professional fees, utilities, salaries and wages and outside services.

Others include withholding taxes payable, SSS, Philhealth and HDMF contributions.

12. **Liability for Purchased Land**

This account pertains to the outstanding payable of the Company as of December 31, 2016 for the cost of land purchased recognized under “Land held for future development”. This consists of the following:

Current	₱70,983,305
Noncurrent	160,232,929
Total	₱231,216,234

As discussed in Note 7, on September 19, 2016, the Company entered into a contract for acquisition of land, with a lot area of 580,154 sqm. from Insular Life Insurance Company for a total gross consideration of ₱430.47 million. As of December 31, 2016, the Company has already paid ₱199.86 million of the contract price. The liability pertaining to the remaining balance which is payable on installment basis over a period of four years was recorded at fair value upon initial recognition using the discounted cash flow model using the prevailing discount rate at the time of acquisition.

Details of this payable as of December 31, 2016 follow:

Principal	₱230,611,215
Unamortized discount:	
Beginning balance	20,909,266
Amortization (see Note 21)	(2,383,190)
Ending balance	18,526,076
	212,085,139
Less noncurrent portion	160,232,929
	₱51,852,210

In 2015, the Company entered into a contract for acquisition of land, with total lot area of 169,904 sqm. for a consideration of ₱61.03 million from a third party. This was initially recorded as deposit for land acquisition (see Note 10). In 2016, this was reclassified to “Land held for future development” account (see Note 6). As of December 31, 2016, the Company has already paid ₱41.90 million while the remaining balance of ₱19.13 million was recognized as “Liability for purchased land”.

13. **Related Party Transactions**

Parties are considered related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and other operating decisions. Parties are considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Company has transactions with related parties in 2016 as follows:

Category/ Related Party	Year	Amount	Outstanding Balance	Terms	Conditions
Under common control					
Carmel Development, Inc.					
Advances	2016	₱9,369,529	₱9,369,529	Due and demandable; noninterest-bearing	Unsecured; no impairment
HE Heacock Resources Corporation					
Advances	2016	6,000,000	6,000,000	Due and demandable; noninterest-bearing	Unsecured; no impairment
Stockholder					
Gregorio Araneta, Inc.					
Advances	2016	17,500,000	17,500,000	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱32,869,529	₱32,869,529		

There were no transactions with related parties in 2015.

Compensation of Key Management Personnel
Short-term compensation of key management personnel of the Company amounted to ₱7.60 million, ₱6.61 million and ₱6.37 million in 2016, 2015 and 2014, respectively.

14. Retirement Benefit Obligation

The Company has an unfunded defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary.

The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement in 2016, 2015 and 2014.

The movements of retirement benefit obligation recognized in the statements of financial position are as follows:

	2016	2015
Balances at beginning of year	**₱21,795,135**	₱17,245,413
Retirement benefit expense recognized in profit or loss:		
Current service costs	**1,753,692**	1,431,900
Interest costs	**1,063,603**	550,555
	2,817,295	1,982,455
Remeasurement loss (gain) recognized in other comprehensive income	**(2,421,418)**	2,567,267
Balances at end of year	**₱22,191,012**	₱21,795,135

The components of retirement benefit expense recognized in profit or loss are as follows:

	2016	2015	2014
Current service costs	**₱1,753,692**	₱1,431,900	₱1,088,200
Interest costs	**1,063,603**	550,555	555,897
	₱2,817,295	₱1,982,455	₱1,644,097

The principal assumptions used in determining the defined benefit obligation are as follows:

	2016	2015	2014
Discount rate	**5.31%**	4.88%	4.52%
Salary increase rate	**6.70%**	8.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes to each significant assumption on the retirement benefit obligation, assuming all other assumptions are held constant:

	Increase (decrease)	Amounts	
	in basis points	**2016**	2015
Discount rate	+100	**(₱1,284,843)**	(₱1,904,340)
	-100	**1,506,506**	2,279,949
Salary increase rate	+100	**1,572,323**	2,247,283
	-100	**(1,373,155)**	(1,917,488)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2016:

Years	Amounts
Less than 1 year	₱11,589,009
More than 1 year to 5 years	4,386,951
More than 5 years to 10 years	771,318
More than 10 years to 15 years	15,297,847
More than 15 years to 20 years	8,878,087
More than 20 years	30,308,814
Total	₱71,232,026

The Company does not expect to contribute to its retirement plan in 2017.

The average working life of employees as of December 31, 2016 and 2015 is 12.26 years and 11.26 years, respectively.

15. **Income Taxes**

The provision for current income tax represents regular corporate income tax in 2016, 2015 and 2014.

The components of the Company's net deferred tax liability are as follows:

	2016	2015
Recognized in profit or loss:		
Deferred tax assets:		
Allowance for impairment losses	**₱16,590,387**	₱16,590,387
Retirement benefit recognized in profit or loss	**5,012,627**	4,167,438
	21,603,014	20,757,825
Deferred tax liability:		
Effect of difference between revenue recognized for tax and accounting	**(46,077,902)**	(38,013,008)
	(24,474,888)	(17,255,183)
Recognized in other comprehensive income:		
Remeasurement losses on defined benefit obligation	**1,644,677**	2,371,102
Net deferred tax liability	**(₱22,830,211)**	(₱14,884,081)

A reconciliation of the statutory income tax expense at statutory rate of 30% to the provision for income tax expense is as follows:

	2016	2015	2014
At statutory income tax rate	**₱7,844,257**	₱15,030,207	₱35,368,951
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**3,373,003**	6,737,257	5,093,319
Nontaxable income	**(715,651)**	(202,740)	(48,195)
Others	–	(9,277,185)	17,508,025
	₱10,501,609	₱12,287,539	₱57,922,100

16. **Earnings Per Share**

	2016	2015	2014
Net income	**₱15,645,915**	₱37,813,152	₱59,974,404
Weighted average common shares	**1,951,387,570**	1,626,156,320	1,561,110,070
Basic and diluted earnings per share	**₱0.0080**	₱0.0233	₱0.0384

The Company does not have any dilutive common shares outstanding, accordingly, the basic and diluted earnings per share are the same.

