



**MARKETS AND SECURITIES REGULATION DEPARTMENT**

SEC-MSRD Order No. \_\_  
Series of 2017

IN THE MATTER OF :  
DOUBLEDRAGON PROPERTIES CORP. :

x-----x

**ORDER**

**WHEREAS**, on 01 August 2017, DoubleDragon Properties Corp. ("Company") submitted its Definitive Information Statement and Management Report relative to the scheduled stockholders meeting on 30 August 2017.

**WHEREAS**, the Company requested that it be allowed to make the necessary amendment to the Definitive Information Statement, particularly the inclusion of the Follow on Offering Plan and Unaudited Interim Financial Statements as of June 30, 2017.

**WHEREFORE**, said request is hereby **GRANTED**.

Let copies of this Order be published in a newspaper of general circulation in the Philippines.

**SO ORDERED.**

Pasay City, Philippines  
15 August 2017

  
VICENTE GRACIANO P. FEIZMENIO, JR.  
Director

# **DOUBLEDRAGON PROPERTIES CORP.**

**DD Meridian Park Bay Area,  
Barangay 76, Zone 10  
San Rafael, Pasay City, Metro Manila,  
Philippines 1302**

**+632.856.7111**

**December 31  
(Fiscal Year Ending)**

**August 30, 2017  
(Annual Meeting)**

**SEC Form 20-IS  
Amended Definitive Information Statement  
(Form Type)**

# **PART I**

## **INFORMATION REQUIRED IN THE INFORMATION STATEMENT**

**Company/Registrant :  
DoubleDragon Properties  
Corp.**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**AMENDED INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 Amended Definitive Information Statement
2. Name of Registrant as specified in its charter: **DOUBLEDRAGON PROPERTIES CORP.**
3. Country of Incorporation: **PHILIPPINES**
4. SEC Identification Number: **CS200930354**
5. BIR Tax Identification Code: **287-191-423-000**
6. Address of principal office:  
**DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension Boulevard Barangay 76 Zone 10 San Rafael, Pasay City, Metro Manila, Philippines 1302**
7. Registrant's telephone number, including area code: **(02)8567111**
8. Date, time and place of the meeting of security holders: **August 30, 2017 9:30AM at Fairmont Hotel, Makati Avenue, Makati City**
9. Approximate date on which the Amended Definitive Information Statement is first to be sent or given to security holders **August 22, 2017**
10. In case of Proxy Solicitation:  
  
Name of Person Filing the Statement/Solicitor: **Ferdinand J. Sia**  
Address and Telephone No.: **16<sup>th</sup> Floor 6750 Building, Ayala Avenue, Makati City (02) 856 7111**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<b>Title of Each Class</b>	<b>Number of Shares of Stock Outstanding or Amount of Debt Outstanding</b>
<b>COMMON SHARES</b>	<b>2,229,730,000</b>
<b>PREFERRED SHARES</b>	<b>100,000,000</b>

12. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes [] No []

**The 2,229,730,000 Common Shares and 100,000,000 Preferred Shares are listed with the Philippine Stock Exchange ("PSE").**



**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**  
**30 August 2017, 9:30 AM**  
**Fairmont Hotel, Makati Avenue, Makati City, Metro Manila**

To All Stockholders:

Kindly take notice that the annual stockholders' meeting of **DoubleDragon Properties Corp.** (the "**Company**") for the year 2017 will be held on 30 August 2017, 9:30 AM at the Fairmont Hotel, Makati Avenue, Makati City, Metro Manila. The proposed agenda of the meeting is set forth below:

**AGENDA**

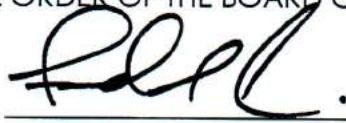
- 1) Call to Order
- 2) Certification by the Corporate Secretary of the Notice and Quorum
- 3) Reading and Approval of the Previous Minutes
- 4) Chairman's Report
- 5) Approval of the 2016 Audited Financial Statements and the 2016 Annual Report
- 6) Ratification of the Actions of the Board of Directors and Officers
- 7) Election of Directors
- 8) Appointment of External Auditors
- 9) Approval of Follow on Offering Plan
- 10) Other Matters
- 11) Adjournment

The Board of Directors fixed the end of trading hours of the Philippine Stock Exchange ("PSE") on **July 12, 2017** as the record date (the "**Record Date**") for the determination of the common stockholders who are entitled to notice and to vote at the meeting and any adjournment thereof. In the event that you cannot personally attend the meeting, you are hereby requested to accomplish the attached proxy form, which need not be notarized, and return the same to the office of the Corporate Secretary at 16<sup>th</sup> Floor 6750 Building Ayala Avenue, Makati City, Philippines, no later than 5:00 P.M. on August 25, 2017.

For your convenience, kindly bring a valid government-issued identification card upon registration of attendance. Representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or any similar document showing his or her authority to represent the corporation or entity. Thank you very much.

Makati City, \_\_\_\_\_.

BY THE ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read 'F. Sia', written over a horizontal line.

Ferdinand J. Sia  
President

**NOTE:**

***It is important that all stockholders be represented at the meeting. Common Stockholders who are unable to attend in person are requested to immediately sign, date, and mail the accompanying proxy form. In the event a stockholder decides to personally attend the meeting, he/she may, if he/she wishes, revoke the proxy and vote his/her shares in person.***

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **Vicente S. Perez, Jr.**, Filipino, of legal age, with office address at 3B 111 Paseo de Roxas Building, Paseo de Roxas corner Legaspi, Legaspi Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

- 1.) I am a nominee for independent director of DoubleDragon Properties Corp. (the "Company") and have been its independent director since February 17, 2014;
- 2.) I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
1. Alternergy Philippine Holdings Corporation	President	August 21, 2008 - Present
2. Alternergy Philippine Investments Corporation	President	August 28, 2009 - Present
3. Alternergy Wind One Corporation (Pililia)	President	June 29, 2011 - Present
4. Alternergy Sembrano Wind Corporation	President	August 25, 2011 - Present
5. Alternergy Abra de Ilog Wind Corporation	President	August 25, 2011 - Present
6. Alternergy Viento Partners Corporation	President	June 18, 2009 - Present
7. Pililla AVPC Corporation	President	August 22, 2013 - Present
8. Alternergy Mini Hydro Holdings Corporation	Chairman	January 30, 2013 - Present
9. Alternergy Hydro Partners Corporation	Chairman	December 18, 2013 - Present
10. Ibulao Mini Hydro Corporation	Chairman	April 19, 2016 - Present
11. Kiangon Mini Hydro Corporation	Chairman	November 14, 2014 - Present
12. Green Energy Supply Solutions, Inc.	Chairman	November 10, 2014 - Present
13. Asian Conservation Holdings Ltd.	Director	July 10, 2006 - Present
14. Solar Pacific Holdings Ltd.	Director	April 13, 2007 - Present
15. Solar Pacific Energy Corporation	President	January 30, 2013 - Present
16. Kirahon Solar Energy Corporation	Chairman and President	November 5, 2013 - Present
17. Solar Pacific CitySun Corporation	President	June 26, 2015 - Present

18. Merritt Advisory Partners, Inc.	Chairman	August 22, 2005 - Present
19. Merritt Partners Pte. Ltd (Singapore)	Chairman	November 18, 2005 - Present
20. QBL ECO Corporation	President	August 26, 2011 - Present
21. Kadluan Management Corporation	Chairman	May 2005 - Present
22. Kadluan Properties, Inc.	Chairman	April 23, 1993 - Present
23. Clean Climate Professionals, Inc.	Chairman	August 16, 2016 - Present
24. Singapore Technologies Telemedia Pte. Ltd.	Non-Executive Director	September 2006 - Present
25. STT Communications Ltd (Singapore)	Non-Executive Director	September 2006 - Present
26. BDO Unibank, Inc.	Independent Adviser	April 22, 2016 - Present
27. BDO Capital and Investment Corp.	Independent Director	December 7, 2016 - Present
28. BDO Leasing and Finance, Inc.	Independent Director	April 7, 2017 - Present
29. National Advisory Council of WWF - Philippines	Chairman	October 2015 - Present
30. Worldwide Fund for Nature (WWF) - China	Trustee	April 19, 2017 - Present
31. Asian Conservation Foundation, Inc.	President	May 22, 2008 - Present
32. Center for Business & Environment at Yale (CBEY)	Member of the Advisory Board	March 25, 2009 - Present
33. Coca-Cola FEMSA (KOF) Philippines	Member of the Advisory Board	September 01, 2013 - Present
34. Pictet Clean Energy Fund	Member of the Advisory Board	October 2010 - Present
35. Roxas Holdings, Inc.	Member of the Advisory Board	June 2009 - Present
36. Bhutan Foundation	Member of the National Council	April 2, 2014 - Present
37. WorldWide Fund for Nature - US	Member	April 3, 2017 - Present

3.) I possess all of the qualifications and none of the disqualifications to serve as an independent director of the Company, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations;

4.) I am not related to any of the director/officer/substantial shareholder of the Company, its subsidiaries and affiliates, nor by way of relationship as provided under Rule 38.2.3 of the Securities Regulation Code;

- 5.) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
- 6.) I am not connected with any government agency or instrumentality;
- 7.) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;
- 8.) I shall inform the Company's corporate secretary of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature at \_\_\_\_\_, on \_\_\_\_\_.



**Vicente S. Perez, Jr.**  
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, this AUG 01 2017, at MAKATI CITY, affiant exhibiting to me his Passport EC6678686 issued by DFA Manila and expiring on 06 February 2021.

Doc. 1629  
Page 13  
Book 4  
Series of 2017.




**JON ANDRE C. BANDOMA**  
Notary Public for Makati City  
Until December 31, 2018  
Commission No. M-168  
Roll No. 64599  
PTR No. 5909665/01-03-17/Makati City  
IBP No. 1051720/01-04-17/Makati City  
19B Tower One, Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City, 1225

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

**CERTIFICATION OF INDEPENDENT DIRECTOR**


I, **Gary P. Cheng**, Filipino, of legal age, with office address at 7<sup>th</sup> Floor, Unit 703, Liberty Center Building, 104 HV Dela Costa St., Makati City, after having been duly sworn to in accordance with law do hereby declare that:

- 1.) I am a nominee for independent director of DoubleDragon Properties Corp. (the "Company") and have been its independent director since January 2014;
- 2.) I am affiliated with the following companies or organizations:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
1. Fortman Cline Capital Markets Limited	Co-Founder and Managing Director	February 2008 - Present
2. Wealth Development Bank	Independent Director	November 2016 - Present
3. Artists Theatre UK Limited	Member of the Board of Advisor	April 2016 - Present
4. Institute of Corporate Directors	Fellow	July 2004 - Present
5. British Alumni Association	Member	2004 - Present
6. Peregrine Eye and Laser Institute	Board Director	May 2012 - Present


- 3.) I possess all of the qualifications and none of the disqualifications to serve as an independent director of the Company, as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations;
- 4.) I am not related to any of the director/officer/substantial shareholder of the Company, its subsidiaries and affiliates, nor by way of relationship as provided under Rule 38.2.3 of the Securities Regulation Code;
- 5.) To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;
- 6.) I am not connected with any government agency or instrumentality;
- 7.) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code;
- 8.) I shall inform the Company's corporate secretary of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto affixed my signature at \_\_\_\_\_ on \_\_\_\_\_.

  
\_\_\_\_\_  
**Gary P. Cheng**  
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, this AUG 01 2017, at MAKATI CITY, affiant exhibiting to me his Passport EB9703935 issued by DFA Manila and expiring on 27 November 2018.

Doc. 1630  
Page 18  
Book 4  
Series of 2017.

  
**JON ANDRE C. BANDOMA**  
Notary Public for Makati City  
Until December 31, 2018  
Commission No. M-168  
Roll No. 64599  
PTR No. 5909665/01-03-17/Makati City  
IBP No. 1051720/01-04-17/Makati City  
19B Tower One, Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City, 1225

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

**CERTIFICATE**

I, **Atty. Joselito L. Barrera, Jr.**, Filipino, of legal age, with office address at 16<sup>th</sup> Floor 6750 Building, Ayala Avenue, Makati City, after having been duly sworn to in accordance with law, hereby depose and state that:

1. I am the Chief Compliance Officer of DoubleDragon Properties Corp. (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 16<sup>th</sup> Floor 6750 Building, Ayala Avenue, Makati City;
2. None of the directors or officers of the Corporation are connected with any government agencies or instrumentalities.


IN WITNESS WHEREOF, I have hereunto affixed my signature at Makati, on JUL 31 2017.

  
\_\_\_\_\_  
**Atty. Joselito L. Barrera, Jr.**  
*Affiant*

SUBSCRIBED AND SWORN TO BEFORE ME in Makati City, Metro Manila, on JUL 31 2017, the affiant, who was identified by me through competent evidence of identity to be the same person who executed the foregoing instrument and exhibited to me his PhilHealth No. 19-051589535-7.

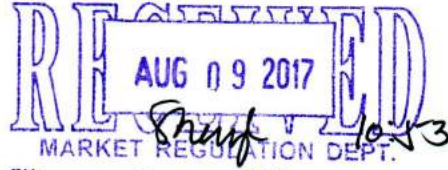
Doc. No. 1599  
Page No. 6  
Book No. 4  
Series of 2017.



  
**JON ANDRE C. BANDOMA**  
Notary Public for Makati City  
Until December 31, 2018  
Commission No. M-168  
Roll No. 64599  
PTR No. 5909665/01-03-17/Makati City  
IBP No. 1051720/01-04-17/Makati City  
19B Tower One, Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City, 1226

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

SECURITIES AND EXCHANGE  
COMMISSION



**UNDERTAKING**

I, **Atty. Joselito L. Barrera, Jr.**, Filipino citizen, of legal age, with office address at 16<sup>th</sup> Floor 6750 Building, Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

- 1.) I am the Chief Compliance Officer of DoubleDragon Properties Corp. (the "Company"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at DD Meridian Park Bay Area corner Macapagal Boulevard and EDSA extension Barangay 76 Zone 10 San Rafael, Pasay City, Metro Manila, Philippines 1302;
- 2.) The hard copies of the Definitive Information Statement, Unaudited Interim Financial Statements and Management's Discussion and Analysis for the interim period as of June 30, 2017 will be made available to the stockholders upon request;
- 3.) After the distribution of the notice of the annual stockholders' meeting to the stockholders of record as of July 12, 2017 and at least five (5) calendar days before the meeting, the Company undertakes to publish in two (2) newspapers of general circulation stating the following:

"The Company's Unaudited Interim Financial Statements and its Management's Discussion and Analysis as of June 30, 2017 will be made available to the Company's stockholders at least five (5) calendar days before the Company's Annual Stockholders Meeting on August 30, 2017 and that such reports can be viewed at the Company's official website or at [www.doubledragon.com.ph](http://www.doubledragon.com.ph)."

- 4.) The Company undertakes to submit an affidavit of publication to the Commission after the said publication.


IN WITNESS WHEREOF, I have hereunto affixed my signature at Makati City on August 07, 2017.

  
\_\_\_\_\_  
**Atty. Joselito L. Barrera, Jr.**  
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, on August 08, 2017 at Makati City, affiant exhibiting to me his PhilHealth No. 19-051589535-7.

Doc. 1667  
Page 2p  
Book 4  
Series of 2017.



  
**JON ANDRE C. BANDOMA**  
Notary Public for Makati City  
Until December 31, 2018  
Commission No. 14-168  
Roll No. 64599  
PTR No. 590565/01-03-17/Makati City  
IBP No. 1051720/01-04-17/Makati City  
19B Tower One, Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City

**ANNEX TO NOTICE OF ANNUAL STOCKHOLDERS' MEETING OF DOUBLEDRAGON  
PROPERTIES CORP.**

**AGENDA  
30 AUGUST 2017 ANNUAL STOCKHOLDERS' MEETING**

**1) Call to Order**

The Chairman or, in his absence, a president to be chosen by the stockholders will formally open the 2017 Annual Stockholders' Meeting (the "**Meeting**"). The directors and officers of the Company will be introduced.

**2) Certification by the Corporate Secretary of the Notice and Quorum**

The Corporate Secretary will certify that the copies of the Notice and the Information Statement were duly sent to stockholders as of the Record Date.

**3) Reading and Approval of the Previous Minutes**

The stockholders may examine the minutes of the previous meeting. Said minutes will also be available on the Company's website on or before August 30, 2017. The resolution for adoption will be the approval of the minutes of the previous stockholders' meeting.

**4) Chairman's Report**

The report of the Chairman of the Board of Directors highlighting the Company's achievements and milestones for the previous year will be presented to the stockholders.

**5) Approval of the 2016 Audited Financial Statements and the 2016 Annual Report**

The 2016 Audited Financial Statements (the "AFS") of the Company audited by KPMG R.G. Manabat & Co., the Company's independent external auditor, along with the 2016 Annual Report (the "Report") will be presented. The AFS and the Report will be incorporated in the Amended Definitive Information Statement which will be distributed to the stockholders. Copies of the Amended Definitive Information Statement will also be made available on the Company's website. The resolution for adoption will be the approval of the AFS and the Report for the fiscal year ended 31 December 2016.

**6) Ratification of the Actions of the Board of Directors and Officers**

The Company's performance for the year 2016, as detailed in the Report, is attributed to the key policies and well-planned directions set by the members of the Board of Directors, and the management team's effective execution of and compliance with said policies and directions in conformity with excellent corporate governance and ethical best practices. The resolution for adoption will be the approval of the actions of the Board of Directors and the Company's officers.

## **7) Election of Directors**

The same set of directors has been duly evaluated and recommended by the Nomination Committee for re-election. Their competence, expertise, and qualifications will aid in sustaining the Company's solid performance. The profiles of the directors are available in the Company's website and are attached herewith for reference. The election of the directors will be held.

## **8) Appointment of External Auditor**

The Board of Directors concurred with the recommendation of the Audit Committee to re-appoint KPMG R.G. Manabat & Co. as the Company's external auditor for 2017. The resolution for adoption will be the approval of the appointment of KPMG R.G. Manabat & Co. as the Company's external auditor for 2017.

## **9) Approval of Follow on Offering Plan**

The Board of Directors approved on 07 August 2017 the Follow on Offering Plan of up to 7.5 Billion or 150,000,000 common shares from the unissued portion of the Company's authorized capital stock to enhance the Company's trading liquidity and to further strengthen its balance sheet with higher equity levels.

## **10) Other Matters**

Matters relevant to and appropriate for the Annual Stockholders' Meeting may be taken up.