The weighted average number of shares takes into account the weighted average effect of changes in number of shares outstanding during the year. In November 2015, the Company issued 390,277,500 shares (see Note 17)

17. Financial Instruments and Capital Management

General
The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies
The Company's principal financial instruments consist of cash and cash equivalents and trade and other receivables. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as AFS financial assets and accounts payable and accrued expenses and liability for purchased land which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

As of December 31, 2016 and 2015, the Company has minimal exposure to any significant foreign currency risk because its financial instruments are denominated in Philippine peso, the Company's functional currency. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial assets and as such, has no material impact to the financial statements. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

The following tables summarize the maturity profile of the Company's financial assets held for liquidity purposes based on contractual and undiscounted receivables and financial liabilities based on contractual and undiscounted payables.

2016

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	**₱55,627,337**	**₱20,320,040**	**₱–**	**₱75,947,377**
Trade and other receivables[1]	**–**	**169,317,585**	**132,336,494**	**301,654,079**
Due from related parties	**32,869,529**	**–**	**–**	**32,869,529**
	88,496,866	**189,637,625**	**132,336,494**	**410,470,985**
Financial liabilities:				
Accounts payable and accrued expenses[2]	**(30,327,530)**	**–**	**–**	**(30,327,530)**
Liability for purchased land	**–**	**(76,783,899)**	**(172,958,411)**	**(249,742,310)**
	(30,327,530)	**(76,783,899)**	**(172,958,411)**	**(280,069,840)**
Net financial assets (liabilities)	**₱58,169,336**	**₱112,853,726**	**(₱40,621,917)**	**(₱130,401,145)**

[1] *Excluding impaired receivables.*
[2] *Excluding withholding taxes and other statutory tax liabilities.*

2015

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱31,174,902	₱275,573,868	₱–	₱306,748,770
Trade and other receivables[1]	–	114,860,449	137,637,873	252,498,322
	31,174,902	390,434,317	137,637,873	559,247,092
Financial liabilities:				
Accounts payable and accrued expenses[2]	(29,575,733)	–	–	(29,575,733)
Net financial assets	₱1,599,169	₱390,434,317	₱137,637,873	₱529,671,359

[1] *Excluding impaired receivables.*
[2] *Excluding withholding taxes and other statutory tax liabilities.*

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The credit risk of the Company is controlled by the approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that credit transactions are made with parties with appropriate credit history and has internal mechanism to monitor granting of credit and management of credit exposures. The Company's maximum exposure to credit risk is equal to the carrying amounts of its financial assets (excluding cash on hand) amounting to ₱412.84 million and ₱561.56 million as of December 31, 2016 and 2015, respectively. Except for impaired receivables amounting to ₱55.30 million as of December 31, 2016 and 2015, the Company's financial assets are neither past due nor impaired as of December 31, 2016 and 2015.

Receivables that are neither past due nor impaired are due from creditworthy counterparties with good payment history with the Company. Such receivables are collectible and in good standing as assessed by the Company's management.

Cash with banks and short-term investments are deposits and investments, respectively, made with reputable banks duly approved by the BOD. As such, cash and cash equivalents are assessed by Management as high grade.

Capital Management
The Company considers the following items in the statements of financial position as its core capital:

	2016	2015
Capital stock	**₱1,951,387,570**	₱1,951,387,570
Additional paid-in capital	**201,228,674**	201,228,674
Deficit	**(400,556,999)**	(416,202,914)
	₱1,752,059,245	₱1,736,413,330

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2016, 2015 and 2014.

Below is the Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of Registration (SEC Approval)	Description	Number of shares (in 000's)	Par value per share	Total amount (in 000's)
1988	Capital upon registration:			
	Class A	30,000,000	₱0.01	₱300,000
	Class B	20,000,000	0.01	200,000
		50,000,000		500,000
1992	Decrease in authorized capital stock and change of par value from ₱0.01 to ₱1.00			
	Class A	150,000	1.00	150,000
	Class B	100,000	1.00	100,000
		250,000		250,000
1994	Change of par value from ₱1.00 to ₱0.30			
	Class A	150,000	0.30	45,000
	Class B	100,000	0.30	30,000
		250,000		75,000
1995	Increase in authorized capital stock and removal of classification of shares of stock	1,000,000	0.30	300,000
1996	Increase in authorized capital stock and change of par value from ₱0.30 to ₱1.00	5,000,000	1.00	5,000,000
Total authorized capital		5,000,000	₱1.00	₱5,000,000

In November 2015, the Company issued 390,277,500 shares out of the 3,438,889,930 remaining authorized shares with par value of ₱1.00 to Gregorio Araneta, Inc. based on the latter's agreed subscription, for a total proceeds of ₱437.11 million. There were no movements in the Company's registered securities in 2016 and 2014. As of December 31, 2016, there are 2,208 shareholders who hold 1,951,387,570 shares in the Company.

Fair Value and Categories of Financial Instruments

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and receivables:				
Trade receivables	**₱300,666,684**	**₱302,921,725**	₱251,724,322	₱253,612,254
AFS financial assets	**2,400,000**	**2,400,000**	2,350,000	2,350,000
	₱303,066,684	**₱305,321,725**	₱254,074,322	₱255,962,254
Other financial liabilities:				
Liability for purchased land	**₱231,216,234**	**₱232,712,080**	₱–	₱–

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Other Receivables, Due from Related Parties, and Accounts Payable and Accrued Expenses

The carrying amounts of these financial instruments approximate fair values due to the short-term nature of these financial instruments.

Noncurrent Trade Receivables

Fair value is based on 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. This is classified under level 3 of the fair value hierarchy.

AFS Financial Assets

AFS financial assets are carried at fair value. The fair values of AFS financial assets are based on the quoted market prices. This is classified under level 1 of the fair value hierarchy.

Liability for Purchased Land

Fair value of liability for purchased land is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. This is classified under level 3 of the fair value hierarchy.

In 2016, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. Project Agreement with SLRDI

The Company together with SLRDI began their activities based on their agreement dated June 5, 2003. Under the agreement, SLRDI will develop and sell certain parcels of land owned by the Company at its own cost. The Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. The project shall consist of the development of an exclusive mixed-use residential-commercial subdivision with a country club. Once developed, the property will be shared by the parties either through cash or lot overrides. The Company shall receive 40% of the net sales proceeds, in case of cash override, or 40% of the saleable lots, in case of a lot override, while SLRDI shall receive 60% of the net sales proceeds or the saleable lots. The Company opted to receive its share through a combination of cash override and lot override.

On April 27, 2006, SLRDI's application to obtain license to sell from the Housing and Land Use Regulatory Board was approved.

On January 29, 2013, SLRDI assigned its rights and interests over the sales proceeds from the sales of saleable area in Phase 3 to Sta. Lucia Land, Inc. The latter assumes the responsibility of collecting payments or amortizations and undertakes to remit the Company's share from the sales proceeds.

As at December 31, 2016, the project has substantially been completed.

The Company presently derives its revenue and the related costs solely from the sale of real estate under this joint operation. Such revenue and costs have been accounted for based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work by the project's supervising engineer. In addition, management uses 20% of the contract price as the collection threshold before a sale is recognized.

The Company's unsold real estate inventories amounting to ₱881.02 million and ₱947.90 million and trade receivables amounting to ₱300.67 million and ₱251.72 million as of December 31, 2016 and 2015, respectively, pertains to its share in the assets of the joint operation.

Sales and cost of sales recognized amounted to ₱134.88 million and ₱66.88 million, respectively, in 2016, ₱93.28 million and ₱31.87 million, respectively, in 2015 and ₱204.70 million and ₱34.35 million, respectively, in 2014.

19. **Contingencies**

In the ordinary course of business, the Company has pending claims/assessments which are in various stages of discussion/protest/appeal with relevant third parties. Management believes that the bases of the Company's position are legally valid such that the ultimate resolution of these claims/assessments would not have a material effect on the Company's financial position and results of operations. No provision is recognized as the criteria under PAS 37 have not been met based on management's assessment.

20. **Segment Reporting**

The Company has only one reportable segment that sells only one product line.

All segment revenues are derived from external customers. The Company sells real estate properties. No specific customer pass the concentration threshold.
Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker, who is the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the presentation and classification in the statements of comprehensive income.

The Company has only one geographical segment as all of its assets are located in the Philippines.

21. Other Matters

Note to Statement of Cash Flows
The following are noncash investing activities in 2016:

- Transfer from “Deposit for land acquisition” to “Land held for future development” amounting to ₱33.51 million.
- Unpaid additions to “Land held for future development” recorded under “Liability for purchased land” amounting to ₱228.83 million.

Interest Expense
Interest expense consists of the following:

	2016	2015	2014
Amortization of discount - liability for purchased land (see Note 12)	**₱2,383,190**	₱–	₱–
Interest expense	**–**	–	5,794,042
Amortization of discount - trade payables	**–**	–	692,759
Amortization of discount - loans payable	**–**	–	13,736
Write-off of discount due to pre-termination of loans payable	**–**	–	2,735
	₱2,383,190	₱–	₱6,503,272

Loans Payable
In 2014, the Company pre-terminated the following loans payable:

Loan from	Terms	Rate	Condition
BDO Strategic Holdings Inc. (BDOSHI)	Interest-bearing, payable in 10 years	8%	Unsecured
Gregorio Araneta Social Development Foundation (GASDF)	Noninterest-bearing, payable in 4 years	–	Unsecured

The Company paid ₱204.17 million to pre-terminate these loans. This payment was applied to the principal amount and interest payable to BDOSHI and GASDF.

Movements in discount on loans payable to GASDF in 2014 are as follows:

	2014
Balance at beginning of year	₱16,471
Less:	
Amortization	(13,736)
Write-off due to pre-termination	(2,735)
Balance at end of year	₱–

22. **Supplementary Tax Information Required under Revenue Regulations (RR) 15-2010**

The Company reported and/or paid the following types of taxes in 2016:

VAT

a. The Company is VAT-registered with taxable sale of goods amounting to ₱63,411,147 with a corresponding output VAT of 12% amounting to ₱7,609,338.

   The Company's income that are subject to VAT are based on actual collections received, hence, may not be the same as the amounts recognized in the 2016 statement of comprehensive income.

   The Company's VAT exempt sales arise from the sale of real properties from the Company's project agreement with SLRDI.

   Republic Act No. 8424, Tax Reform Act of 1997, Title IV, Chapter 1, Section 109(p) specified that sale of residential lot amounting to ₱1,500,000 and below for purposes of computing VAT are VAT exempt transactions and therefore, will not be subject to VAT. Provided, however that not later than January 31, 2009 and every three (3) years thereafter, the amounts stated herein shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO) and that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year.

   Per RR 3-2013, the adjustment in computing VAT resulted in a revised threshold amounting to ₱1,919,500 effective January 1, 2013.

b. Input VAT

   The amount of input VAT claimed are broken down as follows:

Balance at January 1, 2016	₱36,922,917
Domestic purchases/payments for:	
Goods for resale or manufacture	46,497,634
Services lodged under other accounts	634,305
Balance at December 31, 2016	₱84,054,856

Other Taxes and Licenses

The following are the details of the Company's taxes and licenses:

A. Local	
Business taxes	₱2,966,104
Real estate taxes	2,119,356
Licenses, permits and fees	2,005,104
Community tax certificate	10,500
Others	858,129
B. National	
Annual registration	260,500
	₱8,219,693

Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Withholding taxes on compensation and benefits	₱2,556,589
Expanded withholding taxes	158,868
	₱2,715,457

Tax Assessment and Cases

As at December 31, 2016, the Company has no pending final assessment notices. The Company is not aware of any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Araneta Properties, Inc.
21st Floor, Citibank Tower
Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Araneta Properties, Inc. 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 April 12, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908769, January 3, 2017, Makati City

April 12, 2017

ARANETA PROPERTIES, INC.
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

Statements of Financial Position as of December 31, 2016 and December 31, 2015.

Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014.

Statements of Changes in Equity for the Years Ended December 31, 2016, 2015 and 2014.

Statements of Cash flows for the Years Ended December 31, 2016, 2015 and 2014.

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

I. Supplementary schedules required by Annex 68-E

   A. Financial Assets (Other Short-Term Cash Investments)
   B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the Consolidation of Financial Statements
   D. Intangible Assets
   E. Short term and 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

ARANETA PROPERTIES, INC.

SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)

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

NOT APPLICABLE

ARANETA PROPERTIES, INC.

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

ARANETA PROPERTIES, INC.

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2016

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period

NOT APPLICABLE

ARANETA PROPERTIES, INC.
SCHEDULE D: INTANGIBLE ASSETS
DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance

NOT APPLICABLE

ARANETA PROPERTIES, INC.
SCHEDULE E: SHORT TERM AND LONG TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion

NOT APPLICABLE

ARANETA PROPERTIES, INC.

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

ARANETA PROPERTIES, INC.

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

ARANETA PROPERTIES, INC.

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding 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 - ₱1 par value	5,000,000,000	1,951,387,570	–	1,026,277,497	–	925,101,073

See Note 17 of the Financial Statements

ARANETA PROPERTIES, INC.