## **11) Adjournment**

## PROFILES OF THE BOARD OF DIRECTORS

**Edgar J. Sia II**, age 40, Filipino, is the Chairman and Chief Executive officer of Injap Investments Inc. and the Founder of Mang Inasal Philippines, Inc. and various other companies.

**Tony Tan Caktiong**, age 64, Filipino, is the Chairman of Honeystar Holdings Corporation, and the Founder and Chairman of Jollibee Foods Corp. Mr. Tony Tan Caktiong is also a Director of Philippine Long Distance Telephone Co. and an Independent Director of First Gen Corporation. He is also a member of the Board of Trustees of Jollibee Group Foundation, Temasek Foundation and St. Luke's Medical Center. Mr. Tan Caktiong obtained his Bachelor of Science Degree in Chemical Engineering from the University of Santo Tomas and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

**Ferdinand J. Sia**, age 38, is the President and Chief Operating Officer of Injap Investments Inc. He served as Director of Mang Inasal Philippines, Inc. from 2006 until 2016. He graduated from the University of the Philippines Visayas with a degree in Bachelor of Arts in Political Science and took up Law in Arellano University School of Law.

**Rizza Marie Joy J. Sia**, age 27, Filipino, is the Treasurer and Chief Finance Officer of Injap Investment Inc. She serves as the Treasurer of People's Hotel Corp. and as a Director of Hotel of Asia since 2008. She graduated from the University of the Philippines Visayas with a degree in Bachelor of Science in Accountancy and is a Certified Public Accountant.

**William Tan Untiong**, age 63, has been a Director of Jollibee Foods Corp. since 1993 and likewise serves as a director and treasurer of Honeystar Holdings Corporation. He is the Vice President for Real Estate of Jollibee Foods Corp since 1989. He also serves as a Director and the Corporate Secretary of Hotel of Asia, Inc.

**Joseph Tanbuntiong**, age 54, is the President of Jollibee Philippines starting July 1, 2013. He is the former President of Red Ribbon Philippines, having served there since 2008. He graduated from Ateneo de Manila University with a degree in Management Engineering. He also serves as a Director and the Assistant Corporate Secretary of Hotel of Asia, Inc.

**Gary P. Cheng**, age 53, Filipino, is an investment banking professional with over 20 years of corporate finance and capital markets experience. He is currently the Managing Director and co-founder of Fortman Cline Capital Markets Limited since its founding in 2007. Dr. Cheng was the President/CEO of Amalgamated Investment Bancorporation from 2003 and 2008 and former Vice President of Investments Banking at J.P Morgan from 1993 to 2002 where he was variously based in Hong Kong, New York and London. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England in 1991.

**Vicente S. Perez, Jr.**, age 59, CEO of Alternergy and Chairman of Merritt Partners. He has over 17 years of experience in debt restructuring, capital markets and private equity in emerging markets, including appointments in Pittsburgh, London, New York and Singapore with Mellon Bank and Lazard Freres. In 2001, he briefly served as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments. He then became the youngest and longest serving Secretary of the Philippines Department of Energy. Vince currently serves as an independent director of ST Telemedia, the Temasek media telecoms holding company and of Double Dragon Properties. He is a member of the Advisory Boards of Coca-Cola FEMSA Philippines, Geneva-based Pictet Clean Energy Fund, bio-energy Roxas Holdings and the Yale Center for Business and Environment. He is also an Independent Adviser to the Board of BDO Unibank, Inc. Vince is Chairman of the National Advisory Council of WWF-Philippines and a member of the WWF-International board. He obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's Degree in Business Economics from the University of the Philippines in 1979. Vince was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

#### **Advisers to the Board**

**Chief Justice Artemio V. Panganiban**, age 80, Filipino, is a retired Chief Justice of the Supreme Court of the Republic of the Philippines. He sits as independent director of several listed companies including Meralco, Petron Corporation, First Philippine Holdings Corp., Philippine Long Distance Telephone Company (PLDT), Metro Pacific Investment Corp., and GMA Network, Inc., among others.

**Ernesto Tanmantiong**, age 59, Filipino, serves as President and Chief Executive Officer of Jollibee Foods Corporation. He is also a director of Fresh N' Famous Foods, Inc., BK Titans, Inc., Red Ribbon Bakeshop, Inc., RRB Holdings, Inc., Grandworth Resources Corporation, Honeystar Holding Corp. and various other companies.

**PART I**  
**INFORMATION REQUIRED IN THE INFORMATION STATEMENT**  
**Company/Registrant : DoubleDragon Properties Corp.**

**A. GENERAL INFORMATION**

**Item 1. Date, Time, and Place of Meeting of the Stockholders**

<b>Date:</b>	<b>August 30, 2017</b>
<b>Time:</b>	<b>9:30 AM</b>
<b>Place</b>	<b>Fairmont Hotel Makati Avenue, Makati City, Metro Manila</b>

**Mailing Address: 16<sup>th</sup> Floor 6750 Building  
Ayala Avenue, Makati City**

Copies of this Amended Definitive Information Statement will be sent on or around August 22, 2017 to all stockholders of record as of July 12, 2017.

Stockholders who cannot attend the Meeting may accomplish the attached Proxy Form and submit the same, through the Business Reply Envelope provided, on or before August 25, 2017. Voting procedures are contained in Item 19 of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed. In that regard, kindly refer to Item 4 for an explanation on cumulative voting.

**Item 2. Dissenters' Right of Appraisal**

There is no corporate matter or action to be taken during the Meeting which will entitle a stockholder to a Right of Appraisal as provided under Section 81, Title X of the Corporation Code of the Philippines ("Corporation Code").

For the information of the stockholders, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided for by the Corporation Code:

- 1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of the corporate existence;
- 2) In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets; and
- 3) In case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair

value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, by security holdings or otherwise, in any matters to be acted upon in the Meeting, other than election to office.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken in the Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

<b>As of 30 June 2017</b>			
<b>Issued Shares</b>	<b>Shares Allowed To Foreigner</b>	<b>Shares Owned By Foreigner</b>	<b>Shares Owned By Filipino</b>
<b>2,229,730,000</b>	<b>891,892,000</b>	<b>286,808,605</b>	<b>1,942,921,395</b>

As of 30 June 2017, there were 2,229,730,000 outstanding common shares of stock of the Company which are entitled to vote at the Meeting. Each common share of stock of the Company is entitled to one (1) vote.

Only holders of the Company's common stock as of the close of business on Record Date are entitled to notice and to vote at the Meeting.

### **RECORD DATE**

All common stockholders of record as of July 12, 2017 are entitled to notice of and to vote at the Meeting.

## **MANNER OF VOTING AND ELECTION OF DIRECTORS (Cumulative Voting)**

Each common share of the Company owned by a stockholder as of the Record Date is entitled to one (1) vote (each, a "Voting Share") except in the election of directors where one share is entitled to as many votes as there are directors to be elected. The election of directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of the votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus since there are eight directors to be elected, each Voting Share is entitled to eight (8) votes.

The shareholder holding a Voting Share may nominate directors and vote in person or by proxy. If he chooses to vote through proxy, the Company's By-Laws requires the submission of a Proxy Form to the Corporate Secretary no later than 5:00 P.M. on August 25, 2017 at 16th Floor 6750 Building 6750 Ayala Avenue, Makati City.

A forum for the validation of proxies, chaired by the Corporate Secretary or by the Assistant Corporate Secretary, and attended by the Company's stock and transfer agent, shall be convened on August 29, 2017, 10:00 A.M. at the 16th Floor 6750 Building 6750 Ayala Avenue, Makati City. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be resolved by the Corporate Secretary or Assistant Corporate Secretary at that forum. The Corporate Secretary or Assistant Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Meeting.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

As of 30 June 2017, the following are the owners of the Company's common stock in excess of 5% of the total outstanding shares:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with the Issuer</b>	<b>Name of Beneficial Owner and Relationship with the Issuer</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>Percentage</b>
<b>Common Share</b>	<b>Injap Investments Inc.</b>  People's Hotel, Fuentes	<b>Injap Investments Inc.</b>  <b>Stockholder</b>	<b>Filipino</b>	<b>824,996,999</b>	<b>37.00%</b>

	Street, Iloilo City <b>Stockholder</b>				
<b>Common Shares</b>	<b>Honeystar Holdings Corp.</b>  10F Jollibee Plaza 10F Ortigas, Jr. Avenue, Origas Center, Pasig City <b>Stockholder</b>	<b>Honeystar Holdings Corp.</b>  <b>Stockholder</b>	<b>Filipino</b>	<b>824,996,999</b>	<b>37.00%</b>
<b>Common Shares</b>	<b>PCD Nominee Corp (F)</b>  37/F Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City <b>Stockholder</b>	<b>PCD Nominee Corp (F)</b>  <b>Stockholder</b>	<b>Filipino</b>	<b>288,005,738</b>	<b>12.91%</b>
<b>Common Shares</b>	<b>PCD Nominee Corp (NF)</b>  <b>Stockholder</b>	<b>PCD Nominee Corp (NF)</b>  <b>Stockholder</b>	<b>Non-Filipino</b>	<b>286,094,742</b>	<b>12.83%</b>

The natural persons who will be the duly authorized representative to vote the common shares of Injap Investments Inc. and Honeystar Holdings Corp., respectively, will be decided and voted upon by the Board of Directors in a separate meeting to be held for that purpose.

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

**SECURITY OWNERSHIP OF MANAGEMENT**  
(as of 30 June 2017)

Title of Class	Name of the Beneficial Owner	Amount and the Nature of the Beneficial Ownership	Citizenship	Percent of Class
Common	Edgar J. Sia II	514,790 – Direct	Filipino	0.02%
Common	Tony Tan Caktiong	1,000 – Direct	Filipino	0%
Common	Ferdinand J. Sia	1,000 – Direct	Filipino	0%
Common	Rizza Marie Joy J. Sia	1,000 – Direct	Filipino	0%
Common	William Tan Untiong	3,501,000 – Direct	Filipino	0.16%
Common	Joseph C. Tanbuntiong	4,001,000 – Direct	Filipino	0.18%
Common	Gary P. Cheng	250,001 – Direct	Filipino	0.01%
Common	Vicente Perez, Jr.	250,001 – Direct	Filipino	0.01%

The aggregate number of common shares for all directors and officers is 8,519,792.

**CHANGES IN CONTROL**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements that may result in a change in control of the Company.

**Item 5. Directors and Executive Officers**

The incumbent Directors and Executive Officers of the Company are as follows:

<u>Office</u>	<u>Name</u>	<u>Age</u>	<u>Citizenship</u>
Chairman	Edgar J. Sia II	40	Filipino
Co-Chairman	Tony Tan Caktiong	64	Filipino
Director and President	Ferdinand J. Sia	38	Filipino
Director, Treasurer and CFO	Rizza Marie Joy J. Sia	27	Filipino
Director and Corp. Secretary	William Tan Untiong	63	Filipino
Director and Asst. Corp. Secretary	Joseph Tanbuntiong	54	Filipino
Independent Director	Gary P. Cheng	53	Filipino
Independent Director	Vicente S. Perez, Jr.	59	Filipino
Adviser to the Board	Chief Justice Artemio V. Panganiban	80	Filipino
Adviser to the Board	Ernesto Tanmantiang	59	Filipino

## **BOARD OF DIRECTORS**

The Directors of the Company are elected at the Meeting to hold office until the succeeding annual stockholder's meeting and until their respective successors have been appointed or elected and qualified.

The following are the business experience/s of the Company's Directors for the last five (5) years (or more):

**Edgar J. Sia II**, age 40, Filipino, is the Chairman and Chief Executive officer of Injap Investments Inc. and the Founder of Mang Inasal Philippines, Inc. and various other companies.

**Tony Tan Caktiong**, age 64, Filipino, is the Chairman of Honeystar Holdings Corporation, and the Founder and Chairman of Jollibee Foods Corp. Mr. Tony Tan Caktiong is also a Director of Philippine Long Distance Telephone Co. and an Independent Director of First Gen Corporation. He is also a member of the Board of Trustees of Jollibee Group Foundation, Temasek Foundation and St. Luke's Medical Center. Mr. Tan Caktiong obtained his Bachelor of Science Degree in Chemical Engineering from the University of Santo Tomas and has management tutoring certifications from Harvard University, Asian Institute of Management, University of Michigan Business School, and Harvard Business School.

**Ferdinand J. Sia**, age 38, is the President and Chief Operating Officer of Injap Investments Inc. He served as Director of Mang Inasal Philippines, Inc. from 2006 until 2016. He graduated from the University of the Philippines Visayas with a degree in Bachelor of Arts in Political Science and took up Law in Arellano University School of Law.

**Rizza Marie Joy J. Sia**, age 27, Filipino, is the Treasurer and Chief Finance Officer of Injap Investment Inc. She serves as the Treasurer of People's Hotel Corp. and as a Director of Hotel of Asia since 2008. She graduated from the University of the Philippines Visayas with a degree in Bachelor of Science in Accountancy and is a Certified Public Accountant.

**William Tan Untiong**, age 63, has been a Director of Jollibee Foods Corp. since 1993 and likewise serves as a director and treasurer of Honeystar Holdings Corporation. He is the Vice President for Real Estate of Jollibee Foods Corp since 1989. He also serves as a Director and the Corporate Secretary of Hotel of Asia, Inc.

**Joseph Tanbuntiong**, age 54, is the President of Jollibee Philippines starting July 1, 2013. He is the former President of Red Ribbon Philippines, having served there since 2008. He graduated from Ateneo de Manila University with a degree in Management Engineering. He also serves as a Director and the Assistant Corporate Secretary of Hotel of Asia, Inc.

**Gary P. Cheng\***, age 53, Filipino, is an investment banking professional with over 20 years of corporate finance and capital markets experience. He is currently the Managing Director and co-founder of Fortman Cline Capital Markets Limited since its founding in 2007. Dr. Cheng was the President/CEO of Amalgamated Investment Bancorporation from 2003 and 2008 and former Vice President of Investments Banking

at J.P Morgan from 1993 to 2002 where he was variously based in Hong Kong, New York and London. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England in 1991.

**Vicente S. Perez, Jr.\***, age 59, CEO of Alternergy and Chairman of Merritt Partners. He has over 17 years of experience in debt restructuring, capital markets and private equity in emerging markets, including appointments in Pittsburgh, London, New York and Singapore with Mellon Bank and Lazard Freres. In 2001, he briefly served as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments. He then became the youngest and longest serving Secretary of the Philippines Department of Energy. Vince currently serves as an independent director of ST Telemedia, the Temasek media telecoms holding company and of Double Dragon Properties. He is a member of the Advisory Boards of Coca-Cola FEMSA Philippines, Geneva-based Pictet Clean Energy Fund, bio-energy Roxas Holdings and the Yale Center for Business and Environment. He is also an Independent Adviser to the Board of BDO Unibank, Inc. Vince is Chairman of the National Advisory Council of WWF-Philippines and a member of the WWF-International board. He obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's Degree in Business Economics from the University of the Philippines in 1979. Vince was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

#### **Advisers to the Board**

**Chief Justice Artemio V. Panganiban**, age 80, Filipino, is a retired Chief Justice of the Supreme Court of the Republic of the Philippines. He sits as independent director of several listed companies including Meralco, Petron Corporation, First Philippine Holdings Corp., Philippine Long Distance Telephone Company (PLDT), Metro Pacific Investment Corp., and GMA Network, Inc., among others.

**Ernesto Tanmantiong**, age 59, Filipino, serves as President and Chief Executive Officer of Jollibee Foods Corporation. He is also a director of Fresh N' Famous Foods, Inc., BK Titans, Inc., Red Ribbon Bakeshop, Inc., RRB Holdings, Inc., Grandworth Resources Corporation, Honeystar Holding Corp. and various other companies.

\*Independent Director - the Company has complied with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws, **as amended on 10 April 2013**, incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said rule.

*(The Company amended its By-Laws on 10 April 2013 to incorporate the provisions of the SRC Rule 38.)*

## PERIOD OF DIRECTORSHIP

<u>Name</u>	<u>Period Served</u>
<b>Edgar J. Sia II</b>	2009 to present
<b>Tony Tan Caktiong</b>	2012 to present
<b>Ferdinand J. Sia</b>	2009 to present
<b>Rizza Marie Joy J. Sia</b>	2009 to present
<b>William Tan Untiong</b>	2012 to present
<b>Joseph Tanbuntiong</b>	2012 to present
<b>Gary P. Cheng</b>	2014 to present
<b>Vicente S. Perez, Jr.</b>	2014 to present

The Directors of the Company are elected at the Meeting to hold office until the next succeeding annual stockholders' meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming annual stockholders' meeting. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Nomination of Independent Directors shall be conducted by the Nomination Committee prior to the Meeting. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of independent directors and which list shall contain all the information about these nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual Meeting. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made to the Nomination Committee within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

The members of the Company's Nomination Committee are the following:

Chairman	:	Ret. Chief Justice Artemio V. Panganiban
Members	:	William Tan Untiong Rizza Marie Joy J. Sia

Since the last annual stockholder's meeting, no director has resigned or has declined to stand re-election to the Board of Directors, and no director has had any disagreement with the Company on any matter relating to the Company's operations, policies, or practices. Atty. Jacqueline Gomez nominated Mr. Gary P. Cheng and Mr. Vicente S. Perez, Jr. for inclusion in the List of Candidates for Independent Directors. Atty. Jacqueline Gomez is not related to Mr. Gary P. Cheng and Mr. Vicente S. Perez, Jr. The Company has complied with the guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent

Director. The same provision has been incorporated in the Amended By-Laws of the Company last 10 April 2013.

### **SIGNIFICANT EMPLOYEES**

The Company has no significant employee who is not an Executive Officer but is expected by the Company to make significant contributions to the business.

### **FAMILY RELATIONSHIPS**

Mr. Edgar J. Sia II, Mr. Ferdinand J. Sia and Ms. Rizza Marie Joy J. Sia are siblings. Mr. Tony Tan Caktiong, Mr. William Tan Untiong, Mr. Joseph Tanbuntiong and Mr. Ernesto Tanmantiong are also siblings. There are no other family relationships known to the Company other than the ones disclosed herein.