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2016

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at 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		✓		
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			✓
	Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3	*Business Combinations*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Adopted**	**Not Applicable**
(Revised)				
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments: Classification and Measurement of Financial Assets*	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9: Hedge Accounting			✓
PFRS 10	*Consolidated Financial Statements*			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Assets between an Investor and its Associate or Joint Venture			
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	*Disclosure of Interests in Other Entities*			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)		✓	
PFRS 13	*Fair Value Measurement*	✓		
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers*		✓	
PFRS 16	*Leases*		✓	
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 (Revised): Disclosure Initiative	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative		✓	
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 10	*Events after the Reporting Date*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 14	*Segment Reporting*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19	*Employee Benefits*	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	*Employee Benefits*	✓		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	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 (Revised)	*Amendments to PAS 27 (Amended): Investment Entities*			✓
	Amendments to PAS 27 (Revised): Cost of an			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		**Adopted**	**Not Adopted**	**Not Applicable**
	Investment in a Subsidiary, Jointly Controlled Entity or Associate			
PAS 27 (Amended)	*Separate Financial Statements*			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28	*Investments in Associates*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*			✓
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value		✓	
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*	✓		
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*			✓
	Amendments to PAS 38: Clarification of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Acceptable Methods of 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	✓		
	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			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	*Investment Property*	✓		
	Amendments to PAS 40, Transfers of Investment Property		✓	
PAS 41	*Agriculture*			✓
	Amendments to PAS 41: 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	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 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 15	*Agreements for the Construction of Real Estate*			✓
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*		✓	
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-13	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-21	*Income Taxes - Recovery of Revalued Non-Depreciable Assets*			✓
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 Company 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 Company will adopt the Standards and Interpretations when these become effective.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year 2016

2. Exact Name of Registrant as Specified in its Charter Araneta Properties, Inc.

3. 21F Citibank Tower Paseo De Roxas Makati City ....
   Address of Principal Office Postal Code

4. SEC Identification Number 0000152249.............................. 5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number 000-840-355...

7. (632)848-1501 to 04
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9

Actual number of Directors for the year	9

(a) Composition of the Board
Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Gregorio Ma. Araneta III	ED	n/a		1997	November 19, 2014	Annual Stockholders' meeting	19 years
Crisanto Roy B. Alcid	ED	n/a	Gregorio Ma Araneta III	2010	November 19, 2014	Annual Stockholders' meeting	6 years
Carlos R. Araneta	ED	n/a		1997	November 19, 2014	Annual Stockholders' meeting	5 years
Luis M. Araneta	NED	n/a	Gregorio MaAraneta III	2012	November 19, 2014	Annual Stockholders' meeting	4
Perry Pe	ID	n/a	Gregorio MaAraneta III	2003	November 19, 2014(TenYears)	Annual Stockholders' meeting	13 years
Alfredo De Borja	ID	n/a	Gregorio MaAraneta III	2009	November 19, 2014 (Four Years)	Annual Stockholders' meeting	7years
Alfredo D. Roa III	ID	n/a	Gregorio MaAraneta III	2010	November 19, 2014 (Three Years)	Annual Stockholders' meeting	6years
Santiago Araneta	NED	n/a	Gregorio MaAraneta III	2013	November 19, 2014	Annual Stockholders' meeting	3 year
Alfonso Araneta	NED	n/a	Gregorio MaAraneta III	2013	November 19, 2013	Annual Stockholders' meeting	3 years
Cesar C. Zalamea	ID	n/a	Gamma Props	2014	November 19, 2014	Annual Stockho	2 years

						lders' meeting	

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company believes that a high standard of corporate governance practice is fundamental to the Company's continued success and will therefore undertake every effort necessary to create awareness withinthe organization. This Manual shall institutionalize the principles of good corporate governance and serves as a barometer of the entire corporation.

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

A) Right to vote on all matters that require their consent or approval;

A.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

A.2 Cumulative voting shall be used in the election of directors.

A.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

B) Pre-emptive right to all stock issuances of the Company;

B.1 All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.

C) Right to inspect corporate books and records;

C.1 All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

D) Right to information;

D.1 The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

D.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.

D.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

E) Right to dividends

E.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

E.2 The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

F) Appraisal right.

F.1 The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;

- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and

- In case of merger or consolidation.

G) The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

(c) How often does the Board review and approve the vision and mission?

With the exemption of economic change that would substantially affect the previously approved Vision and Mission, we generally review and approve the vision mission every 15 years.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Gregorio Ma. Araneta III	Carmel Development, Inc.	Executive& Chairman of the Board
	Gamma Properties, Inc.	Chairman of the Board
Crisanto Roy B. Alcid	Carmel Development, Inc.	Executive
	Gamma Properties, Inc.	Executive&Member of the Board

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		(Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Gregorio Ma. Araneta III	ISM Communications Corporation	Independent
Gregorio Ma. Araneta III	Oriental Petroleum& Minerals Corp.	Independent
Alfredo de Borja	Ionics Inc.	Independent

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Gregorio Ma. Araneta III	Santiago Araneta	3rd Degree
Gregorio Ma. Araneta III	Luis M. Araneta	First degree
Gregorio Ma. Araneta III	Alfonso Araneta	First Degree
Santiago Araneta	Gregorio Ma. Araneta	3rd Degree

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	n/a
Non-Executive Director	None	n/a
CEO	None	n/a

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: as of December 31, 2014

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Gregorio Ma. Araneta	120,060	499,999,997 (holds 99% of Carmel Development , Inc.) 264,472,892 (holds 50% of Gamma Properties, Inc.)	.01%
Carlos R. Araneta	21,660		Nil
Santiago Araneta	85,800		Nil
Perry L. Pe	1		Nil
Alfredo de Borja	1		Nil
Alfredo D. Roa III	1		Nil

Crisanto Roy B. Alcid	1		Nil
Luis Araneta	1		nil
Alfonso Araneta	1		Nil
TOTAL	**227,526**		

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [**X**] No [ ]

Identify the Chair and CEO:

Chairman of the Board/CEO	Gregorio Ma. Araneta III (Chairman of the Board/CEO)
President	Crisanto Roy Alcid(President)

No, however, the position of president belongs to a different person.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	**Chief Executive Officer**
Role	Preside over meetings of the Board and Shareholders and oversee the mission and vision of the company	Manage the operation of the company
Accountabilities	Policy formulation and with fiduciary duty from stockholders	Enhance corporate objective and implement policies
Deliverables	Compliance of objectives, goals and targets with the guide of good corporate governance	Ensure target growth, meet revenue and profit