### **INVOLVEMENT IN LEGAL PROCEEDINGS**

The Company is not aware of any events during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, executive officer, underwriter or controlling person of the Company:

- 1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- 2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- 3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- 4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

However, the Company, as of 30 June 2017, is involved in the following legal proceedings, which while the Company believes are nuisance cases and without any merit, are being disclosed for information of our stockholders:

1. THE INTEGRATED BAR OF THE PHILIPPINES (GUIMARAS CHAPTER), et. al., vs. THE CITY GOVERNMENT OF ILOILO, et. al., (Iloilo City RTC Branch 37, Civil Case No. 15-32669)

*The parties' continuing efforts to come up with an amicable settlement led to an insurmountable belief that the dismissal of this case is forthcoming.*

This Rescission Complaint was filed against the City Government of Iloilo and DD in relation to the Iloilo Ferry Terminal – Parola, a Joint Venture project of Respondents. Plaintiffs, filing this action as taxpayers, are seeking to rescind the Joint Venture Agreement on the grounds that the ferry terminal development project was initiated without properly consulting the citizens of Guimaras and other stakeholders and are claiming that the project was hastily commenced in order to hide the City Government of Iloilo's alleged lack of authority to enter into said JVA as it supposedly violates the previous agreements entered into with the province of Guimaras.

During the initial hearing, plaintiffs manifested that they are foregoing with the hearing for the temporary restraining order and instead shall proceed with the hearing on the issuance of a writ of preliminary injunction, which was subsequently denied by the court. Afterwards the case was remanded to mandatory mediation. The mediation proceedings did not materialize due to the late arrival of the notice to Respondent DD. During the Judicial Dispute Resolution (JDR) proceedings that followed, the parties were able to positively thresh out their concerns with the aim of arriving at an amicable settlement. However, minor incongruities in the details for the settlement led to the termination of the JDR.

The case was remanded back to court and is scheduled for a clarificatory hearing, while settlement talks are continuously being pursued by the parties for the amicable disposition of the case.

2. CESAR TIROL, et. al., vs. CITYMALL COMMERCIAL CENTERS INC. (Buruanga Aklan, Regional Trial Court Branch 6, Appealed Civil Case No. 10558)

*The unfounded case was filed despite the valid Lease Agreement entered into by CityMall Commercial Centers Inc. (CM) with the other heirs of the decedent who own the subject lot. Plaintiffs' failure to allege and show proof of prior physical possession of the subject property in its complaint, an essential element to prove forcible entry, led the lower court to dismiss the case on December 28, 2016.*

Plaintiffs, heirs of one Ciriaco Tirol (decedent), filed this forcible entry case against CM claiming that there was stealth and strategy used in gaining possession of a portion of a parcel of land in Boracay which will be developed by CM as a CityMall on the island. This case actually stems from a property dispute among the heirs of Tirol in which CM was improperly implicated.

After the dismissal of the case by the Municipal Circuit Trial Court, the Plaintiffs filed an appeal with the Regional Trial Court. Both parties having already submitted their respective appeal memoranda, as well as a reply from Plaintiffs and a Comment from CM, the case is now set for conciliation proceeding at the Regional Trial Court level.

3. VICTORIA YUJUICO KEET vs. BENEDICTO V. YUJUICO, et. al. (Pasay City RTC Branch 108, Civil Case No. R-PSY-14-1801-CV)

The Motion for Reconsideration of the dismissal of the instant Complaint was denied by the Court on these grounds, namely (1) failure to state a cause of action; (2) failure to pay docket fees; and (3) lack of merit.

This is a case for declaration of nullity of documents and titles with prayer for damages.

Victoria Keet ("Keet"), in her *Amended Complaint* dated 15 July 2015, alleges that Benedicto Yujuico's ("Benedicto") ownership over eight (8) parcels of land located in Pasay City ("Subject Property") and his rights to enter into transactions relating thereto are based on falsified deeds of assignment. She alleges that Benedicto, as attorney-in-fact for his father (Jesus S. Yujuico), succeeded in transferring the titles under his name to the prejudice of the other heirs. As the sole heir of Jesusa S. Yujuico, Benedicto's deceased sister, Keet alleges that she has 1/6 interest in said property, and, thus, prays for the nullification of Benedicto's titles as well as any and all titles issued subsequently, including the titles that are currently under the name of DD Meridian Park Development Corp. ("DD Meridian"). The Subject Property was transferred to DD Meridian pursuant to a sale between Benedicto and DD Meridian.

Benedicto filed a *Motion to Dismiss* on the following grounds: (i) failure to state a cause of action in view of Keet's admission that the transfers were done in accordance with the 7 May 1996 Memorandum of Agreement, the validity of which was not contested by Keet; (ii) Keet is not a real party in interest as she was not privy to the documents sought to be nullified; and (iii) failure to pay the required docket fees. Benedicto also filed a *Motion to Lift Annotation of Notice of Lis Pendens* praying for the lifting of the notices of lis pendens annotated on the titles.

DoubleDragon, for its part, filed an *Answer* dated 7 October 2015 alleging that the *Amended Complaint* does not contain any allegation with respect to DoubleDragon and its Directors, and as such, should be dismissed. The company also prayed for damages.

In an *Order* dated 24 February 2016, the Court granted Benedicto's *Motion to Dismiss* for the following reasons: (i) non-payment of docket fees; (ii) insufficiency in allegations of its cause of action in relation to the reliefs prayed for; and (iii) the Memorandum of Agreement executed in 1996 is not one of those prayed to be nullified, and the Court, therefore, will not be able to render judgment disturbing or nullifying the titles to the properties resulting from such implementation.

In another *Order* dated 24 February 2016, the Court granted Benedicto's *Motion to Lift the Annotation of Notice of Lis Pendens*.

Keet filed a *Motion for Reconsideration* dated March 28, 2016 assailing the Court's ruling on the ground that: [i] the court erred in ruling that plaintiff paid incorrect docket fees; and [ii] that the court committed a reversible error in ruling that the amended complaint failed to sufficiently state a cause of action. Defendants Benedicto, DoubleDragon and DD Meridian filed their respective Comments/Opposition to the *Motion for Reconsideration*.

On June 16, 2017, the Court issued an Order denying the Motion for Reconsideration on the ground that no new issues were raised in the motion thus finding it to be without merit.

4. CARLITO CO vs. BENISONS SHOPPING CENTER INC. & DOUBLEDAGON PROPERTIES CORP. (Court of Appeals, Sixth Division, CA G.R. CV No. 107770)

*There is a strong possibility of dismissal of the appeal against DD as the case was dismissed on the merits by the lower courts as Co failed to substantiate any claim against DD.*

In this civil case for Specific Performance with Damages, Plaintiff Carlito Co (Co) seeks to enforce against DoubleDragon Properties Corp. (DD) the leasehold rights for several commercial stalls that he allegedly purchased from MacroGen Realty Corporation. According to his complaint, the shopping center where the stalls were located was later on acquired by Benisons Shopping Center Inc. (Benisons) and subsequently sold to DD.

DD filed a motion to dismiss on the ground of failure to state a cause of action because Co failed to allege that DD was a party to or privy to the contracts entered into between Co and the former owners of the shopping center. DD purchased the property in good faith and plaintiff Co was not among the list of existing tenants turned over by Benisons to DD at the time of the sale of the building.

The Court issued an order dismissing the case as against DD, which was received by DoubleDragon on May 1, 2016. Plaintiff filed a Motion for Reconsideration which was also denied by the Court. Co subsequently filed a Notice of Appeal but DD is yet to receive a copy of the Appellant's Brief.

5. ALDWIN S. CALUBAD vs. GLOBE ASIATIQUE REALTY HOLDINGS CORPORATION AND RIZAL COMMERCIAL BANKING CORPORATION, DOUBLEDAGON PROPERTIES CORP. (OP Case No. 13-D-081)

*With the parties having reached an amicable settlement, the case is expected to be dismissed by the Office of the President.*

Aldwin S. Calubad ("Complainant") bought a condominium unit and parking space in G.A. Sky Suites ("Sky Suites") from Globe Asiatique Realty Holdings Corporation ("GARHC"), then developer of Sky Suites. The total purchase price was fully paid as of end of June 2011 but no deeds of sale were executed.

Subsequently, RCBC acquired the project through a foreclosure proceeding. The construction was completely stopped and that led to the filing of the complaint with the HLURB for the rescission of the Contract to Sell and refund of payments. HLURB rendered a Decision on 22 November 2012 in favor of the Complainant.

Noting that RCBC is now the owner, Complainant appealed and prayed that RCBC be held jointly and severally liable with GARHC. This was granted on 11 April 2013. RCBC appealed the decision before the Office of the President.

During the pendency of the case, DoubleDragon acquired Sky Suites from RCBC. As the new owner of Sky Suites, DoubleDragon, while not a party to the case, coordinated with the Complainant for a possible settlement. This resulted to the execution of a new Contract to Sell between DoubleDragon and the Complainant in light of the latter's decision to continue with the acquisition. Complainant also executed a Deed of Rescission rescinding the Contract to Sell with GARHC and a Deed of Assignment of his receivables from GARHC to DoubleDragon.

Complainant and DoubleDragon agreed to continue with the purchase of the contested property and a Motion to Dismiss was filed on April 26, 2016 with the conformity of the Complainant.

6. SPS. REGGIE L. MALONZO & MARISCEL L. MALONZO vs. GLOBE ASIATIQUE REALTY HOLDINGS CORPORATION & RCBC (Manila - Office of the President, O.P. Case No. 14-L-281)

*The parties in this case were able to reach an amicable settlement. The spouses Malonzo have decided to push through with the acquisition of the condominium unit at the Skysuites Tower.*

Sps. Regie L. Malonzo and Mariscel L. Malonzo ("Complainant") purchased a condominium unit and a parking lot space at the G.A. Sky Suites from Globe Asiatique Realty Holdings Corporation (GARHC). They were paying their monthly installments until they received a notice that Rizal Commercial Banking Corporation (RCBC) has already acquired Sky Suites prompting them to file a complaint with HLURB and pray that the mortgage executed over their unit and the foreclosure sale be declared null and void.

On 31 July 2014, HLURB Arbiter ordered RCBC to execute a Contract to Sell in favor of Complainants and ordered GARHC to pay damages. Both companies appealed and elevated the matter to the Office of the President.

A Joint Motion for Submission of Compromise Agreement was filed by DD and the Complainants, seeking to put an end to the controversy, and the parties are currently awaiting for the disposition of the case by the Office of the President.

7. ALMA S. ENANO vs. GLOBE ASIATIQUE REALTY HOLDINGS CORPORATION REPRESENTED BY ITS PRESIDENT, DELFIN S. LEE, AND RIZAL COMMERCIAL BANKING CORPORATION, DOUBLEDAGON PROPERTIES CORP. (OP Case No. 13-D-081)

*There is a good probability of the dismissal of the instant case as the parties have shown their willingness to enter into negotiations in order to arrive at a cordial resolution of the dispute.*

This is a case for refund and payment of damages.

In a *Complaint* dated 16 May 2011, Alma S. Enano ("Enano") claimed that she entered into a Reservation Agreement with Globe Asiatique on 2 October 2009 for the purchase of Unit 614 of G.A. Sky Suites (the "Project"), for the total price of P3,711,000.00. Pursuant to the said Agreement, Enano paid Globe Asiatique from 1

June 2009 to 10 December 2010 the total amount of P501,755.70 plus P20,000.00 initial payment.

On 29 September 2010, RCBC acquired the Project through an extra-judicial foreclosure. Enano was advised by RCBC in the letter dated 13 December 2010 that she should continue paying the amortization for the said unit. Out of all the amounts Enano has paid to Globe Asiatique, only P33,632.60 was remitted to RCBC.

The construction was completely stopped in October 2010 prompting Enano to file a *Complaint* with the HLURB for: (i) refund of P521,755.70 plus 12% interest from the filing of the Complaint until full payment; (ii) moral damages in the amount of P50,000.00; (iii) exemplary damages in the amount of P25,000.00; and (iv) attorney's fees in the amount of P50,000.00.

In a *Decision* dated 11 September 2012, HLURB ordered -- (i) Globe Asiatique to pay Enano the amount of P488,123.10 with legal interest from the date of the filing of the Complaint until fully paid; (ii) RCBC to refund Enano P33,632.20 with legal interest from filing of the Complaint until fully paid; and (iii) Globe Asiatique to pay P50,000.00 moral damages, P50,000.00 exemplary damages and P25,000.00 attorney's fees. Upon *Motion for Reconsideration*, HLURB modified the Decision and directed Globe Asiatique and RCBC to jointly and severally: (i) refund Enano P521,755.70 with legal interest at 6% from filing of the Complaint until finality of the Decision and 12% per annum from finality until fully paid; and (ii) to pay Enano P50,000.00 moral damages, P50,000.00 exemplary damages and P25,000.00 attorney's fees. RCBC appealed the instant case to the Office of the President.

In a *Motion to Implead Double Dragon Properties, Inc. with Manifestation* dated 27 April 2015, Enano moved that DoubleDragon Properties Corp. (DD) be impleaded as indispensable party and that the appeal of RCBC be dismissed.

While the Office of the President has not yet issued any resolution impleading DD, being the new developer of the Project, DD has taken upon itself to amicably settle the case with Enano and is currently negotiating for an end to the dispute.

8. VALENTINA L. CUA & TERESITA T. SEVILLA vs. GLOBE ASIATIQUE REALTY HOLDINGS CORPORATION & RCBC (Quezon City - HLURB, HLURB Case No. NCR REM – 111513-15231)

*On motion of DD with the conformity of the Complainants, the instant case was dismissed by the HLURB on May 20, 2016.*

Valentina Cua and Teresita T. Sevilla ("Complainants") signed a Reservation Agreement for the purchase of a condominium unit and a parking lot in G.A. Sky Suites with Globe Asiatique Realty Holdings Corporation (GARHC). Complainants were notified that Rizal Commercial Banking Corporation (RCBC) acquired the project and were advised to continue paying their monthly amortizations to the latter.

In 2011, the construction of the condominium project was halted. Complainants decided to terminate their Reservation Agreement and sought refund. Their request, however, was not accommodated. This led them to the filing of the instant complaint before the HLURB for the reimbursement or refund of all their payments with damages.

As the new owner of Sky Suites, DoubleDragon Properties Corp. (DD), while not a party to the case, coordinated with the Complainant for a possible settlement. This resulted in the execution of a new Contract to Sell between DD and the Complainant in light of the latter's decision to continue with the acquisition. Complainant also executed a Deed of Rescission rescinding the Contract to Sell with GARHC and a Deed of Assignment of his receivables from GARHC to DD.

As no appeal was filed within the reglementary period, the parties are just awaiting for the issuance of the Certificate of Finality of the Decision.

9. VINCENT PASCAL T. DE ASIS vs. DOUBLEDRAGON PROPERTIES CORPORATION, et. al. (Region VI – ORP, ORP Docket No. VI-ORP-PR-17E-006)

*The Petition for Review filed with the DOJ was dismissed for lack of merit.*

The unfounded *Complaint*, filed with the Office of the City Prosecutor of Iloilo is for the alleged failure of Respondents to secure a building and fencing permit for the construction of the Iloilo Ferry Terminal – Parola, in violation of Section 301 in relation to Section 213 of PD 1096 or the National Building Code.

In the *Verified Urgent Motion to Dismiss* dated 24 September 2015 (“*Motion*”), respondent Company moved for the dismissal of the case claiming that: (i) Vincent Pascal de Asis (“de Asis”) has no authority to initiate actions for violations of the Code as the authority to do so lies with the Building Official of the City of Iloilo; (ii) non-compliance with the proper procedures for instituting complaints under the Code; and (iii) the fact that Building Permit No. 06-02-205-1568 has been issued by the Office of the Building Official of Iloilo City on 12 August 2015. This *Motion* was denied, prompting Respondents to file a Motion for Reconsideration.

On April 6, 2016, the Office of the City Prosecutor issued a Resolution on Respondents' Motion for Reconsideration dismissing the complaint on the ground that the Respondents have already complied with the requirement of securing a business permit.

De Asis submitted an unverified Motion for Reconsideration which was filed out of time simultaneous with the filing of a Petition for Review with the Department of Justice in violation of the Rules. The Office of the City Prosecutor denied De Asis' Motion for Reconsideration but in a turn of events, Complainant filed a second Petition for Review with the Department of Justice.

The second Petition for Review was dismissed in a Resolution dated May 26, 2017 and the resolution of the Iloilo City Prosecutor on the complaint was affirmed, as no evidence was found that the Iloilo City Prosecutor exercised grave abuse of discretion in dismissing the criminal complaint.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Contracts may be entered into by the Company with any of its directors, executive officers or stockholders or with companies associated with the majority stockholders of the Company (the “Related Parties”), provided the terms thereof are at least favorable to the Company as would be obtainable in arm's-length dealings with

unrelated third persons. This policy is to prevent conflicts of interest between the Company and Related Parties, which may result in action taken by the Company that does not fully reflect the interests of all stockholders of the Company.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties are within market rates while there are no interest on advances. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in the Notes to the Audited Financial Statements of the Company attached hereto and incorporated herein by reference.

The outstanding balance, as of December 31, 2016, with Related Parties included in the appropriate accounts in the balance sheet are as follows:

<b>Category</b>	<b>Year</b>	<b>Amount of Transaction (PHP)</b>	<b>Outstanding Receivables (PHP)</b>	<b>Outstanding Payables (PHP)</b>	<b>Terms and Conditions</b>
<b>Management Fees</b>	<b>2016</b>	<b>P2,678,571</b>	<b>-</b>	<b>-</b>	<b>Demandable; non-interest bearing, unsecured, payable in cash</b>
	<b>2015</b>	<b>P2,678,571</b>	<b>-</b>	<b>-</b>	
	<b>2014</b>	<b>P2,678,571</b>	<b>-</b>	<b>-</b>	
<b>Sales</b>	<b>2015</b>	<b>P1,116,121</b>	<b>-</b>	<b>-</b>	<b>20% downpayment; 20 due upon turn-over; non-interest bearing; unsecured</b>
	<b>2014</b>	<b>P1,004,509</b>	<b>-</b>	<b>-</b>	
<b>Rent Revenue</b>	<b>2016</b>	<b>P89,487,076</b>	<b>-</b>	<b>-</b>	<b>Demandable; non-interest bearing, unsecured, payable in cash</b>
	<b>2015</b>	<b>P47,649,689</b>			
<b>Rent Expense</b>	<b>2016</b>	<b>P3,672,896</b>	<b>-</b>	<b>-</b>	<b>Demandable; non-interest bearing, unsecured,</b>
	<b>2015</b>	<b>P3,584,449</b>	<b>-</b>	<b>-</b>	

	2014	P3,395,181		-	-	payable in cash
Cash Advances Received	2016		-	P101,808,489	P10,170,186	Demandable; non-interest bearing, unsecured, payable in cash
	2015	P58,417,380		P58,567,380	P8,789,068	
Land Acquired	2016	P122,400,000		-	P122,400,000	Demandable; non-interest bearing, unsecured, payable in cash
	2015	P266,192,013		-	P544,871,305	
Acquisition of HOA	2016	P429,944,449			P429,944,449	Payable by way of DD Shares
	2016	P356,643,000			P135,243,000	Demandable; non-interest bearing, unsecured, payable in cash

The various agreements of the Company with the Related Parties as follows:

**a) Rent Revenue**

- The amount pertains to the revenue earned by the Company from leasing out some of its commercial spaces in Dragon8 Mall and CityMall to JFC and SM Group.