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Director's, the CEO and the managing director, if any, are elected during the Annual Stockholders' Meeting and/or special stockholders' meeting, while the president is elected during the organizational meeting which is normally held after the conclusion of Stockholders' Meeting.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company policies provide for positions of executive, non-executive and independent directors, who must be at least a college degree holder with relevant experience in the same corporate line of business, specifically on publicly listed companies.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Company ensures that its independent directors are well versed and experienced in corporate matters in the sector or industry the company belongs to, both local and international.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Represents the Corporation	Represents other shareholders	Provide neutral observation and decision
Accountabilities	Manages the entire business affairs of the Corporation	Monitoring of Compliance of Company objectives	Formulating policies at high standards for best operation
Deliverables	Compliance of business plan	Monitoring company progress	Safeguard interest of all shareholders

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independence is a situation/condition wherein a person is independent of the management other than being an officer and employee of the Company and free from any business or other relationship and interest which could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

As provided for by law, the term limit shall be for 5 years, after which a cooling off period of 2 years is mandatory before re-election to another 5 years. However, there shall be a perpetual ban after serving for 10- years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason

None.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted(including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Selection and appointment of Executive Directors are done	➢ Holder of at least one (1) share of stock of the

	through a nomination committee who shall pre-screen the nominees.	Company; ➢ At least a college graduate or have sufficient experience in managing the business to substitute for such formal education; ➢ At least twenty one (21) years old; ➢ Proven to possess integrity and probity, ➢ He shall be assiduous. ➢ Other qualifications as provided for by law.
(ii) Non-Executive Directors	Selection and appointment of Non Executive Directors are done through a nomination committee who shall pre-screen the nominees.	➢ Same as above
(iii) Independent Directors	Selection and appointment of Independent Directors are done through a nomination committee who shall pre-screen the nominees.	➢ Same as above.
b. Re-appointment		
(i) Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➢ Same as above.
(ii) Non-Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➢ Same as above
(iii) Independent Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➢ Same as above
c. Permanent Disqualification		

(i) Executive Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	See [3] below.
(ii) Non-Executive Directors	The Nomination Committee shall pre-screen all candidates	Same as above.

[3](i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

(viii)Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

	nominated to become a member of the board	
(iii) Independent Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	Same as above.
d. Temporary Disqualification		
(i) Executive Directors	The Board may provide for the temporary Disqualification of a director.	See [4] Below.
(ii) Non-Executive Directors	The Board may provide for the temporary Disqualification of a director.	Same as above.
(iii) Independent Directors	The Board may provide for the temporary Disqualification of a director.	Same as above
e. Removal		
(i) Executive Directors	The Board may provide for the removal.	Any violation of the provisions of the Securities Regulation Code, Any conviction by final judgment or order by a competent judicial or administrative body of any crime, and Non-nomination from the Election of Stockholders
(ii) Non-Executive Directors	Same as above.	Same as above
(iii) Independent Directors	Same as above.	Same as above.
f. Re-instatement		
(i) Executive Directors	The Board may provide for reinstatement.	As provided by law.

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[4](i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists**.**

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.
g. Suspension		
(i) Executive Directors	The Board may provide for suspension.	Any violation from the Securities Regulation Code
(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Gregorio Ma.Araneta	Since there were only 9 nominees for the 9 seats available, there was a motion which was approved with no objections, that the votes be cast for the 9 nominees and they were all declared duly elected.
Cesar C. Zalamea	Same as above.
CrisantoAlcid	Same as above.
Luis Araneta	Same as above.
Perry Pe	Same as above.
Alfredo de Borja	Same as above.
Santiago Araneta	Same as above.
Alfredo Roa	Same as above.
Alfonso Araneta	Same as above.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

No formal orientation program for new directors, but an incoming member of the Board is given a detailed briefing of the company's background by the CEO and as well as by other officers. The Board members may also provide inputs about the company and various issues facing the firm.

(b) State any in-house training and external courses attended by Directors and Senior Management[5] for the past three (3) years:

There are no in-house training programs, nor external courses attended by Directors and Senior Management for the past three years.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution

[5]Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

None			

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	See [6] below.	Not allowed to participate in the decision making process if conflict of interest is present.	Not allowed to participate in the decision making process if conflict of interest is present
(b) Conduct of Business and Fair Dealings	Same as above.	Encouraged.	Encouraged.
(c) Receipt of gifts from third parties	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would influence hem/her to do beyond his/her capacity and would be disadvantageous to company are not allowed
(d) Compliance with Laws & Regulations	Monitors compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules
(e) Respect for Trade Secrets/Use of Non-public Information	Monitors substantial compliance	Ensure and monitor substantial compliance	Ensure and monitor substantial compliance
(f) Use of Company Funds, Assets and Information	The company in general has provided various policies and procedure in safeguarding the company resources specifically handling	Ensure compliance of the company policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets	Adopted various policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets and enhancement of

[6]The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.

	of fund, uses its assets and enhancement of Information technology	and enhancement of Information technology	Information technology
(g) Employment & Labor Laws & Policies	The basic principle to be adopted strict compliance with labor laws and working condition	Ensure compliance with labor laws, practices and working condition among employees	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties, responsibilities and as well as benefits.
(h) Disciplinary action	The company in general has provided various policies and procedure on the disciplinary action according to the complexity of offences such as reprimand level, Suspension level or principal offence subject to dismissal	Ensure that company policy is properly disseminated, observed and implemented	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties and responsibilities including corresponding disciplinary action against hem/her
(i) Whistle Blower	None	None	None
(j) Conflict Resolution	None	None	None

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The company implements and monitors compliance through each of the committees (whenever applicable), or its substitutes, who shall report regularly to the board of directors.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	All related party transaction have to be on an arms-length basis if the company gets the most competitive product from related party
(2) Joint Ventures	Same as above
(3) Subsidiaries	N/A

(4) Entities Under Common Control	N/A
(5) Substantial Stockholders	Same as #1 and #2.
(6) Officers including spouse/children/siblings/parents	No such related party transaction.
(7) Directors including spouse/children/siblings/parents	No such related party transaction.
(8) Interlocking director relationship of Board of Directors	The Board member has to have knowledge of industry if he/she serves on the board of subsidiary.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	No formal mechanism in place
Group	No formal mechanism in place