**b) Service & Management Contracts**

- In 2012, the Company entered into an Executive Management Services Agreement with Injap Investments, Inc. for executive, corporate, strategic, administrative and financial oversight services related to the real estate business of the Company. The term of the Executive Management Services is for one (1) year effective 1 January 2012 and is renewable under the same terms and conditions upon mutual agreement of the Parties. The fee, which includes staffing costs for services rendered by Injap Investments, Inc. amounted to P3.0 million in 2012 and P2.68 million from 2013 to 2016.

**c) Contracts of Lease (for Showroom and Sales Office)**

- On 01 October 2012, the Company entered into a sub-lease agreement with

Jollibee Foods Corporation for the lease of a Two Hundred Fourteen and 76/100 (214.76) square meter office space situated at the ground floor of Jollibee Plaza Condominium, F. Ortigas, Jr. Road, Ortigas Center, Pasig City for a term of five (5) years or from 1 October 2012 to 31 September 2017 at the monthly rate of Eight Hundred Pesos (PHP 800.00) per square meter (subject to 10% yearly escalation). The sub-lease is renewable for the same period under the same terms and conditions.

- On 22 June 2012, the Company entered into a lease agreement with Injap Investments, Inc. for the lease of a One Hundred Sixty Three (163) square meter office space situated at Injap Building, Delgado cor. Fuentes Street, Iloilo City for a term of three (3) years or from 1 June 2012 to 31 May 2015 at the monthly rate of Four Hundred Fifty Pesos (PHP 450.00) per square meter (subject to 7% yearly escalation). The said lease is renewable for the same period under the same terms and conditions.

#### **d) Advances**

- The amount pertains to the unsecured non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.

#### **e) Land Acquisitions**

- The Company has outstanding liabilities to minority shareholders of PDDG amounting to PHP 383.28 Million for the acquisition of certain parcels which will be used in the on-going CityMalls. The stated unsecured, non-interest bearing liabilities are to be settled by the Company in 2017.
- In 2016, HOA entered into a Memorandum of Agreement and Deed of Absolute Conveyance with a minority shareholder wherein HOA, in consideration of the land owned by the minority shareholder, settled to pay the latter in kind by way of condominium hotel (condotel) units in Hotel 101 – The Fort project (32-storey) totaling 60 condotel units plus a portion of the deck referred to as the "Deck Unit".

#### **f) Purchase of III's Shares in Hotel of Asia, Inc.**

- In 2016, the Company acquired 40% shares of III in Hotel of Asia, Inc. (HOA) making the Company the majority stakeholder of HOA. The consideration for the acquisition is the fair value of the Company's common shares of stock computed at 5% premium over the weighted average of the closing prices of the Company's common shares of stock for a period of thirty (30) trading days ending the day prior to the closing date, or ₱61.1625 per share, which shall be issued to III within 437 days from the closing date.

#### **g) Lease of Mall Spaces**

- The Company entered into various lease agreements with related parties covering its investment property portfolio. The amount pertains to the rent income earned by the Company from leasing out some of its commercial

spaces in Dragon8 and CityMalls to JFC and SM Group. These leases generally provide for either fixed monthly rent subject to escalation rates or a certain percentage of gross sales. The terms of the leases are for periods ranging from 5 to 15 years. The fixed monthly rent shall escalate by an average of 5% to 10% each year. The corresponding receivables from related party tenants are recorded in the "rent receivables" account.

#### **h) Key Management Personnel Compensation**

- The short-term benefits of other key management personnel amounted to PHP 20.3 Million and PHP 18.61 Million in 2016 and 2015, respectively.

Other than the foregoing, the Company has not had any material transaction in which any Related Party has had a direct or indirect material interest in the last two (2) years.

#### **Item 6. Compensation of Directors and Executive Officers**

Injap Investments Inc., through an Executive Management Services Agreement, provides executive, corporate, strategic, administrative and financial oversight services related to the real estate business of the Company. Total fees paid under this agreement amounted to Two Million Six Hundred Seventy Eight Thousand Five Hundred Seventy One Philippine Pesos (P2,678,571.00) for 2016 which covers the positions of the Chairman and Chief Executive Officer, the President and the Treasurer and Chief Financial Officer of the Company.

For the calendar year ended 31 December 2015, 2016 and as of June 30, 2017, the total salaries, allowances and bonuses paid to all other officers as a group unnamed are as follows:

<b>Position</b>	<b>Year</b>	<b>Salary, Allowances and Bonuses</b>
<b>Chief Operating Officer, Chief Investment Officer, Assistant Chief Finance Officer and Department Heads: (Accounting, Admin, Business Development, Corporate Services, Finance, Security, Design, Engineering, Information Technology, Internal Audit, Leasing, Legal, Marketing, Treasury &amp; Corporate Planning, Procurement)</b>		
	<b>2017</b>	<b>₱12,692,825.05 (as of June 30, 2017)</b>
	<b>2016</b>	<b>₱24,362,367.21</b>
	<b>2015</b>	<b>₱21,115,000.00</b>

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
(a) Fixed Remuneration	As directors, they do not receive compensation for services rendered. They receive compensation as officers of the corporation if they hold position as such.	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	PHP480,000,000
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
<b>Total</b>	–	–	PHP480,000,000

The members of the Board receive a standard per diem for attendance in board meetings. For the year 2016, the Company paid a total of Four Hundred Eighty Thousand Pesos (PHP 480,000.00) as pier diem allowance. Except as stated above, the directors did not receive other allowances or per diems for the past and ensuing year. There are no other existing arrangements/agreements under which directors are to be compensated during the last completed fiscal year and the ensuing year.

On November 11, 2015, the Board of Directors approved the creation of the Senior Management Stock Option Plan. The Plan covers the Senior Management of the company as identified by the Chairman and Chie Executive Officer. The Plan allows the all covered Senior Management to acquire at market price at grant date such number of shares of stock not exceeding two percent (2%) of the issued and outstanding capital stock of the company, after a vesting period of three (3) years. Vesting is conditional on the employment of the participant in the company. The option will vest at the rate of twenty percent (20%) of the shares granted on the first year, thirty percent (30%) of the shares granted on the second year, and 50% of the shares granted on the third year. The Option is exercisable within seven (7) years from grant date.

The approval of this Stock Option Plan has been ratified by the Shareholders on January 5, 2016 and is subject to the approval of the SEC.

## **Item 7. Independent Public Accountant**

The accounting firm of KPMG R.G. Manabat & Co. ("KPMG") was appointed as the Company's auditor. Since their appointment, the Company has no disagreement with them on any matters relating to accounting principles and practices, financial statement disclosures or auditing scope or procedures. The same auditing firm has been endorsed for re-appointment by the Audit Committee to the Executive Committee.

The following are the External Audit Fees paid to KPMG for its services, particularly for the audit of the financial statements for the year ended 31 December 2016, to the Company as well as to its subsidiaries.

31 December 2016

	31 December 2016			
	Audit Fee	OPE	VAT	Total Audit Fees
DoubleDragon Properties Corp	1,200,000.00	180,000.00	165,600.00	1,545,600.00
CityMall Commercial Centers Inc.	660,000.00	99,000.00	91,080.00	850,080.00
Hotel of Asia, Inc.	550,000.00	82,500.00	75,900.00	708,400.00
DD HappyHomes Residential Centers Inc.	484,000.00	72,600.00	66,792.00	623,392.00
Hotel 101 Management Corporation	450,000.00	67,500.00	62,100.00	579,600.00
Piccadilly Circus Landing Inc.	350,000.00	52,500.00	48,300.00	450,800.00
DoubleDragon Property Management Corp.	300,000.00	45,000.00	41,400.00	386,400.00
CSI Hotels Incorporated	250,000.00	37,500.00	34,500.00	322,000.00
Prime DDG Commercial Centers Inc.	200,000.00	30,000.00	27,600.00	257,600.00
CM-Mandalagan Bacolod Inc.	200,000.00	30,000.00	27,600.00	257,600.00
DoubleDragon Sales Corp.	187,000.00	28,050.00	25,806.00	240,856.00
DD-Meridian Park Development Corp.	165,000.00	24,750.00	22,770.00	212,520.00
CM-Goldenfields Bacolod Inc.	100,000.00	15,000.00	13,800.00	128,800.00
CM-Tarlac MacArthur Inc.	100,000.00	15,000.00	13,800.00	128,800.00
CM-Danao Cebu Inc.	100,000.00	15,000.00	13,800.00	128,800.00
CM-Dipolog Zamboanga Inc.	100,000.00	15,000.00	13,800.00	128,800.00
CM-Norhttown Davao Inc.	100,000.00	15,000.00	13,800.00	128,800.00
Iloilo-Guimaras Ferry Terminal Corp.	100,000.00	15,000.00	13,800.00	128,800.00
<b>TOTAL</b>	<b>5,596,000.00</b>	<b>839,400.00</b>	<b>772,248.00</b>	<b>7,207,648.00</b>
Consolidation fee	120,000.00	-	14,400.00	134,400.00
<b>GRAND TOTAL</b>	<b>5,716,000.00</b>	<b>839,400.00</b>	<b>786,648.00</b>	<b>7,342,048.00</b>

The members of the Company's Audit Committee are the following:

Chairman	:	Gary P. Cheng
Members	:	Ferdinand J. Sia Rizza Marie Joy J. Sia

The partner-in-charge for the ensuing year is Mr. Darwin P. Virocel of R.G. Manabat & Co. SRC Rule 68, Part 3(b) (iv) (ix) provides that "the independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling-off period shall be observed in the engagement of the same signing partner or individual auditor". The Company is compliant with this rule.

The resolution for adoption will be the approval of the appointment of KPMG as the Company's independent external auditor.

Except for the preparation of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the afore-cited independent public accountants provide no other type of services.

In relation to the audit of the Company's annual financial statements, the Company's Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of our policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors, if any, are not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

#### **Item 8. Employee Compensation Plans**

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other Than for Exchange**

1. Owners of the Company's Common Shares of Stock as of Record Date, 12 July 2017, present or represented by proxy shall be entitled to vote on Item 9 of the Agenda concerning the Follow on Offering Plan.

On 07 August 2017, the Board of Directors approved the plan for a follow on offering of up to P7.5 Billion or 150,000,000 common shares from the Company's authorized but unissued portion of its capital stock which is expected to enhance the Company's trading liquidity and to further strengthen its balance sheet with higher equity levels. The following resolution has been adopted and approved by the Board of Directors and is the subject for approval and ratification of the Company's Common Shareholders as of the Record Date 12 July 2017:

“RESOLVE, AS IT IS HEREBY RESOLVED, that the Company be, as it is hereby, authorized and empowered to conduct a stock rights offering or follow on offering to raise up to Pesos: Seven Billion Five Hundred Million (Php 7,500,000,000) or issue up to 150,000,000 common shares from the Company’s authorized but unissued portion of its capital stock, for the purpose of funding the general corporate requirements and capital expenditures of the Corporation’s projects and its subsidiaries and under such further terms and conditions as shall be determined by the management (the “Follow on Offering”);

RESOLVED, FURTHER, that the Corporation be authorized to apply for (i) the registration and licensing of the Follow on Offering with the Securities and Exchange Commission (“SEC”) and (ii) listing thereof with the Philippine Stock Exchange (“PSE”);

RESOLVED, FURTHERMORE, that pursuant to the offer and issue of the Follow on Offering, the Corporation be authorized to engage the services and appoint the underwriter/s, issue managers and arrangers, selling agents, advisors, legal counsel, and such other parties and agents as may be necessary, proper or desirable to effect and implement the registration and licensing of the Follow on Offering with the SEC, the listing of the shares with the PSE and the offer of the same to the public and investors, under such terms and conditions as management may deem to be fair and reasonable and in the best interest of the Corporation;

RESOLVED, MOREOVER, that the following individuals are hereby authorized and empowered to represent the Corporation to sign, execute and deliver, for and on behalf of the Corporation, the Registration Statement with the SEC, the Listing Application with PSE, and to sign, execute and perform such other deeds, documents, contracts, agreements and instruments as may be necessary, convenient or appropriate, to give force and effect to these resolutions:

- |                           |                               |
|---------------------------|-------------------------------|
| 1. Edgar J. Sia II        | Chairman of the Board and CEO |
| 2. Ferdinand J. Sia       | President                     |
| 3. William Tan Untiong    | Corporate Secretary           |
| 4. Joseph Tanbuntiong     | Assistant Corporate Secretary |
| 5. Rizza Marie Joy J. Sia | Treasurer and CFO             |

RESOLVE, FINALLY, that the Board of Directors of the Corporation hereby approves the disclosures contained in the Registration Statement, of which they are aware of, and assume responsibility for the information contained in the Registration Statement, listing application and the prospectus, and any attachments, amendments or supplements thereto.”

## 2. Preferred Shares of the Company

On November 11, 2015, the Company approved the increase in the authorized capital stock from P500 million to P20.5 billion with P100 par value. The increase in the authorized capital stock was ratified by the Company’s stockholders on January 5,

2016. On the same date, the Board and the stockholders approved the creation and issuance of 200,000,000 non-voting Preferred Shares with a P100 par value.

On March 28, 2016, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Company and issued the Order of Registration of Subscriptions to Preferred Shares amounting to P10 billion cumulative, non-voting, non-participating, redeemable at the option of the Company, convertible at the ratio of 1 Preferred Share to 1 Common Share, perpetual Preferred Shares at an offer price of P100 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date. On April 14, 2016, the Parent Company has secured approval from the SEC to issue Preferred Shares following the successful offer and distribution of subscriptions to 100,000,000 preferred shares amounting to P10,000,000,000.

On June 23, 2016, the BOD declared regular cash dividends of P1.619 per share and special cash dividends of P0.0867 per share, amounting to P170.57 million to preferred stockholders of record as of July 8, 2016 and were paid on July 16, 2016.

On September 20, 2016, the BOD declared cash dividends of P1.6199 per share equivalent to P161.95 million to preferred stockholders of record as of October 4, 2016 and were paid on October 14, 2016.

On December 8, 2016, the BOD declared cash dividends of P1.61945 per share equivalent to P161.95 million to preferred stockholders of record as of January 4, 2017 and were paid on January 14, 2017.

On March 21, 2017, the BOD declared cash dividends of P1.161945 per share to preferred stockholders of record as of April 4, 2017 and were paid on April 17, 2017.

### 3. Issuance of Fixed-Rate Retail Bonds

On November 28, 2016, the Securities and Exchange Commission approved the Company's application for the shelf registration of fixed-rate bonds with an aggregate principal amount of P15 billion, to be offered in one or several tranches. The aggregate principal amount for the first tranche issued amounted to P5.30 billion.

The first tranche which was issued on December 15, 2016 will carry a due date of December 15, 2026 and fixed interest rate of 5.97% per annum. Interest is payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. Related costs from the issuance amounted to P82.34 million. Interest expense from this bond amounted to P14.07 million in 2016.

The Company issued the second tranche on July 21, 2017. The Company set the coupon rate for its 7-year peso-denominated Fixed Rate Retail at 6.0952% p.a. Due to strong demand for the retail bonds, the coupon rate was set at the bottom-end of the pricing range. The issuance will have a base size of Php 6.5 Billion with an option to issue an additional Php 3.2 Billion in oversubscription.

The principal amount of P15 billion is expected to complete the fund requirements for all of the Company's core projects in the pipeline in relation to the Company's goal of 1 million square meters of leasable space by 2020.

#### **Item 10. Modification or Exchange of Securities**

No action will be presented for the stockholders' approval at the Meeting which involves the modification of any class of the Company's securities or the issuance of one class of securities in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

The Company's audited consolidated financial statements for the year ended 31 December 2016 and the unaudited financial statements are attached herein as Annex B and are incorporated by reference.

On 18 April, 2017, the Company publish in its website the audited consolidated financial statements as of 31 December 2016 for the perusal of the stockholders. The Company undertakes to publish in its website the unaudited financial statements as of March 31, 2017 on or before August 30, 2017.

The resolution for adoption will be the approval of the audited consolidated financial statements for the year ended 31 December 2016.

#### **Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters**

No action will be presented for the stockholders' approval at the Meeting which involves:

- 1) The merger or consolidation of the Company into or with any other person, or of any other person into or with the Company.
- 2) Acquisition by the Company or of its shareholders of the securities of another person.
- 3) Acquisition by the Company of any other going business or of the assets thereof.
- 4) Sale or transfer of all or substantially all of the Company's assets.
- 5) Liquidation or the dissolution of the Company.

#### **Item 13. Acquisition or Disposition of Property**

In the normal course of business, the Company and its subsidiaries buy real estate properties for future business sites.

No action will be presented for the stockholders' approval at the Meeting which involves acquisition or disposition of the property of the Company.

#### **Item 14. Restatement of Account**

No action will be presented for the stockholders' approval at the Meeting which involves the restatement of any of the Company's assets, capital, or surplus account.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

Action is to be taken on the reading and approval of the following:

#### **1) Reading and Approval of the Previous Minutes.**

The minutes of the previous stockholders' meeting will be posted on the website of the Company and will be available for the inspection of the stockholders.

The resolution for adoption will be the approval of the minutes of the previous meeting.

#### **2) Management Reports**

The Company's Management Report will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement as Annex A.

The resolution for adoption will be the approval of the Management Report for the year ended 31 December 2016.

#### **3) General ratification of the acts of the Board of Directors and the Officers**

The acts of the Board of Directors and Officers of the Company are covered by resolutions of the Board of Directors duly-adopted in the normal course of trade or business. Said acts include, but are not limited to, the following:

- a) Approval of projects and land acquisitions including the execution of various construction contracts for project development.
- b) Treasury matters related to opening of accounts and transactions with banks.
- c) Appointment of signatories of bank accounts and contracts and amendments thereof.
- d) Other contracts for the operations of the Company.

The resolution for adoption will be the approval and ratification of the acts of the Board of Directors and the Officers of the Company.

## **Item 16. Matters not Required to be Submitted**

There is no action to be taken with respect to any matter which is required to be submitted to a vote of the stockholders. Ratification of the acts of the Board, corporate officers and management in 2016 refers only to acts done in the ordinary course of business and operations of the Company. Ratification is being sought for the purpose of transparency. Below is a summary of board meetings and board resolutions approved by the Board of Directors as of 12 April 2017:

1. Appointment of Contract Signatories
2. Application for Permits, Licenses, Clearances, Accreditations, and Registrations for Properties
3. Registration of Master Deeds and Restrictions covering Projects
4. Operation of Bank Accounts and other Bank Transactions
5. Appointment of Proxies and Nominees
6. Approval, Development, Marketing and Operation of Projects
7. Declaration of Cash Dividends to Preferred Stockholders
8. Property Acquisitions, Leases, and Joint Ventures
9. Appointment of Representatives in Various Proceedings
10. Holding of 2017 Annual Stockholders' Meeting
11. Application for, and renewal of, corporate permits, licenses, and accreditations.
12. Issuance of Fixed-Rate Bonds
13. Extension of Executive Management Service Agreement
14. Expansion of the Employee Stock Option Plan
15. Approval of Financial Statements
16. Adaptation and Ratification of a Fit and Proper Rule for Selection of Directors and Officers
17. Approval of Payment of PSE Fees
18. Election of Officers and Committee Members
19. Approval of Investments in Other Companies with Related Purpose
20. Approval of the Availment of Property Management Services
21. Approval to enter into any contract necessary for the operation of the Company

## **Item 17. Amendment of Charter, By-laws or Other Documents**

There is no action to be taken with respect to any amendment of the Company's charter, by-laws or other documents as to which no information is required.

## **Item 18. Other Proposed Action**

(a) Election of the members of the Board of Directors, including the independent directors, for the ensuing year.

(b) Approval of the 2016 Annual Report and Financial Statements

This proposal is for the purpose of informing the stockholders of the key results of the Company's operations in 2016, in accordance with Section 75 of the Corporation Code. The Company's audited financial statements as of December 31, 2016 is integrated and made part of the Company's 2017 Amended Definitive Information Statement.

(c) Appointment of KPMG R.G. Manabat & Co. as Independent External Auditors

The proposal is intended to appoint an auditing firm which can provide assurance to the directors and stockholders of the integrity of the Company's financial statements and adequacy of its internal controls.

(d) Ratification of Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management in 2016.

The purpose of the proposal is to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy. The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board, Corporate Officers and Management in the ordinary course of business.

(e) Approval of the minutes of the Previous Stockholder's Meeting

**Item 19. Voting Procedures**

Stockholders as of the Record Date may vote at the Meeting on August 30, 2017. Registration of the stockholders and proxies attending the Meeting will open at 9:00 AM.

For the election of the Board of Directors, after casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at the designated areas at the place of the meeting. Stockholders/proxies will be given sufficient period of time to cast their votes. Thereafter, the election inspectors will proceed to collect the ballot boxes and canvass the votes.

Approval of the resolutions or matters requiring the stockholder action as set forth in the Agenda and this Information Statement would require the affirmative vote of the stockholders owning at least a majority of the outstanding capital stock, except for the amendment of Section 1, Article II of the Company's By-Laws which will require a vote of the stockholders holding and representing at least two-thirds (2/3) of the Company's outstanding capital stock.

In the election of directors, cumulative voting may be adopted. Cumulative voting is explained under Item 4 of this Information Statement.

Stockholders shall be entitled to vote either in person or by proxy. The procedure for validating and tabulating the Proxies are set forth under Item 4 of this Information Statement.

The Company's Stock and Transfer Agent, RCBC Trust and Stock Transfer Operations Department, is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders, and they have also been appointed to validate the ballots when necessary.

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:**

DoubleDragon Properties Corp.  
16th Floor 6750 Building  
6750 Ayala Avenue, Makati City,  
Philippines 1226

Attention: Atty. Joselito L. Barrera, Jr.

**PART II**

PLEASE FILL-UP AND SIGN THIS PROXY FORM AND IMMEDIATELY RETURN TO THE CORPORATE SECRETARY. A RETURN ENVELOPE IS PROVIDED FOR YOUR CONVENIENCE.

**PROXY FORM**

**STOCKHOLDER'S NAME:** \_\_\_\_\_ **NO. OF SHARES:** \_\_\_\_\_

The undersigned stockholder of **DoubleDragon Properties Corp.** (the "**Company**") hereby appoints **Mr. Ferdinand J. Sia**, or in his absence, the Chairman of the Meeting, as attorney and proxy, with full powers of substitution, to represent and vote all shares registered in the name of the undersigned stockholder at the Annual Stockholders' Meeting of the Company to be held at the Fairmont Hotel, Makati Avenue, Makati City, Metro Manila, on August 30, 2017 at 9:30 AM, and at any of the adjournments thereof for the purpose of acting on the following matters:

<p><b>Approval of the minutes of the previous meeting:</b></p> <p align="center"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</p>	<p><b>Election of Directors</b></p> <p align="center"><input type="checkbox"/> VOTE FOR ALL NOMINEES LISTED BELOW</p>
<p><b>Approval of the 2016 Audited Financial Statements and the 2016 Annual Report</b></p> <p align="center"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</p>	<p align="center">Edgar J. Sia II Tony Tan Caktiong Ferdinand J. Sia Rizza Marie Joy J. Sia William Tan Untiong Joseph Tanbuntiong Gary P. Cheng Vicente S. Perez, Jr.</p>
<p><b>Ratification of the actions of the Board of Directors and Officers</b></p> <p align="center"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</p>	<p align="center"><input type="checkbox"/> WITHHOLD AUTHORITY FOR ALL NOMINEES LISTED ABOVE</p>
<p><b>Appointment of KPMG R.G. Manabat &amp; Co. as independent external auditors</b></p> <p align="center"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</p>	<p align="center"><input type="checkbox"/> WITHHOLD AUTHORITY TO VOTE FOR THE NOMINEES LISTED BELOW</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p><b>Approval of the Follow on Offering Plan</b></p> <p align="center"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

**At their discretion, the proxy named above is authorized to vote upon such matters as may properly come before the Meeting.**

\_\_\_\_\_  
(SIGNATURE OVER PRINTED NAME OF STOCKHOLDER/  
AUTHORIZED REPRESENTATIVE AND DATE)

THIS PROXY FORM SHOULD BE SENT BY MAIL TO THE CORPORATE SECRETARY AT 16<sup>TH</sup> FLOOR 6750 BUILDING, AYALA AVENUE, MAKATI CITY BEFORE **5:00 PM** ON OR BEFORE **AUGUST 25, 2017**.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING MATTERS WHICH THE SOLICITOR(S) DID NOT COME TO KNOW WITHIN A REASONABLE TIME PRIOR TO THE PRESENTMENT OF THIS SOLICITATION IN THE MEETING, IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. PROXIES EXECUTED BY BROKERS MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON. THE PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED.

NO DIRECTOR OR EXECUTIVE OFFICER, NOMINEE FOR ELECTION AS DIRECTOR, OR ASSOCIATE OF SUCH DIRECTOR, EXECUTIVE OFFICER OR NOMINEE, OF THE COMPANY AT ANY TIME SINCE THE BEGINNING OF THE LAST FISCAL YEAR, HAS ANY SUBSTANTIAL INTEREST, DIRECT OR INDIRECT, BY SECURITY HOLDINGS OR OTHERWISE IN ANY OF THE MATTERS TO BE ACTED UPON IN THE MEETING, OTHER THAN ELECTION TO OFFICE.

**PART III  
SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 21, 2017.

*Registrant*  
**DOUBLEDRAAGON PROPERTIES CORP.**

By:

A handwritten signature in black ink, appearing to read 'F. Sia', written over a horizontal line.

**Ferdinand J. Sia**  
*President*

# **Annex A**

## **MANAGEMENT REPORT, ETC.**

**I. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Since the appointment of KPMG R.G. Manabat & Co. as the Company's auditor, the Company never had any disagreements with them relating to accounting principles and practices, financial statement disclosures, or auditing scope or procedures.

**II. MANAGEMENT'S DISCUSSION AND ANALYSIS**

**KEY PERFORMANCE INDICATORS OF THE COMPANY AND ITS SUBSIDIARIES**

	<b>Audited 2016</b>	<b>Unaudited 31-March-17</b>	<b>Unaudited 30-June-2017</b>
Current Ratio	1.81	1.41	1.24
Asset to Equity	2.48	2.49	2.50
Debt to Equity Ratios			
On Gross Basis	1.19x	1.17x	1.23x
On Net Basis	0.92x	1.06x	1.19x
Return on Equity	13.57%	1.14%	1.33%
Net Income to Revenue	29.07%	23.02%	17.87%
Revenue Growth	92.42%	110.48%	146.88%
Net Income Growth	92.90%	282.79%	89.50%
EBITDA	PhP2,267,868,733	PhP216,913,105	PhP768,810,531
Solvency Ratio	0.0508x	0.96x	0.50705x
Debt Service Coverage Ratio	1.86	n/a	N/A
Acid Test Ratio	0.95	0.54	0.38
Interest Coverage Ratio	2.13	0.54	1.39

*(In compliance with SRC Rule 68, as amended on October 2011)*

**Financial Condition for the Interim Period (as of June 30, 2017)**

Total Revenues of DoubleDragon Property Corp. ("The Company") rose 131% for the six months ended June 30, 2017 to P1,630.0 million vs. P705.8 million during the same period last year. Bulk of the revenues are still coming from the Company's interim residential projects, W.H. Taft Residences and The SkySuites Tower with real estate sales showing 42.4% growth year-on-year for the six months ended June 30, 2017. Rental

revenues grew 190.4% to P268.4 million from P92.4 million in the same period last year. A new revenue source in the form of P204.9 million of Hotel Revenues contributed significantly to the 1H 2017 consolidated revenues of the Company, brought in by the Company's new subsidiary – Hotel of Asia. Furthermore, a P302.1 million increase (+1205.6%) in Interest Income from P25.1 million to P327.1 million accounted for 20% of the consolidated revenues for the first half of 2017.

The Company saw continuous improvement in gross margins with 1H17 at 57% vs. 51% in the same period last year.

DoubleDragon Properties Corp. ("DD" or the "Company") recognized consolidated revenues for the three months ended June 30, 2017, an increase of 146.9% to P981.3 million from P397.5 million recognized in the same period last year. Of the P981.0 million consolidated revenues, P356.8 million are from Real Estate Sales.

Rental revenues increased by 250% for the three months ended June 30, 2017 vs. the same period last year and by 190.4% for the first half of 2017 vs. the same period last year as the notable transition into the recurring revenue business model starts to take place. As of June 30, 2017, the Company has seventeen (17) operational CityMalls averaging 96% leased with more opening in the coming months. As more CityMalls are set to open this year, DoubleDragon expects to see sustained momentum in the growth in rental revenues.

### **Cost and Expenses**

Cost of real estate sales amounting to P148.6 million increased by P3.2 million (2.2%) for the three months ended June 30, 2017. Total gross profit margin improved to 59% in Q2 2017 versus 50% in the same period last year. Selling expenses of P7.2 million decreased by P18.7 million from P26.2 million from the same period last year. General and administrative expenses of P195.8 million increased by P61.0 million due to the increase in personnel cost, business taxes, depreciation and leases.

### **Net Income**

The Company's consolidated net income of P210.7 million grew by P110.2 million, up by 109.6% for the three months ended June 30, 2017 from P100.5 million posted for the same period in the previous year due to improved gross profit margins. Moreover, income from rental for Q2 2017 has increased by 250% from Q2 2016 marking the Company's transition into the recurring revenue model.

## FINANCIAL POSITION

### June 30, 2017 versus December 31, 2016 Statements of Financial Position

DOUBLEDRAGON PROPERTIES CORP.  
(Formerly Injap Land Corporation)  
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited	Horizontal Analysis	Vertical Analysis		
	June 30, 2017	December 31, 2016	Increase (Decrease)	2017	2016	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	927,045,928	5,466,874,377	(4,539,828,449)	-83.0%	1.8%	11.0%
Receivables	2,093,316,398	1,712,247,793	381,068,605	22.3%	4.1%	3.5%
Inventories	3,398,525,537	3,186,344,243	212,181,294	6.7%	6.7%	6.4%
Leasehold rights	-	-	-	0.0%	0.0%	0.0%
Due from related parties	101,808,489	101,808,489	-	0.0%	0.2%	0.2%
Prepaid expenses and other current assets - net	3,441,776,072	3,251,281,534	190,494,538	5.9%	6.8%	6.6%
<b>Total Current Assets</b>	<b>9,962,472,424</b>	<b>13,718,556,436</b>	<b>(3,756,084,012)</b>	<b>-27.4%</b>	<b>19.7%</b>	<b>27.7%</b>
<b>Noncurrent Assets</b>						
Receivables - net of current portion	956,723,615	643,323,007	313,400,608	48.7%	1.9%	1.3%
Property and equipment - net	1,478,577,689	1,459,841,829	18,735,860	1.3%	2.9%	2.9%
Goodwill and intangible assets	159,648,852	170,035,031	(10,386,179)	-6.1%	0.3%	0.3%
Investment property	36,056,922,921	32,535,137,136	3,521,785,785	10.8%	71.3%	65.7%
Deferred tax assets	129,515,677	15,519,784	113,995,893	734.5%	0.3%	0.0%
Other noncurrent assets	1,798,587,953	1,001,210,584	797,377,369	79.6%	3.6%	2.0%
<b>Total Noncurrent Assets</b>	<b>40,579,976,707</b>	<b>35,825,067,371</b>	<b>4,754,909,336</b>	<b>13.3%</b>	<b>80.3%</b>	<b>72.3%</b>
	<b>50,542,449,131</b>	<b>49,543,623,807</b>	<b>998,825,324</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	2,192,545,843	2,639,958,858	(447,413,015)	-16.9%	4.3%	5.3%
Short-term notes payable	4,792,708,418	3,486,004,312	1,306,704,106	37.5%	9.5%	7.0%
Due to related parties	729,305,852	1,081,038,940	(351,733,088)	-32.5%	1.4%	2.2%
Current portion of customers' deposits	148,579,236	219,924,165	(71,344,929)	-32.4%	0.3%	0.4%
Dividends payable	161,945,000	161,945,000	-	0.0%	0.3%	0.3%
Income tax payable	19,430,530	1,128,130	18,302,400	1622.4%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>8,044,514,879</b>	<b>7,589,999,405</b>	<b>454,515,474</b>	<b>6.0%</b>	<b>15.9%</b>	<b>15.3%</b>
<b>Noncurrent Liabilities</b>						
Long-term notes payable - net of issue cost	14,957,750,490	15,027,837,523	(70,087,033)	-0.5%	29.6%	30.3%
Bonds payable - net of issue cost	5,220,831,408	5,217,658,399	3,173,009	0.1%	10.3%	10.5%
Deferred tax liability	1,080,001,255	898,715,869	181,285,386	20.2%	2.1%	1.8%
Retirement benefits liability	5,864,403	6,121,432	(257,029)	-4.2%	0.0%	0.0%
Customers' deposits - net of current portion	-	-	-	0.0%	0.0%	0.0%
Other noncurrent payable	982,027,593	844,155,052	137,872,541	16.3%	1.9%	1.7%
<b>Total Noncurrent Liabilities</b>	<b>22,246,475,149</b>	<b>21,994,488,275</b>	<b>251,986,874</b>	<b>1.1%</b>	<b>44.0%</b>	<b>44.4%</b>
<b>Total Liabilities</b>	<b>30,290,990,028</b>	<b>29,584,487,680</b>	<b>706,502,348</b>	<b>2.4%</b>	<b>59.9%</b>	<b>59.7%</b>
<b>Equity</b>						
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	222,973,000	222,973,000	-	0.0%	0.4%	0.5%
Preferred Shares	10,000,000,000	10,000,000,000	-	0.0%	19.8%	20.2%
Additional paid-in capital	1,358,237,357	1,358,237,357	-	0.0%	2.7%	2.7%
Retained earnings	1,574,575,507	1,574,129,905	445,602	0.0%	3.1%	3.2%
Retirement benefits liability	(2,602,254)	(2,602,254)	-	0.0%	0.0%	0.0%
	<b>13,153,183,610</b>	<b>13,152,738,008</b>	<b>445,602</b>	<b>0.0%</b>	<b>26.0%</b>	<b>26.5%</b>
<b>Non-controlling Interest</b>	<b>7,098,275,494</b>	<b>6,806,398,119</b>	<b>291,877,375</b>	<b>4.3%</b>	<b>14.0%</b>	<b>13.7%</b>
<b>Total Equity</b>	<b>20,251,459,104</b>	<b>19,959,136,127</b>	<b>292,322,977</b>	<b>1.5%</b>	<b>40.1%</b>	<b>40.3%</b>
<b>Total Liabilities and Equity</b>	<b>50,542,449,132</b>	<b>49,543,623,807</b>	<b>998,825,325</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>

For the first six months of 2017, the Company's properties held for lease, classified as investment properties, increased by P3.5 billion or 10.8% for the first six months of 2017 to end at P36.1 billion as of June 30, 2017. Total landbank of the Company currently stands at 77 hectares, which once fully developed, is expected to contribute close to 700,000 square meters of leasable space. DoubleDragon is focusing on the buildup of recurring revenue firmly grounded on a portfolio of appreciating real estate assets acquired at un-stretched prices.

## **Current Assets**

Cash amounting to P927.0 million as of June 30, 2017 decreased by P4.5 billion from P5.5 billion as of December 31, 2016. The decrease in cash is attributable to the full blast construction of CityMalls as well as the Company's on-going vertical projects.

Receivables amounting to P2.1 billion as of June 30, 2017 increased by P381.1 million (22.3%) from P1.7 billion as of December 31, 2016 due to incremental sales from the Company's ongoing interim residential projects.

Real estate inventories amounting to P3.4 billion as of June 30, 2017 increased by P212.2 million from P3.2 billion on December 31, 2016.

Prepaid expenses and other current assets amounting to P3.4 billion as of June 30, 2017 increased by P190.5 million (6%) from P3.2 billion on December 31, 2016. This account includes input taxes on expenditures related to construction and property development and creditable withholding taxes.

## **Noncurrent Assets**

Noncurrent installment contracts receivable amounting to P956.7 million as of June 30, 2017 increased by P313.4 million from December 31, 2016. Noncurrent installment contracts represent the portion of receivables from the sale of units from vertical and horizontal projects collectible in two to three years' time.

Property and equipment amounting to P1.48 billion as of June 30, 2017 increased slightly by P18.7 million from P1.46 billion as of December 31, 2016.

Goodwill and Intangible assets amounting to P159.6 million as of June 30, 2017 decreased by P10.3 million from P170.0 million as of December 31, 2016 due to amortization made during the first six months of the year.