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[7] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description of the Relationship**
None	Not applicable	Not applicable

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description**
None	Not applicable	Not applicable

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

[7] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	Not applicable	Not applicable
None	Not applicable	Not applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	None
Corporation & Third Parties	None
Corporation & Regulatory Authorities	None

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The meetings of the Board are scheduled every month.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Gregorio Ma. Araneta III	11-19-2014	9	9	100%
Member	Carlos R. Araneta	11-19-2014	9	9	100%
Member	Crisanto Roy. B. Alcid	11-19-2014	9	8	100%
Member	Luis M. Araneta	11-19-2014	9	9	100%
Independent	Perry L. Pe	11-19-2014	9	8	100%
Independent	Alfredo de Borja	11-19-2014	9	8	100%
Member	Santiago Araneta	11-19-2014	9	9	100%
Independent	Alfredo D. Roa III	11-19-2014	9	9	100%
Member	Alfonso Araneta	11-19-2014	9	9	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be a valid corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board

5) Access to Information

(a) How many days in advance are board papers[8] for board of directors meetings provided to the board?

No later than seven (7) days

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, the members of the Board Members are given independent access to Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The role of the company secretary are:

i. To record or see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law
ii. To keep or cause to be kept record books showing the details required by the law with respect to the stock certificates of the corporation including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred
iii. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same
iv. To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given
v. To certify to such corporate acts, countersign, corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations
vi. To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control
vii. perform such other duties as are incident to his office or as may be assigned

[8] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

to him by the Board of Directors or the President

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [ ] No [ ]

Committee	Details of the procedures
Executive	The members of the Board are given independent access to Management and the Corporate Secretary. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
Audit	Same as above.
Nomination	Same as above
Remuneration	Same as above.
Others (specify)	N/A

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Members of the Board may have access to independent professional advise	The members, either individually or as a Board, and in furtherance of theirduties and responsibilities, may hire independent professional advice at the Company's expense.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None	N/A	N/A

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on trade benchmark	Based on trade benchmark
(2) Variable remuneration	None	None
(3) Per diem allowance	None	None
(4) Bonus	None	None
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	N/A	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Based on trade bench mark	N/A	N/A
Non-Executive Directors	None	N/A	N/A

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
No.	

3) Aggregate Remuneration
Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	9,600,000	5,624,000	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	None
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	9,600,000	3,998,,400	None

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
Total	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
None	None	None	None	None

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
President	
Vice President	
Legal Officer	

Chief Finance Officer	Total for the year 2016 . . . . P5,624,000
Corporate Secretary	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3 (see [9]below.)	None	One	None.	See [10] below	See [11] below.	See [12] below.

[9]Two of the members of the executive committee are non board members

[10]There is an effective and appropriately constituted Committee who received relevant and timely information required to properly accomplish their duties.

[11]The members of the Committee shall meet when necessary throughout the year to adopt and review the key strategic and operational matters such as but not limited to Internal control, major investments, funding decision, identification and proper treatment of financial risk.

[12]Recommends approval to the Board, any Corporate Act.

Audit	Two	None	One	In process.	See [13] below.	See [14]below.	Oversight, review, and evaluate.
Nomination	two (2)	None	one(1)	None.	See [15] below.	Recommend candidates for appointment.	Recommendation

[13]a. Provide oversight over the senior management's activities in managing credit, market liquidity, operational, legal and other risk of the Corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
b. Provide oversight of the Corporation's internal and external auditors;
c. Review and approve audit scope and frequency and the annual internal audit plan;
d. Discuss with the external auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
e. Be responsible for setting up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any questions or resignation or dismissal;
f. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;
g. Receive and review reports of internal and external auditors and regulatory agencies where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
h. Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
i. Any change/s in accounting policies and practices;
ii. major judgmental areas
iii. significant adjustments resulting from the audit
iv. going concern assumption
v. compliance with accounting standards
vi. compliance with ta, legal, and stock exchange requirements
i. Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a compliance Unit for this purpose.
j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, The non-audit work should be disclosed in the annual report.
k. Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of the internal auditing examinations, performing work, and communicating results and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

[14]a. Oversight function.
b. Review and approval.
c. Set up internal audit department.
d. Monitor and evaluation.
e. Receive and review reports.
f. Review financial statements.

[15]The Committee assesses and recommends to the Board candidates for appointment of executive and non executive directors positions. The committee also makes recommendations to the Board on its composition.

Remuneration	two (2)	None	one(1)	None.	See [16] below.	Determine remuneration /compensation policy.	Assessment.
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(ED)	Gregorio Ma. AranetaIII	11-19-2016				19 yrs
Member (ED)	Crisanto Roy B. Alcid	11-19-2016				7 yrs
Member (ED)	Carlos R. Araneta	11-19-2016				19 yrs
Member	Atty. Christine Base	11-19-2016				9 yrs

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2016				7yrs
Member (ED)	Gregorio Ma. Araneta III	11-19-2016				19yrs
Member (ED)	Crisanto Roy Alcid	11-19-2016				19yrs

Disclose the profile or qualifications of the Audit Committee members.

Alfredo De Borja

Filipino, 73 years old, Filipino, is one of the Directors of the Company. He is the President of Makiling Ventures, Inc. and E. Murio, Inc. He also holds directorship in various corporations such as ICCP Ventures, Inc., ICCP Management Corp., Rustans Supercenters, Inc., RFM-Science Park of the Phils., Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Development Corp., and Cebu Light Industrial Park, Inc. Mr. de Borja graduated in Ateneo de Manila University, where he obtained his degree in Bachelor of Science in Economics. He earned his Masters in Business Administration from Harvard University.

Gregorio Ma. Araneta III

[16] Responsible in determining the Company's policy on executive remuneration and is specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. The committee also monitors the compensation packages of other senior executives in the group below the Board level.

Filipino, 68 years old, Filipino, is the Chairman of the Board, CEO and Director of the Company. He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Holdings Corporation. He is the President and Chairman of Energy Oil and Gas Holdings, Inc., He is the President and Chairman of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. He is also a director of ISM Telecommunications, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

Crisanto Roy B. Alcid
Filipino, 47 years old, Filipino, is currently the President of Araneta Properties, Inc. He is also the President of Envirotest Inc. and Roycomm Holdings, Inc. He holds directorship in various companies namely: Carmel Development Corporation, Gregorio Araneta, Inc., ARAZA Resources, Inc. HE. Heacock Corporation, Gamma Holdings, Midrac Realty, Inc., and Philippine Coastal Storage & Pipeline Corporation. Formerly, he was connected with Ayala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid obtained his degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and has completed the General Management Program at the Harvard Business School.