Investment property amounting to P36.0 billion as of June 30, 2017 increased by P3.5 billion (10.8%) from P32.5 billion as of December 31, 2016 as the Company continues to secure prime commercial property across provincial cities in the Philippines for its CityMall expansion. Full swing construction of the Company's two Metro Manila office Projects DD-Meridian Park and Jollibee Plaza are also contributing to the increase in the Company's Investment Properties.

## **Current Liabilities**

Accounts payable and other liabilities amounting to P2.2 billion as of June 30, 2017 decreased by P447.4 million (-16.9%) from P2.6 billion as of December 31, 2016. The bulk of the Accounts Payable is attributable to Trade Payables arising from services provided by the contractors and subcontractors for actual progress billings related to existing and new developmental projects.

Short-term notes payable amounting to P4.8 billion as of June 30, 2017 increased by P1.3 billion from P3.5 billion as of December 31, 2016. The Company obtained

additional short-term loans from various financial institutions. The proceeds from these borrowings were used by the Company for general corporate purposes.

Customers' deposits amounting to P148.6 million as of June 30, 2017 decreased by P71.3 million from P219.9 million as of December 31, 2016.

### **Noncurrent Liabilities**

Long-term notes payable amounting to P14.9 billion as of June 30, 2017, 0.5% decrease from P15.0 billion as of December 31, 2016. The unsecured long-term loans are used by the Company to partly finance its capital expenditures, primarily for the development of DD Meridian Park, The SkySuites Tower, CityMalls and for general corporate purposes.

### **Equity**

Equity amounting to P13.1 billion as of June 30, 2017 due to consolidated net income recorded for the first six months of 2017, net of dividends on preferred shares.

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## **Calendar Year Ended December 31, 2016 and 2015**

### **Results of Operations**

**DOUBLEDRAGON PROPERTIES CORP.**  
(Formerly Injap Land Corporation)  
**AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the year ended December 31

	2016	2015	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2016	2015
<b>REVENUES</b>						
Real estate sales	931,925,450	641,470,191	290,455,259	45.3%	25.1%	33.3%
Leasehold rights' sales	292,660,122	139,713,804	152,946,318	109.5%	7.9%	7.2%
Rent income	268,667,585	116,545,653	152,121,932	130.5%	7.2%	6.0%
Hotel revenues	78,894,545	-	78,894,545	100.0%	2.1%	0.0%
Unrealized gains from changes in fair values of investment property	1,830,049,768	811,063,913	1,018,985,855	125.6%	49.3%	42.0%
Interest income	119,292,042	120,857,833	(1,565,791)	-1.3%	3.2%	6.3%
Income from forfeitures	12,672,533	69,295,227	(56,622,694)	-81.7%	0.3%	3.6%
Others	177,553,903	29,988,318	147,565,585	492.1%	4.8%	1.6%
	<b>3,711,715,948</b>	<b>1,928,934,939</b>	<b>1,782,781,009</b>	<b>92.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST AND EXPENSES</b>						
Cost of real estate sales	495,763,585	370,604,075	125,159,510	33.8%	13.4%	19.2%
Cost of hotel operations	61,006,174	-	61,006,174	100.0%	1.6%	0.0%
Cost of leasehold rights	21,913,753	8,364,736	13,549,017	162.0%	0.6%	0.4%
Selling expenses	172,663,800	113,030,897	59,632,903	52.8%	4.7%	5.9%
General and administrative expenses	725,452,401	428,602,219	296,850,182	69.3%	19.5%	22.2%
Interest expense	330,238,308	114,353,234	215,885,074	188.8%	8.9%	5.9%
	<b>1,807,038,021</b>	<b>1,034,955,161</b>	<b>772,082,860</b>	<b>74.6%</b>	<b>48.7%</b>	<b>53.7%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,904,677,927</b>	<b>893,979,778</b>	<b>1,010,698,149</b>	<b>113.1%</b>	<b>51.3%</b>	<b>46.3%</b>
<b>INCOME TAX EXPENSE</b>	<b>434,369,406</b>	<b>271,197,041</b>	<b>163,172,365</b>	<b>60.2%</b>	<b>11.7%</b>	<b>14.1%</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>1,470,308,521</b>	<b>622,782,737</b>	<b>847,525,784</b>	<b>136.1%</b>	<b>39.6%</b>	<b>32.3%</b>
<b>Attributable to:</b>						
Equity holders of the Parent Company	1,079,113,320	559,405,589.00	519,707,731	92.9%	29.1%	29.0%
Non-controlling interest	391,195,201	63,377,148.00	327,818,053	517.2%	10.5%	3.3%
	<b>1,470,308,521</b>	<b>622,782,737</b>	<b>847,525,784</b>	<b>136.1%</b>	<b>39.6%</b>	<b>32.3%</b>

## Revenues

Consolidated revenues grew by 92.4% to PhP3.7 billion from last year's PhP1.9 billion. Real estate sales of PhP931.9 million was fueled by sales from the Company's interim residential projects W.H. Taft Residences, SkySuites Tower and The Uptown Place as well as from its affordable housing arm, DD Happy Homes which have projects in Mandurriao, Iloilo and Tanauan, Leyte. Another PhP292.7 million was booked from the Leasehold Rights' Sales covering mall stall units located in Dragon8 Mall in Binondo, the sales take-up of the mall stall units in 2016 was double the amount of the previous year's Leasehold Rights' Sales of P139.7 million indicating strong demand.

Rental income more than doubled to PhP268.7 million in 2016 (+130.5%) from the PhP116.5 million recognized in 2015 mainly contributed by the ten (10) CityMalls that were already operational during the year 2016. Other commercial leasing revenue was from developments of the Company such as Dragon8 Mall also contributed to its recurring income stream.

The Company booked PhP78.9 million in Hotel revenues for a period of only three (3) months since its acquisition on October 2016 of a majority stake in its new subsidiary, Hotel of Asia, Inc. ("HOA"), which will serve as the Company's hospitality arm. HOA is a hospitality firm primarily engaged in the ownership, operation and development of hotel projects, including the Hotel 101 at the Mall of Asia Complex. HOA also holds the master franchisee of JinJiang Inn which currently has two operational hotels located in Makati and Ortigas respectively. The stake in HOA will now allow DoubleDragon to benefit from the booming tourism prospects for the Philippines in the years to come as well as fully optimize the use and value of its string of prime properties in various strategic areas of the country.

## Cost and Expenses

Cost of Real Estate Sales in 2016 amounted to PhP495.8 million, increased by PhP125.2 million from PhP370.6 million in 2015 although the margins improved substantially with cost of sales lowering to 44.4% in 2016 from 48.5% in 2015.

Selling expenses amounted to PhP172.7 million, higher by PhP59.6 million (52.8%) from PhP113.0 million last year due to the increase in advertising and marketing expense as the Company promotes the CityMall brand nationwide. General and administrative expenses amounted to PhP725.5 million, higher by PhP296.9 million (69.3%) from last year's PhP428.6 million due to increase in personnel cost, business taxes, professional services acquired, depreciation and leases. The Company is in its high growth stage and is building up the proper support and resources in preparation for the turnover of its core projects under construction.

Interest expense for 2016 was PhP330.2 million, an increase of PhP215.9 million from last year's PhP114.4 million. This is mainly due to the interest payments on the Company's short- and long-term notes which were used to fund the Company's expansion plans. Portion of interest expense on bank loans is capitalized as borrowing costs. Capitalized interest is the interest incurred on loans used directly to finance the development and construction of the Company's projects during the development stage until the date of completion as required by the accounting standards.

## **Net Income**

The Company's consolidated net income for 2016 grew by PhP847.5 million (136.1%) to PhP1.47 billion from PhP622.8 million posted in the previous year due to significant increase in Real Estate Sales (+45.3%), increase in Leasehold Rights' Sales (+109.5%) and from the Company's new revenue stream – Hotel revenues; coupled with the improvement of the Consolidated Cost of Sales ratio at 44.4% from 48.5% last year. Moreover, income from rental has increased by 130.5%, as the Company continues its transition into the recurring revenue model.

For the year 2016 onwards, the Company expects the relationship between costs and revenues to remain unchanged, as compared to prior years.

The significant components of the income of the Company are coming from its core real estate business and continuing operations.

The Company is diversifying its portfolio of projects to achieve a balanced mix of both developmental and investments projects, providing the Company with a diversified earnings base hedging against down cycles in the property industry. For instance, the CityMall projects to be established in various parts of the country will provide the Company with a steady stream of recurring income from less saturated provincial markets that are less dependent on economic cycles since the business model of CityMall is the modern replacement for existing demand which is currently being serviced by traditional retailers.

## Financial Position

### DOUBLEDRAAGON PROPERTIES CORP.

(Formerly Injap Land Corporation)

#### AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited	Audited	Horizontal Analysis		Vertical Analysis	
	December 31, 2016	December 31, 2015	Increase (Decrease)		2016	2015
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	5,466,874,377	960,459,833	4,506,414,544	469.2%	11.0%	3.5%
Receivables - net	1,712,247,793	719,103,845	993,143,948	138.1%	3.5%	2.6%
Inventories	3,186,344,243	2,640,403,512	545,940,731	20.7%	6.4%	9.5%
Due from related parties	101,808,489	58,567,380	43,241,109	73.8%	0.2%	0.2%
Prepaid expenses and other current assets - net	3,251,281,534	1,282,725,181	1,968,556,353	153.5%	6.6%	4.6%
<b>Total Current Assets</b>	<b>13,718,556,436</b>	<b>5,661,259,751</b>	<b>8,057,296,685</b>	<b>142.3%</b>	<b>27.7%</b>	<b>20.4%</b>
<b>Noncurrent Assets</b>						
Receivables - net of current portion	643,323,007	458,709,355	184,613,652	40.2%	1.3%	1.7%
Property and equipment - net	1,459,841,829	145,751,214	1,314,090,615	901.6%	2.9%	0.5%
Goodwill and intangible assets	170,035,031	94,347,435	75,687,596	80.2%	0.3%	0.3%
Investment property	32,535,137,136	19,929,916,375	12,605,220,761	63.2%	65.7%	71.8%
Deferred tax assets	15,519,784	418,809,603	(403,289,819)	-96.3%	0.0%	1.5%
Other noncurrent assets	1,001,210,584	1,054,534,129	(53,323,545)	-5.1%	2.0%	3.8%
<b>Total Noncurrent Assets</b>	<b>35,825,067,371</b>	<b>22,102,068,111</b>	<b>13,722,999,260</b>	<b>62.1%</b>	<b>72.3%</b>	<b>79.6%</b>
	<b>49,543,623,807</b>	<b>27,763,327,862</b>	<b>21,780,295,945</b>	<b>78.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	2,639,958,858	1,603,262,410	1,036,696,448	64.7%	5.3%	5.8%
Short-term notes payable	3,486,004,312	4,274,000,000	(787,995,688)	-18.4%	7.0%	15.4%
Due to related parties	1,081,038,940	553,660,373	527,378,567	95.3%	2.2%	2.0%
Current portion of customers' deposits	219,924,165	57,805,095	162,119,070	280.5%	0.4%	0.2%
Dividends payable	161,945,000	-	161,945,000	100.0%	0.3%	0.0%
Income tax payable	1,128,130	699,571	428,559	61.3%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>7,589,999,405</b>	<b>6,489,427,449</b>	<b>1,100,571,956</b>	<b>17.0%</b>	<b>15.3%</b>	<b>23.4%</b>
<b>Noncurrent Liabilities</b>						
Long-term notes payable - net of debt issue costs	15,027,837,523	11,114,499,192	3,913,338,331	35.2%	30.3%	40.0%
Bonds payable - net of bond issue costs	5,217,658,399	-	5,217,658,399	100.0%	10.5%	0.0%
Deferred tax liabilities	898,715,869	785,147,211	113,568,658	14.5%	1.8%	2.8%
Retirement benefits liability	6,121,432	4,983,866	1,137,566	22.8%	0.0%	0.0%
Customers' deposits - net of current portion	-	111,346,839	(111,346,839)	-100.0%	0.0%	0.4%
Other noncurrent liabilities	844,155,052	613,446,150	230,708,902	37.6%	1.7%	2.2%
<b>Total Noncurrent Liabilities</b>	<b>21,994,488,275</b>	<b>12,629,423,258</b>	<b>9,365,065,017</b>	<b>74.2%</b>	<b>44.4%</b>	<b>45.5%</b>
<b>Total Liabilities</b>	<b>29,584,487,680</b>	<b>19,118,850,707</b>	<b>10,465,636,973</b>	<b>54.7%</b>	<b>59.7%</b>	<b>68.9%</b>
<b>Equity</b>						
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	10,222,973,000	222,973,000	10,000,000,000	4484.8%	20.6%	0.8%
Additional paid-in capital	1,358,237,357	1,358,237,357	1	0.0%	2.7%	4.9%
Retained earnings	1,574,129,905	1,174,325,142	399,804,763	34.0%	3.2%	4.2%
Remeasurement loss on defined benefit liability - net of tax	(2,602,254)	(2,602,254)	0	0.0%	0.0%	0.0%
	<b>13,152,738,008</b>	<b>2,752,933,245</b>	<b>10,399,804,763</b>	<b>377.8%</b>	<b>26.5%</b>	<b>9.9%</b>
<b>Non-controlling Interest</b>	<b>6,806,398,119</b>	<b>5,891,543,910</b>	<b>914,854,209</b>	<b>15.5%</b>	<b>13.7%</b>	<b>21.2%</b>
<b>Total Equity</b>	<b>19,959,136,127</b>	<b>8,644,477,155</b>	<b>11,314,658,972</b>	<b>130.9%</b>	<b>40.3%</b>	<b>31.1%</b>
<b>Total Liabilities and Equity</b>	<b>49,543,623,807</b>	<b>27,763,327,862</b>	<b>21,780,295,945</b>	<b>78.4%</b>	<b>100.0%</b>	<b>100.0%</b>

On the Balance Sheet side, consolidated total assets as of December 31, 2016 amounted to P49.5 billion, an increase of 78.4% from 27.8 billion in the previous year as the Company's assets grew largely through the developments and construction of its Projects. Consolidated total liabilities increased by 54.7% to PhP29.6 billion from P19.1 billion in the previous year largely due to the availment of financing facilities used by the Company to roll-out its planned expansion.

### Current Assets

Total Current Assets amounted to PhP13.7 billion as of December 31, 2016, higher by 142.3% from PhP5.7 billion in the previous year largely due to the increase in Cash and

Cash Equivalents by PhP4.5 billion (+469.2%) coming from the proceeds of the Company's Preferred Shares and Bonds issuances during the year.

Cash amounted to PhP5.5 billion as of December 31, 2016 increased by PhP4.5 billion from PhP0.96 billion in December 31, 2015. Proceeds from the short- and long-term borrowings as well as proceeds from the Preferred Shares and Bonds issuances during the year were utilized in the full-swing construction of the CityMalls, Jollibee Tower, The SkySuites Tower and the DoubleDragon Plaza at the DD Meridian Park and also for general corporate requirements.

Current Receivables amounted to PhP1.7 billion as of December 31, 2016, an increase of 138.1% from previously reported PhP719.1 million in December 31, 2015.

Real estate inventories amounted to PhP3.2 billion as of December 31, 2016, increased by PhP545.9 million (20.7%) from PhP2.6 billion on December 31, 2015 due to additional development Projects by the Company.

Prepaid expenses and other current assets amounting to PhP3.3 billion as of December 31, 2016 increased by PhP2.0 billion (153.5%) from PhP1.3 billion on December 31, 2015.

### **Noncurrent Assets**

Noncurrent installment contracts receivable increased to PhP643.2 million from PhP458.7 million in the previous year, an increase of 40.2% due to the additional take up in sales via installment plans. This represents the portion of receivables from the sale of units from its horizontal and vertical projects collectible in two to three years' time. Property and equipment amounted to PhP1.5 billion as of December 31, 2016 increased by PhP1.3 billion (901.6%) from PhP145.8 million on December 31, 2015. Intangible assets amounted to PhP170.0 million as of December 31, 2016 increased by PhP75.7 million from PhP94.3 million in the previous year. The purchase and implementation of SAP enterprise software contributed to the net increase in intangible assets.

Investment Property significantly increased to PhP32.5 billion, an increase of PhP12.6 billion (63.2%) from PhP19.9 billion on December 31, 2015. This significant increase is mainly attributable to the numerous land acquisitions intended for the CityMall project as well the corresponding construction of these CityMalls along with the Company's other Projects.

Other noncurrent assets as of December 31, 2016 amounted to PhP1.0 billion decreased by PhP53.3 million (-5.1%) on December 31, 2015.

### **Current Liabilities**

Accounts payable and other liabilities amounted to PhP2.6 billion as of December 31, 2016 increased by PhP1.0 billion from PhP1.6 billion on December 31, 2015. The bulk of such increase is attributable to Trade Payables arising from services provided by the contractors and subcontractors for actual progress billings related to existing and new developmental projects.

Short-term notes payable amounted to PhP3.5 billion as of December 31, 2016, decreased by PhP788.0 million from PhP4.3 billion on December 31, 2015. This is due to the repayment of the current portion of the Company's Notes Payable.

### **Noncurrent Liabilities**

Total Noncurrent Liabilities amounted to PhP22.0 billion as of year-end 2016, as against PhP12.6 billion in the previous year, an increase of PhP9.4 billion (74.2%). During 2016, the Company obtained a total of PhP4.0 billion unsecured long-term loans from various financial institutions. The Company also issued the First Tranche Bonds of its ten (10) year fixed rate retail bonds amounting to PhP5.3 billion. The proceeds from these borrowings were used by the Company to partially finance its capital expenditures, primarily for the development of The Meridian Park, The SkySuites Tower, Jollibee Tower, land acquisition and construction of CityMalls and for general corporate purposes.

### **Equity Attributable to Holders of the Parent Company**

Retained earnings attributable to the holders of the Parent Company increased by PhP399.8 million (34.0%) from P1.2 billion on December 31, 2015 to P1.6 billion as of December 31, 2016. The increase is due to the cumulative earnings recognized by the Company.

### **Equity of Non-controlling Interest**

Non-controlling interest (NCI) increased by PhP914.8 million (15.5%) to PhP6.8 billion from PhP5.9 billion on December 31, 2015. The increase is mainly coming from the Company's new subsidiary, Hotel of Asia, Inc., additional CityMall subsidiaries and DD Meridian Park Development Corp's developments.