Describe the Audit Committee's responsibility relative to the external auditor.

In relation to the external auditor, the audit committee has the following responsibilities:

1. Review and evaluate the professional qualifications, performance and independence of the external auditor and the lead partner.
2. Review and approve with the external auditor, before the audit commences, the nature and scope of the audit plans, including scope, audit resources and expenses.
3. Review and approve the fees, remuneration and terms of engagement of the external auditor for audit and non-audit services.
4. Evaluate and approve non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor in relation to their significance to the auditor.
5. Review the reports or communications of the external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management and other material issues that affect the audit and financial reporting, and ensure that management or the Board will promptly address the issues raised.
6. Ensure that the external auditor complies with auditing standards.
7. Ensure that the external auditor or the lead, engagement, or handling partner having primary responsibility for the audit or review of the corporation is rotated at least once every five years.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2016	5	5		5 yrs
Member (ED)	Gregorio Ma. Araneta III	11-19-2016	5	5	100%	19 yrs
Member (ED)	Crisanto Roy B. Alcid	11-19-2016	5	5	100%	19yrs
Member	N/A					
Member	N/A					

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2016	1	1	100%	7yrs
Member (ED)	Carlos R. Araneta Santiago Araneta	11-19-2016	1	1	100%	4 yrs
Member (ED)	Gregorio Ma. Araneta III	11-19-2016	1	1	100%	19 yrs
Member (ID)	N/A					
Member	N/A					

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	None					
Member (ED)	None					
Member (NED)	None					
Member (ID)	None					
Member	None					

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	N/A
Audit	None	N/A
Nomination	None	N/A
Remuneration	None	N/A
Others (specify)	None	N/A

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Oversight and supervision on management.	Various.
Audit	Oversight and supervision on Audit.	Various.
Nomination	Vet nominees.	Various.
Remuneration	Review compensation	Various.
Others (specify)	None.	n/a

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None.	n/a
Audit	None.	n/a
Nomination	None.	n/a
Remuneration	None.	n/a
Others (specify)	None.	n/a

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company's principal financial instruments consist of cash and cash equivalents, receivables and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables, AFS investments, accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company has minimal exposure to any significant foreign currency risk because most of its financial instruments are denominated in Philippine peso. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial asset and as such, has no material impact to the financial statements. The Board of Directors reviews and approves the policies for managing each of these risks such as:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

(c) Period covered by the review;

The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

There is constant review and monitoring of Company's risk to be able to assessing the soundness andeffectiveness of the risk management system

(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Cash handling and placement	Fluctuating interest rates	Find the best placement rates
Receivable and AFS Investments	Collectability factor	Ensure provision for D/A based on prevailing interest rate
Foreign Currency	Minimal exposure	Most of the financial instrument are denominated in Philippine peso

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Liquidity risk	Failure of management to meet its contractual obligation	Ensure to have sufficient fund liquidity to meet its liability when due, under both normal and stressed conditions, without unacceptable losses or risking adverse effect to the Company's credit standing. The management uses historical figures and experiences and relevant forecast from its collection and disbursements to monitor inflows and outflows.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
No risk.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Cash handling	Regular monitoring of banking system	Uses its bank network that could provide relevant information on a real time basis to immediately identify and properly act such risk.
Receivable and AFS Investments	Regular monitoring of investments and exchange market	Using internet and other relevant facility to gather information on an annualize basis to be able to provide and make any action for counter such risk
Property and equipment	Regular monitory the viability and availability of such assets	Uses the historical method in determining the usable life to able to depreciate the said assets based on the generally accepted accounting practice
None	N/A	N/A

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
None	N/A	N/A

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Management Committee	Provide systems, controls, procedures and as well as	Monitoring of all the systems, procedures and as

	policies are always on top of the operating process	well as policies are always on top of the operating process

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

The company's audit committee charter is currently in process.

(a) Explain how the internal control system is defined for the company;

Internal control system is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or businessactivity, or combination of risks or business activities, to which the corporation is expose

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Thedirectors reviewed the soundness and adequacy of the system from time to time to immediately resolve any exposure to risk due to weak internal control system.

(c) Period covered by the review;

The Company's Internal Control System takes place in a day-to-day operations and normal business process to be able to monitor if the systems of control working adequately.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

There is constant review and monitoring of Company's System and Control to be able to assess the soundness and effectiveness of said Internal control system.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

The Company do not have Internal Auditor, instead it hired the services of Sycip, Gorres, Velayo& Co., anAuditing firm to handle all audit and check and balance related activity.

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Review with management and	Mere review with management and	Performed by the audit	SGV and Co.,	The internal auditor/audit

the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.	head of the internal group.	committee. (In-house)		committee shall report to the Board of Directors.
Review and approve the annual audit plans prepared by the internal audit group and major changes to the plans if any.	Review and approval which should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with applicable laws, rules and regulations.	Performed by the audit committee. (In-house)		The internal auditor/audit committee shall report to the Board of Directors.
Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.	Mere review with management.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.
Require the internal audit group to submit an annual report to the committee and management of its activities and performance	To require submission.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.

relative to the audit plan approved by the committee.				

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

No, they were nominated during the Annual Stockholders'Meeting.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

1. Review with management and the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.
2. Review and approve the annual audit plans prepared by the internal audit group and major changes to the plans if any.
3. Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.
4. Require the internal audit group to submit an annual report to the committee and management of its activities and performance relative to the audit plan approved by the committee.

3) External auditor's are given independent access to all accounting and other business records

(d)Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of theinternal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None	

(e)Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	None
Issues[17]	N/A
Findings[18]	N/A
Examination Trends	N/A

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;

[17]"Issues" are compliance matters that arise from adopting different interpretations.
[18]"Findings" are those with concrete basis under the company's policies and rules.

3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f)Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation”.

Policies & Procedures	Implementation
None	

(g)Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
None.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chief executive officer.

H. ROLE OF STAKEHOLDERS

1) Disclose the company’s policy and activities relative to the following:

	Policy	Activities
Customers' welfare	None	
Supplier/contractor selection practice	None	
Environmentally friendly value-chain	None	
Community interaction	None	
Anti-corruption programmes and procedures?	None	
Safeguarding creditors' rights	None	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

None

(b) Show data relating to health, safety and welfare of its employees.