### **Key Performance Indicators**

The following are the major financial ratios of the Company for the years ended December 31, 2016 and 2015

	12/31/2016	12/31/2015
Current Ratio	1.81	0.87
Asset to Equity	2.48	3.21
Debt to Equity Ratios		
On Gross Basis	1.19x	1.78x
On Net Basis	0.92x	1.67x
Return on Equity	13.57%	22.4%
Net Income to Revenue	29.07%	29.0%
Revenue Growth	92.42%	12.8%
Net Income Growth	92.90%	0.63%
EBITDA	PhP2,267,868,733	Php 1,017,298,713
Solvency Ratio	0.0508x	0.033x
Debt Service Coverage Ratio	1.86	1.26
Acid Test Ratio	0.95	0.23
Interest Coverage Ratio	2.13	0.86

The formulas by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio (Gross Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Debt to Equity Ratio (Net Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt less Cash and Cash Equivalent}}{\text{Total Equity}}$
5. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$
6. Net Income to Revenue (Net Profit Margin)	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$
7. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$
8. Net Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$
11. Debt Service Coverage Ratio	$\frac{\text{Income from Operations} + \text{Depreciation and Amortization} + \text{Interest Expense (EBITDA)}}{\text{Interest Paid} + \text{Principal Repayments}}$

12. Acid Test Ratio  $\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$

13. Interest Coverage Ratio  $\frac{\text{Earnings before interest and taxes}}{\text{Interest Paid}}$

As of 31 December 2016, the Company had total assets of PHP 49.5 Billion. The Company does not anticipate having any cash flow or liquidity problems within the next 12 months. The Company has not been in default or breach of any note, loan, lease or other indebtedness of financing arrangement and a significant amount of trade payables are being paid within stated terms.

The Company does not foresee any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are 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.

## Calendar Year Ended December 31, 2015 and 2014 RESULTS OF OPERATION

DOUBLEDRAGON PROPERTIES CORP.  
(Formerly Injap Land Corporation)  
AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the year ended December 31

	2015	2014	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2015	2014
<b>REVENUES</b>						
Real estate sales	641,470,191	1,073,008,556	(431,538,365)	-40.2%	33.3%	62.7%
Unrealized gains from change in fair values of Inv. Prop.	811,063,913	455,732,211	355,331,702	78.0%	42.0%	26.6%
Leasehold rights' sales	139,713,804	140,493,171	(779,367)	-0.6%	7.2%	8.2%
Rental income	116,545,653	6,046,194	110,499,459	1827.6%	6.0%	0.4%
Interest income	120,857,833	30,644,040	90,213,793	294.4%	6.3%	1.8%
Other income from forfeitures	69,295,227				3.6%	
Others	29,988,318	4,577,884	25,410,434	555.1%	1.6%	0.3%
	<b>1,928,934,939</b>	<b>1,710,502,056</b>	<b>218,432,883</b>	<b>12.8%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST AND EXPENSES</b>						
Cost of real estate sales	370,604,075	573,338,423	(202,734,348)	-35.4%	19.2%	33.5%
Cost of leasehold rights	8,364,736	24,073,820	(15,709,084)	-65.3%	0.4%	1.4%
Selling and marketing expenses	113,030,897	70,679,172	42,351,725	59.9%	5.9%	4.1%
General and administrative expenses	428,602,219	200,830,656	227,771,563	113.4%	22.2%	11.7%
Interest expense	114,353,234	37,501,634	76,851,600	204.9%	5.9%	2.2%
	<b>1,034,955,161</b>	<b>906,423,705</b>	<b>128,531,456</b>	<b>14.2%</b>	<b>53.7%</b>	<b>53.0%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>893,979,778</b>	<b>804,078,351</b>	<b>89,901,427</b>	<b>11.2%</b>	<b>46.3%</b>	<b>47.0%</b>
<b>INCOME TAX EXPENSE</b>	<b>271,197,041</b>	<b>243,230,803</b>	<b>27,966,238</b>	<b>11.5%</b>	<b>14.1%</b>	<b>14.2%</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>622,782,737</b>	<b>560,847,548</b>	<b>61,935,189</b>	<b>11.0%</b>	<b>32.3%</b>	<b>32.8%</b>
<b>Attributable to:</b>						
Equity holders of the Parent Company	559,405,589.00	555,890,174	3,515,415	0.6%	29.0%	32.5%
Non-controlling interest	63,377,148.00	4,957,374	58,419,774	1178.4%	3.3%	0.3%
	<b>622,782,737</b>	<b>560,847,548</b>	<b>61,935,189</b>	<b>11.0%</b>	<b>32.3%</b>	<b>32.8%</b>

### Revenues

Consolidated revenues grew by 12.8% to P1.93 billion from last year's P1.71 billion. Of the P1.93 billion consolidated revenues, P641.5 million are from Real Estate Sales, and P139.7 million from the Sale of Mall Stall Units or Leasehold Rights Sales whose sales take-up is almost equal to last year's Leasehold Rights Sales which is practically the same as last year's P140.5 million.

The market continues to indicate strong demand for DoubleDragon's projects.

Rental income jumped exponentially to P116.5 million from P6.0 million (+1828%) recognized in 2014, mainly contributed by the five (5) CityMalls that are already operational during the year 2015 and other commercial leasing developments of the Company contributing to its recurring income stream.

### **Cost and Expenses**

Cost of Real Estate Sales in 2015 amounted to P370.6 million, decreased by P202.7 million from P573.3 million in 2014. Consolidated cost of sales rate remains at 49% year-on-year.

Selling and marketing expenses amounted to P113.0 million, higher by P42.3 million (+60%) from P70.7 million last year due to increased selling cost and advertising and marketing efforts. General and administrative expenses amounted to P428.6 million, higher by P227.8 million (+113%) from last year's P200.8 million due to increase in personnel cost, business taxes, professional services acquired, depreciation and leases.

Interest expense for 2015 is at P114.4 million, an increase of P76.9 million from last year's P37.5 million. This is mainly due to the interest payments on the Company's short- and long-term notes which were used to fund the Company's expansion plans.

Portion of interest expense on bank loans is capitalized as borrowing costs. Capitalized interest is the interest incurred on loans used directly to finance the development and construction of the Company's projects during the development stage until the date of completion as required by the accounting standards.

### **Net Income**

The Company's consolidated net income for 2015 grew by P62.0 million (+11%) to P622.8 million from P560.8 million posted in the previous year due to significant increase in Rental Income and Interest Income, while maintaining the Consolidated Cost of Sales ratio at 49%. Moreover, income from rental has increased 19x marking the start of our transition into the recurring revenue model.

**For the year 2015 onwards, the Company expects the relationship between costs and revenues to remain unchanged, as compared to prior years.**

The significant components of the income of the Company are coming from its core real estate business and continuing operations.

The Company is diversifying its portfolio of projects to achieve a balanced mix of both developmental and investments projects, providing the Company with a diversified earnings base hedging against down cycles in the property industry. For instance, the CityMall projects to be established in various parts of the country will provide the Company with a steady stream of recurring income from less saturated provincial markets that are less dependent on economic cycles since the business model of CityMall is the modern replacement for existing demand which is currently being serviced by traditional retailers.

## FINANCIAL POSITION

DOUBLEDRAGON PROPERTIES CORP.  
(Formerly Injap Land Corporation)  
AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited		Horizontal Analysis		Vertical Analysis	
	December 31, 2015	December 31, 2014	Increase (Decrease)		2015	2014
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	960,459,833	3,817,191,234	(2,856,731,401)	-74.8%	3.5%	20.6%
Receivables - net	719,103,845	555,323,126	163,780,719	29.5%	2.6%	3.0%
Real estate inventories	2,640,403,512	2,243,407,876	396,995,636	17.7%	9.5%	12.1%
Leasehold rights	-	205,115,350	(205,115,350)	-100.0%	0.0%	1.1%
Due from related parties	58,567,380	1,030,070	57,537,310	5585.8%	0.2%	0.0%
Prepaid expenses and other current assets - net	1,282,725,181	600,244,952	682,480,229	113.7%	4.6%	3.2%
<b>Total Current Assets</b>	<b>5,661,259,751</b>	<b>7,422,312,608</b>	<b>(1,761,052,857)</b>	<b>-23.7%</b>	<b>20.4%</b>	<b>40.1%</b>
<b>Noncurrent Assets</b>						
Receivables - net of current portion	458,709,355	206,412,607	252,296,748	122.2%	1.7%	1.1%
Property and equipment - net	145,751,214	95,859,524	49,891,690	52.0%	0.5%	0.5%
Computer software licenses and goodwill	94,347,435	68,960,899	25,386,536	36.8%	0.3%	0.4%
Investment property	19,929,916,375	10,467,018,818	9,462,897,557	90.4%	71.8%	56.5%
Deferred tax asset	418,809,603	43,166,862	375,642,741	870.2%	1.5%	0.2%
Other noncurrent assets	1,054,534,129	214,318,100	840,216,029	392.0%	3.8%	1.2%
<b>Total Noncurrent Assets</b>	<b>22,102,068,111</b>	<b>11,095,736,810</b>	<b>11,006,331,301</b>	<b>99.2%</b>	<b>79.6%</b>	<b>59.9%</b>
	<b>27,763,327,862</b>	<b>18,518,049,418</b>	<b>9,245,278,444</b>	<b>49.9%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	1,603,262,410	840,247,846	763,014,564	90.8%	5.8%	4.5%
Short-term notes payable	4,274,000,000	649,000,000	3,625,000,000	558.6%	15.4%	3.5%
Customers' deposits	57,805,095	230,608,277	(172,803,182)	-74.9%	0.2%	1.2%
Due to related parties	553,660,373	280,679,292	272,981,081	97.3%	2.0%	1.5%
Income tax payable	699,571	12,223,080	(11,523,509)	-94.3%	0.0%	0.1%
<b>Total Current Liabilities</b>	<b>6,489,427,449</b>	<b>2,012,758,495</b>	<b>4,476,668,954</b>	<b>222.4%</b>	<b>23.4%</b>	<b>10.9%</b>
<b>Noncurrent Liabilities</b>						
Long-term notes payable - net of debt issue costs	11,114,499,192	7,729,243,372	3,385,255,820	43.8%	40.0%	41.7%
Customers' deposits - Net of Current Portion	111,346,839	176,410,072	(65,063,233)	-36.9%	0.4%	1.0%
Retirement benefits liability	4,983,866	-	4,983,866	100.0%	0.0%	0.0%
Deferred revenue	-	-	-	100.0%	0.0%	0.0%
Other noncurrent liabilities	613,446,150	552,925,699	60,520,451	10.9%	2.2%	3.0%
Deferred tax liabilities	785,147,211	216,536,348	568,610,863	262.6%	2.8%	1.2%
<b>Total Noncurrent Liabilities</b>	<b>12,629,423,258</b>	<b>8,675,115,491</b>	<b>3,954,307,767</b>	<b>45.6%</b>	<b>45.5%</b>	<b>46.8%</b>
<b>Total Liabilities</b>	<b>19,118,850,707</b>	<b>10,687,873,986</b>	<b>8,430,976,721</b>	<b>78.9%</b>	<b>68.9%</b>	<b>57.7%</b>
<b>Equity</b>						
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	222,973,000	222,973,000	-	0.0%	0.8%	1.2%
Additional paid-in capital	1,358,237,357	1,358,237,357	-	0.0%	4.9%	7.3%
Remeasurement loss on defined benefit liability - net of tax	(2,602,254)	-	(2,602,254)	-100.0%	0.0%	0.0%
Retained earnings	1,174,325,142	661,823,627	512,501,515	77.4%	4.2%	3.6%
	<b>2,752,933,245</b>	<b>2,243,033,984</b>	<b>509,899,261</b>	<b>22.7%</b>	<b>9.9%</b>	<b>12.1%</b>
<b>Non-controlling Interest</b>	<b>5,891,543,910</b>	<b>5,587,141,448</b>	<b>304,402,462</b>	<b>5.4%</b>	<b>21.2%</b>	<b>30.2%</b>
<b>Total Equity</b>	<b>8,644,477,155</b>	<b>7,830,175,432</b>	<b>814,301,723</b>	<b>10.4%</b>	<b>31.1%</b>	<b>42.3%</b>
<b>Total Liabilities and Equity</b>	<b>27,763,327,862</b>	<b>18,518,049,418</b>	<b>9,245,278,444</b>	<b>49.9%</b>	<b>100.0%</b>	<b>100.0%</b>

On the Balance Sheet side, consolidated total assets as of December 31, 2015 amounted to P27.8 billion, an increase of 49.9% from P18.5 billion in the previous year as the Company's assets grew largely through the developments and construction in its Projects. Consolidated total liabilities increased by 78.9% to P19.1 billion from P10.7 billion in the previous year largely due to the availment of financing facilities used by the Company to roll-out its planned expansion.

### Current Assets

Total Current Assets amounted to P5.7 billion as of December 31, 2015, lower by 23.7% from P7.4 billion in the previous year largely due to the utilization of its Cash and Cash Equivalents for the roll-out of its Projects.

Cash amounted to P0.9 billion as of December 31, 2015 decreased by P2.9 billion from P3.8 billion in December 31, 2014. Proceeds from the short- and long-term borrowings during the year were utilized in the full-swing construction of the CityMalls and the DoubleDragon Plaza at the DD Meridian Park.

Receivables amounted to P719.1 million as of December 31, 2015, essentially unchanged from previously reported P732.4 million in December 31, 2014. However, P177.0 million of last year's balance was reclassified to conform to the current year presentation. The receivables now reflect an increase of 29.5% after such reclassification.

Real estate inventories amounted to P2.6 billion as of December 31, 2015, increased by P396.9 million (+17.7%) from P2.2 billion in December 31, 2014 due to additional developments by the Company in its Projects.

Prepaid expenses and other current assets amounting to P1.3 billion as of December 31, 2015 increased by P682.5 million (+113.7%) from P600.2 million in December 31, 2014. Accumulated input taxes on expenditures related to construction and property development and creditable withholding taxes as well as advances to contractors account for the majority of the increase.

### **Noncurrent Assets**

Noncurrent installment contracts receivable increased to P458.7 million from P206.4 million in the previous year, and increase of 122%. This represents the portion of receivables from the sale of units from its horizontal and vertical projects collectible in two to three years' time.

Property and equipment amounted to P145.8 million as of December 31, 2015 increased by P49.9 million (+52%) from P95.9 million in December 31, 2014. Intangible assets amounted to P94.3 million as of December 31, 2015 increased by P25.4 million from P68.9 million in the previous year. The purchase and implementation of SAP enterprise software contributed to the net increase in intangible assets.

Investment Property significantly increased and nearly doubled to P20.0 billion, an increase of P9.5 billion (+90.4%) from P10.5 billion in December 31, 2014. This significant increase is mainly attributable to the numerous land acquisitions intended for the CityMall project as well the corresponding construction of these CityMalls along with the Company's other Projects.

Other noncurrent assets as of December 31, 2015 amounted to P1.1 billion decreased by P840.2 million (+302%) in December 31, 2014. The increase is mainly due to the advances to contractors and suppliers in the ordinary course of business.

### **Current Liabilities**

Accounts payable and other liabilities amounted to P1.6 billion as of December 31, 2015 increased by P763.0 million from P840.2 million in December 31, 2014. The bulk of such increase is attributable to Trade Payables arising from services provided by the contractors and subcontractors for actual progress billings related to existing and new developmental projects.

Short-term notes payable amounted to P4.3 billion as of December 31, 2015 increased by P3.6 billion from P649 million in December 31, 2014. This pertains to the current portion of the Company's Notes Payable and the additional P3.1 billion

short-term notes availed for 2015 for the development of the Company's on-going projects and working capital purposes.

### **Noncurrent Liabilities**

Noncurrent Liabilities amounted to P12.6 billion as of year-end 2015, as against P8.7 billion in the previous year, an increase of P3.9 billion (+45.6%). During 2015, the Company obtained a total of P4.0 billion unsecured long-term loans from various financial institutions. The proceeds from these borrowings were used by the Company to partly finance its capital expenditures, primarily for the development of The Meridian Park, The SkySuites Tower and construction of CityMalls and for general corporate purposes.

### **Equity Attributable to Holders of the Parent Company**

Retained earnings attributable to the holders of the Parent Company increased by P512.5 million (+77.4%) from P661.8 million in December 31, 2014 to P1.2 billion as of December 31, 2015. The increase is due to the cumulative earnings recognized by the Company.

### **Equity of Non-controlling Interest**

Non-controlling interest (NCI) increased by P304.4 million (+5.4%) to P5.9 billion from P5.6 billion in December 31, 2014. The increase is mainly coming from the Company's additional CityMall subsidiaries and DD Meridian Park Development Corp's developments.

### **KEY PERFORMANCE INDICATORS**

The following are the major financial ratios of the Company for the years ended December 31, 2015 and 2014

	<b>12/31/2015</b>	<b>12/31/2014</b>
Current Ratio	0.87	3.69
Asset to Equity	3.21	2.36
Debt to Equity Ratios		
On Gross Basis	1.78x	1.07x
On Net Basis	1.67x	0.58x
Return on Equity	22.4%	39.2%
Net Income to Revenue	29.0%	32.5%
Revenue Growth	12.8%	158.4%
Net Income Growth	0.63%	421.23%
EBITDA	Php 1,142,957,552	Php 846,624,809

The formulas by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	
3. Debt to Equity Ratio (Gross Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$	
4. Debt to Equity Ratio (Net Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt less Cash and Cash Equivalent}}{\text{Total Equity}}$	
5. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$	
6. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$	
7. Revenue Growth	$\frac{\text{Total Revenue (Current Period)}}{\text{Total Revenue (Prior Period)}}$	-1
8. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$	-1
9. EBITDA	Income from Operations + Depreciation and Amortization	

As of 31 December 2015, the Company had total assets of PHP 27.8 Billion. The Company does not anticipate having any cash flow or liquidity problems within the next 12 months. The Company has not been in default or breach of any note, loan, lease or other indebtedness of financing arrangement and a significant amount of trade payables are being paid within stated terms.

The Company does not foresee any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are 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.

The Company has issued PHP 10 Billion worth of Preferred Shares in 2016. The net proceeds of which will be used to finance the development of any of the Company's real estate projects in 2016, including CityMall community malls, DD-Meridian Park, Jollibee Tower, The SkySuites Tower. Portion of the proceeds will be used for general corporate requirements. The listing application has been submitted to and pending before the Philippine Stock Exchange (PSE).