None.

(c) State the company's training and development programmes for its employees. Show the data.

None

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

None.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

None.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Carmel Development, Inc.	**499,999,997**	**32.03%**	**99% held by Gregorio Ma. Araneta III**
Gamma Properties Inc.	264,472,892	**15.78%**	**50% held by Gregorio Ma.Araneta III**
PCD Nominee	**756,815,031**	**46.48%**	
LBC Express, Inc.	**195,043,074**	**12.49%**	**99% owned by LBC development Corporation, who is 25% owned by Santiago Araneta.**
Olongapo Mabuhay Express Corporation	**124,855,422**	**8.00%**	**80% held by Ma. Joy A. Cruz**

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
n/a			
TOTAL			

No member of senior management holds 5% shareholding or more.

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No, as it is not required under SEC form 17-A.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No, as it is not required under SEC form 17-A.
Number of board of directors/commissioners meetidngs held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	No, as it is not required under SEC form 17-A. It is disclosed in a separate certification on attendance through SEC for 17-C.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV and Co.	**P577,500 per year**	**P57,750**

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The company sends written notices to each stockholder to disseminate important information regarding the company.

5) Date of release of audited financial report:

Audited financial report current year 2013From 17-A disclosed on April2014.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Have not provided such briefings to analysts and media
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Advances against Salary	Loan granted to employees	Emergency loan repayable over a period of ten months.	One Salary.
Advances for liquidation.	Fund issued to employees for his/her official business work.	The fund is liquidated no more than seven days from the date of issuance of fund.	Depending on the complexity of work to be done.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The company makes sure that RPT's are entered into on arm's length terms comparable to unrelated 3rd parties.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its

By-laws.

Quorum Required	Majority of the outstanding capital stock must be present or represented by proxy.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification of acts of management and the board during stockholders meeting
Description	Acts of management are submitted for ratification by the stockholders during the annual stockholders meeting

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
No difference	No difference

Dividends

Declaration Date	Record Date	Payment Date
None	N/A	N/A

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	**Communication Procedure**
During stockholders meeting, a time is allocated for the investing public to presents their question the Board and the Management	Part of the agenda

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

All issued discussion are crucial that are immediately acted upon, decide and approved by the stockholders during the Annual Meeting Agenda is sent to the shareholders in advances so they can prepare matters to discuss those issue if any.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes.

a. Date of sending out notices:

October 28, 2014

b. Date of the Annual/Special Stockholders' Meeting:

November 19, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

None

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the annual stock holders meeting held on November 20, 2014.	1,098,220,249 shares	0	0
Presentation and approval of the Financial Statements as of December 31,2013.	1,098,220,249 shares	0	0
Ratification of the acts of the Board of Directors and officers.	1,098,220,249 shares	0	0
Appointment of External auditors.	1,098,220,249 shares	0	0
issuance of ARA Common Shares of up to 25% of the Company's Total Outstanding Capital Stock and the delegation to the Company's Board of Directors the determination of the terms of the issuance of shares.	1,098,220,249 shares including the majority of the minority.	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results were disclosed with the PSE 10 minutes after or on November 19, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	n/a

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Gregorio Ma.Araneta III 2. CesarZalamea 3. Crisanto Roy Alcid 4. Perry Pe 5. Alfredo de Borja 6. Alfredo Roa 7. Luis Araneta 8. Alfonso Araneta 9. Santiago Araneta	November 19, 2014	Show of hands	1%	99%	70.34%
Special	None	n/a	n/a	n/a	n/a	n/a

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

If the votes are casted by ballot, an external auditor and the transfer agents would count the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes one vote carries one share

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Proxies must be in the Hand of the Corporate Secretary not later than 10 days before the time set for the meeting. A forum for validation shall be conducted not later than 7 days before any meeting.
Notary	No formal policy as to Notary.
Submission of Proxy	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Several Proxies	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Validity of Proxy	Unless otherwise provided, the proxy shall be valid only for the meeting at which it was presented to the secretary.
Proxies executed abroad	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Invalidated Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Validation of Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Violation of Proxy	No formal policy as to violation of proxy

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Regular Meeting via personally, via mail, or by publication.	Personally or via mail, two weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation. The notice shall state the lace, date, hour of the meeting, and the purpose or purposes for which the meeting is called.
Special Meeting via personally, via mail, or by publication.	Same as above.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,220
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	October 28, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	October 28, 2014
State whether CD format or hard copies were distributed	Hard Copies

If yes, indicate whether requesting stockholders were provided hard copies	Hard Copies

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Right to vote on all matters that require their consent or approval	1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. 2. Cumulative voting shall be used in the election of directors. 3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
Pre-emptive right to all stock issuances of the Company	All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.
Right to inspect corporate books and records	

	All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
Right to information	See [19] below.
Right to dividends	See [20] below.
Appraisal right.	See [21] below.
Promotion of rights	See [22] below.

[19] 1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.

3. The minority share holders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

[20] 1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

[21]The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

[22] The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

None

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Timely disclosures of material information
(2) Principles	Enable investors to make appropriate investment decision
(3) Modes of Communications	Disclose information to SEC/PSE, upload it on Company website
(4) Investors Relations Officer	None

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company has not gone through such transaction and have not set policy for such.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Sponsor of GK (Gawad Kalinga) housing project of National Housing Authority located at Isabela Cultural GK San Jose, Del Monte, Bulacan	Homeless residence of Caloocan and San Jose Del Monte, Bulacan

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Periodic self-appraisal	Board discussion, participation and voting
Board Committees	Periodic self-appraisal	Meeting targets set by the committee
Individual Directors	Periodic self-appraisal	Board discussion, participation and voting
CEO/President	Periodic self-appraisal of management	Monitoring Corporate objectives

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First violation	Reprimand or much higher sanction depending on the complexity of offence
Second Violation	Suspension or much higher sanction depending on the complexity of offence
Third Violation	Removal from office

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati City on APR 17 2017, 20___.

SIGNATURES

GREGORIO MA. ARANETA III	CRISANTO ROY B. ALCID
Chairman of the Board	**President**
PERRY L. PE	ALFREDO de BORJA
Independent Director	**Independent Director**
CHRISTINE P. BASE	
Corporate Secretary and Corporate Information Officer	

SUBSCRIBED AND SWORN to before me this APR 17 2017 day of ________ 20__ , affiant(s) exhibiting to me their ________________, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE

NOTARY PUBLIC

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Notary Public for Makati City until 31 December 2018

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