## Calendar Year Ended December 31, 2014 and 2013

### RESULTS OF OPERATION

	2014	2013	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2014	2013
<b>REVENUES</b>						
Real estate sales	1,073,008,556	511,069,901	561,938,655	110.0%	62.7%	77.2%
Unrealized gains from change in fair values of Inv. Prop.	455,732,211	127,161,634	328,570,577	258.4%	26.6%	19.2%
Sale of mall stall units	140,493,171	-	140,493,171	100.0%	8.2%	0.0%
Rental income	6,046,194	4,029,842	2,016,352	50.0%	0.4%	0.6%
Interest income	30,644,040	18,867,956	11,776,084	62.4%	1.8%	2.9%
Others	4,577,884	806,514	3,771,370	467.6%	0.3%	0.1%
	<b>1,710,502,056</b>	<b>661,935,847</b>	<b>1,048,566,209</b>	<b>158.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST AND EXPENSES</b>						
Cost of real estate sales	573,338,423	373,754,564	199,583,859	53.4%	33.5%	56.5%
Cost of sale of mall stall units	24,073,820	-	24,073,820	100.0%	1.4%	0.0%
Selling and marketing expenses	70,679,172	23,616,394	47,062,778	199.3%	4.1%	3.6%
General and administrative expenses	200,830,656	84,963,724	115,866,932	136.4%	11.7%	12.8%
Interest expense	37,501,634	9,123,095	28,378,539	311.1%	2.2%	1.4%
	<b>906,423,705</b>	<b>491,457,777</b>	<b>414,965,928</b>	<b>84.4%</b>	<b>53.0%</b>	<b>74.2%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>804,078,351</b>	<b>170,478,070</b>	<b>633,600,281</b>	<b>371.7%</b>	<b>47.0%</b>	<b>25.8%</b>
<b>INCOME TAX EXPENSE</b>	<b>243,230,803</b>	<b>48,423,362</b>	<b>194,807,441</b>	<b>402.3%</b>	<b>14.2%</b>	<b>7.3%</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>560,847,548</b>	<b>122,054,708</b>	<b>438,792,840</b>	<b>359.5%</b>	<b>32.8%</b>	<b>18.4%</b>
<b>Attributable to:</b>						
Equity holders of the Parent Company	555,890,174	106,649,057	449,241,117	421.2%	32.5%	16.1%
Non-controlling interest	4,957,374	15,405,651	(10,448,277)	-67.8%	0.3%	2.3%
	<b>560,847,548</b>	<b>122,054,708</b>	<b>438,792,840</b>	<b>359.5%</b>	<b>32.8%</b>	<b>18.4%</b>

### Revenues

Consolidated revenues grew by 158.4% to P1.71 billion from last year's P661.9 million. Of the P1.71 billion consolidated revenues, P1.07 billion are from Real Estate Sales, which increased by 110% from P511 million last year. The sales take up of existing projects such as W.H. Taft Residences, The Uptown Place, Injap Tower and FirstHomes Subdivision remains strong; while the Company's new projects launched in 2014 namely: The SkySuites Tower, Zion Land and Dragon8 Shopping Center contributed significantly to the increase in Real Estate Sales for the year. The market continues to indicate strong acceptance of DoubleDragon's well-designed and high-quality projects.

Rental income of P6 million is recognized from a subsidiary. The Company started its series of launches of CityMalls, which are expected to contribute to revenues in the form of rental income starting 2015.

Interest income from cash held in banks increased by 62.4% to P30.6 million, from P18.8 million recognized last year.

Other income of P4.5 million recognized this period is mainly coming from forfeiture of reservation fees.

### Cost and Expenses

Cost of Real Estate Sales amounted to P573.3 million increased by P199.5 million from P373.7 million. Consolidated cost of sales rate decreased from 73.1% to 55.7% due to the lower cost of sales percentage of new business and developments and tighter cost controls and firmer monitoring of project costs, which resulted to improved gross margin and net income.

Selling expenses amounted to P70.6 million, higher by P47 million from P23.6 million from last year due to increased selling cost and advertising and marketing efforts. General and administrative expenses amounted to P200.8 million, higher by P115.8 million from last year's P85.0 million due to increase in personnel cost, business taxes, professional services acquired, depreciation and leases.

Interest expense on bank loans is capitalized as borrowing costs. Capitalized interest is the interest incurred on loans used directly to finance the development and construction of the Company's projects during the development stage until the date of completion. The capitalized interest is added to the cost of the projects, instead of being expensed on the current period's income statement. This capitalized interest forms part of the projects' cost reported on the Balance Sheet, and will be part of the projects' depreciation expense that will be reported in future Income Statements.

### **Net Income**

The Company's consolidated net income for 2014 grew by P438.8 million (360%) to P560.8 million from P122.1 million posted in the previous year due to significant increase in consolidated revenues driven by strong sales take-up of DD's existing business and new projects, investments and developments, coupled with the decrease in the consolidated cost of sales rate.

As of 31 December 2014, the Company does not anticipate any trends, events or uncertainties that will have a material impact on net sales or revenues of income from continuing operations.

For the year 2014, the Company expects the relationship between costs and revenues to remain unchanged, as compared to prior years.

The significant components of the income of the Company for 2014 are coming from its core real estate business and continuing operations.

The Company is diversifying its portfolio of projects to achieve a balanced mix of both developmental and investments projects, providing the Company with a diversified earnings base hedging against down cycles in the property industry. For instance, the CityMall projects to be established in various parts of the country will provide the Company with a steady stream of recurring income from less saturated provincial markets that are less dependent on economic cycles since the business model of CityMall is the modern replacement for existing demand which is currently being serviced by traditional retailers.

## FINANCIAL POSITION

	Audited	Audited	Horizontal Analysis		Vertical Analysis	
	December 31, 2014	December 31, 2013	Increase (Decrease)		2014	2013
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	3,817,191,234	113,304,028	3,703,887,206	3269.0%	20.7%	6.3%
Receivables	732,366,911	310,071,769	422,295,142	136.2%	4.0%	17.3%
Real estate inventories	2,243,407,876	747,630,282	1,495,777,594	200.1%	12.1%	41.6%
Mall Stall Units for Sale	205,115,350	-	205,115,350	100.0%	1.1%	0.0%
Due from related parties	1,030,070	-	1,030,070	100.0%	0.0%	0.0%
Prepaid expenses and other current assets	423,201,167	138,191,808	285,009,359	206.2%	2.3%	7.7%
<b>Total Current Assets</b>	<b>7,422,312,608</b>	<b>1,309,197,887</b>	<b>6,113,114,721</b>	<b>466.9%</b>	<b>40.2%</b>	<b>72.9%</b>
<b>Noncurrent Assets</b>						
Noncurrent installment contracts receivable	206,412,607	75,223,490	131,189,117	174.4%	1.1%	4.2%
Property and equipment - net	95,859,524	20,439,323	75,420,201	369.0%	0.5%	1.1%
Intangible assets - net	68,960,899	3,583,723	65,377,176	1824.3%	0.4%	0.2%
Investment property	10,467,018,818	309,002,797	10,158,016,021	3287.4%	56.7%	17.2%
Other noncurrent assets	214,318,100	79,094,214	135,223,886	171.0%	1.2%	4.4%
<b>Total Noncurrent Assets</b>	<b>11,052,569,948</b>	<b>487,343,547</b>	<b>10,565,226,401</b>	<b>2167.9%</b>	<b>59.8%</b>	<b>27.1%</b>
	<b>18,474,882,556</b>	<b>1,796,541,434</b>	<b>16,678,341,122</b>	<b>928.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	840,247,846	145,606,543	694,641,303	477.1%	4.5%	8.1%
Short-term notes payable	649,000,000	300,000,000	349,000,000	116.3%	3.5%	16.7%
Customers' deposits	230,608,277	117,326,861	113,281,416	96.6%	1.2%	6.5%
Due to related parties	280,679,292	37,677,427	243,001,865	645.0%	1.5%	2.1%
Income tax payable	12,223,080	12,820,088	(597,008)	-4.7%	0.1%	0.7%
<b>Total Current Liabilities</b>	<b>2,012,758,495</b>	<b>613,430,919</b>	<b>1,399,327,576</b>	<b>228.1%</b>	<b>10.9%</b>	<b>34.1%</b>
<b>Noncurrent Liabilities</b>						
Long-term notes payable	7,729,243,372	540,000,000	7,189,243,372	1331.3%	41.8%	30.1%
Customers' deposits - Net of Current Portion	176,410,072	-	176,410,072	100.0%	1.0%	0.0%
Other noncurrent payable	552,925,699	-	552,925,699	100.0%	3.0%	0.0%
Deferred tax liability - net	173,369,486	28,022,792	145,346,694	518.7%	0.9%	1.6%
<b>Total Noncurrent Liabilities</b>	<b>8,631,948,629</b>	<b>568,022,792</b>	<b>8,063,925,837</b>	<b>1419.6%</b>	<b>46.7%</b>	<b>31.6%</b>
<b>Total Liabilities</b>	<b>10,644,707,124</b>	<b>1,181,453,711</b>	<b>9,463,253,413</b>	<b>801.0%</b>	<b>57.6%</b>	<b>65.8%</b>
<b>Equity</b>						
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	222,973,000	165,000,000	57,973,000	35.1%	1.2%	9.2%
Additional paid-in capital	1,358,237,357	318,625,580	1,039,611,777	326.3%	7.4%	17.7%
Retained earnings	661,823,627	106,269,584	555,554,043	522.8%	3.6%	5.9%
	<b>2,243,033,984</b>	<b>589,895,164</b>	<b>1,653,138,820</b>	<b>280.2%</b>	<b>12.1%</b>	<b>32.8%</b>
<b>Non-controlling Interest</b>	<b>5,587,141,448</b>	<b>25,192,559</b>	<b>5,561,948,889</b>	<b>22077.7%</b>	<b>30.2%</b>	<b>1.4%</b>
<b>Total Equity</b>	<b>7,830,175,432</b>	<b>615,087,723</b>	<b>7,215,087,709</b>	<b>1173.0%</b>	<b>42.4%</b>	<b>34.2%</b>
<b>Total Liabilities and Equity</b>	<b>18,474,882,556</b>	<b>1,796,541,434</b>	<b>16,678,341,122</b>	<b>928.4%</b>	<b>100.0%</b>	<b>100.0%</b>

On the Balance Sheet side, consolidated total assets as of December 31, 2014 amounted to P18.5 billion, an increase of 928.4% from P1.8 billion in the previous year. Consolidated total liabilities increased by 801% to P10.645 billion from P1.181 billion in the previous year.

The Company does not anticipate having any cash flow or liquidity problems within the next 12 months. The Company has not been in default or breach of any note, loan, lease or other indebtedness of financing arrangement and a significant amount of trade payables are being paid within stated terms.

The Company does not foresee any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are 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.

### Current Assets

Total Current Assets amounted to P7.422 billion as of December 31, 2014, higher by 466.9% from P1.309 billion in the previous year.

Cash amounted to P3.817 billion as of December 31, 2014 increased by P3.703 billion from P113.3 million in December 31, 2013. Cash are mostly generated from the P7.4 billion 7-Year Corporate Notes issued last October 2014.

Receivables amounted to P732.366 million as of December 31, 2014, increased by P422.295 million (136.2%) from P310.1 million in December 31, 2013. Receivables from the sale of newly acquired project, The SkySuites Tower, sale of mall stall units of Dragon8 Shopping Center Divisoria, sale from Zion Land Development PH Inc., and incremental sales from additional construction accomplishments and sales from new buyers of existing projects contributed to the increase in receivables.

Real estate inventories amounted to P2.243 billion as of December 31, 2014, increased by P1.495 billion (200.1%) from P747.6 million in December 31, 2013. Acquisition costs of the new project, The SkySuites Tower, additional construction accomplishments of existing projects, full blast construction of W.H. Taft Residences, and inventories from Zion Land brought the increase in real estate inventories. The full swing construction of Dragon8 Shopping Center gave rise to Mall Stall Units for Sale amounting to P205.115 million. This account did not exist in the previous year as Dragon8 Shopping Center was acquired and launched only in 2014. Prepaid expenses and other current assets amounting to P423.201 million as of December 31, 2014 increased by P285.009 million (206.2%) from P138.2 million in December 31, 2013. Accumulated input taxes on expenditures related to construction and property development and creditable withholding taxes brought the increase in other current assets.

### **Noncurrent Assets**

Noncurrent installment contracts receivable increased to P206.412 million from P75.223 million in the previous year. This represents the portion of receivables from the sale of units from its horizontal and vertical projects collectible in two to three years' time.

Property and equipment amounted to P95.85 million as of December 31, 2014 increased by P75.42 million (369.0 %) from P20.4 million in December 31, 2013. Intangible assets amounted to P68.96 million as of December 31, 2014 increased by P65.377 million from P3.6 million in the previous year. Additional software licenses were acquired during the period and contributed to the net increase in intangible assets.

Investment Property significantly increased to P10.467 billion, an increase of P10.158 billion from P309.0 million in December 31, 2013. This significant increase is mainly attributable to the Investment Property of a new subsidiary, the DD-Meridian Park Development Corp., accounting for P8.489 billion of the increase. The increase is also brought by the acquisition and full swing renovation of Dragon8 Shopping Center in Divisoria.

Other noncurrent assets as of December 31, 2014 amounted to P214.318 million increased by P135.223 million (171.0%) in December 31, 2013. The increase is mainly from the security deposits made for the lease of the land for various CityMall locations.

### **Current Liabilities**

Accounts payable and other liabilities amounted to P840.24 million as of December 31, 2014 increased by P694.64 million from P145.6 million in December 31, 2013. The bulk of such increase is attributable to Trade Payables arising from services provided by the contractors and subcontractors for actual progress billings related to existing and new developmental projects. Part of the increase is a result of the acquisition of The SkySuites Tower and the interest expenses related to the 7-Year Corporate Notes.

Short-term notes payable amounted to P649 million as of December 31, 2014 increased by P349.0 million from P300.0 million in December 31, 2013. This pertains to the current portion of

the Company's Notes Payable of P7.729 billion. In 2013, DoubleDragon obtained unsecured short-term and long-term borrowing from local financing institutions which are payable on various dates up to 2016. In 2014, the Company obtained additional unsecured short-term borrowings, the proceeds of which were used for the development of the Company's on-going projects and working capital purposes.

Customers' deposits amounted to P230.608 million as of December 31, 2014 increased by P113.281 million (96.6%) from P117.3 million in the previous year. The significant increase in sales is the primary driver for the increase in customers' deposits. Customer's deposits represent non-refundable reservation fees paid to the Company by prospective buyers which are to be applied against the installment contracts receivable upon recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

### **Noncurrent Liabilities**

Noncurrent Liabilities amounted to P8.631 billion as of year-end 2014, as against P568.022 million in the previous year. On October 30, 2014, the Company obtained a total of P7.4 billion unsecured bilateral long-term loans from various financial institutions. The proceeds from these borrowings were used by the Company to partly finance its capital expenditures, primarily for the development of The Meridian Park, Dragon8 Shopping Center, The SkySuites Tower and rollout of the first 12 CityMalls and for general corporate purposes. Other noncurrent liabilities consists mainly of the payables to RCBC in relation to the acquisition of The SkySuites Tower.

### **Equity Attributable to Holders of the Parent Company**

Capital stock with par value of P.10 per share increased by P57.973 million (35.1 %) from P165.0 million in December 31, 2013 to P222.973 million as of December 31, 2014. The increase resulted from the initial public offering made on April 7, 2014. The common shares outstanding as of December 31, 2014 is 2,229,730,000 shares. Additional paid in capital increased by P1 .04 billion (327.5%) from P318.6 million in December 31, 2013 to P1.36 billion as of December 31, 2014 also as a result of the initial public offering. Retained earnings attributable to the holders of the Parent Company increased by P555.55 million (522.8%) from P106.3 million in December 31, 2013 to P661.82 million as of December 31, 2014. The increase is due to the cumulative earnings recognized by the Company.

### **Equity of Non-controlling Interest**

Non-controlling interest (NCI) increased by P5.561 billion to P5.587 billion from P25.2 million in December 31, 2013. The increase is mainly coming from the Company's new subsidiary, DD-Meridian Park Development Corp., business combinations and cumulative earnings attributable to non-controlling interest.

### **KEY PERFORMANCE INDICATORS**

The following are the major financial ratios of the Company for the years ended December 31, 2014 and 2013

	<b>12/31/2014</b>	<b>12/31/2013</b>
Current Ratio	3.69	2.13
Asset to Equity	2.36	2.92
Debt to Equity Ratios		
On Gross Basis	1.07x	1.37x
On Net Basis	0.58x	1.18x
Return on Equity	39.2%	20.1%

Net Income to Revenue	32.5%	16.1%
Revenue Growth	158.4%	8.8%
Net Income Growth	421.23%	15.64%
EBITDA	PhP 846,624,809	PhP 184,041,617

The formulas by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	
3. Debt to Equity Ratio (Gross Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$	
4. Debt to Equity Ratio (Net Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt less Cash and Cash Equivalent}}{\text{Total Equity}}$	
5. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$	
6. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$	
7. Revenue Growth	$\frac{\text{Total Revenue (Current Period)}}{\text{Total Revenue (Prior Period)}} - 1$	
8. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}} - 1$	
9. EBITDA	Income from Operations + Depreciation and Amortization	

As of 31 December 2014, the Company had total assets of PHP 18.5 Billion. Likewise, the Company has a sufficient level of liquidity with current assets amounting to PHP 7.42 Billion as against its current obligations of PHP 2.01 Billion, for a healthy Current Ratio of 3.69. The Company does not anticipate having any cash flow or liquidity problems within the next 12 months. The Company has not been in default or breach of any note, loan, lease or other indebtedness of financing arrangement and a significant amount of trade payables are being paid within stated terms.

The Company does not foresee any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are 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.

**For the year 2015 onwards, the Company expects the relationship between costs and revenues to remain unchanged, as compared to prior years.**

#### **KEY VARIABLE AND OTHER QUALITATIVE FACTORS:**

The Company has significant exposure to the following risks, namely, Credit, Liquidity and Interest Rate. Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. Exposure to credit

risk is monitored primarily through credit reviews and analysis of receivables on a continuous basis. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure sufficient cash is maintained. Interest Rate risk management policy is to minimize interest rate cash flow risk exposures to changes in interest. The Company has short term and long term bank borrowings with fixed interest rates. Thus, the company is not subject to the effect of changes in interest rates.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD is responsible for developing and monitoring the Company's risk management policies. The risk management policies are established to identify and analyze the risks faced by the Company, to set the appropriate risk limits and controls and to monitor risks and adherence to limits. Risks management systems and policies are reviewed regularly to reflect changes in market conditions. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results.

The Company does not anticipate having any cash flow or liquidity problems within the next 12 months. The Company has not been in default or breach of any note, loan, lease or other indebtedness of financing arrangement and a significant amount of trade payables are being paid within stated terms.

The Company does not foresee any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are 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.

**For the year 2017, the Company expects the relationship between costs and revenues to remain unchanged, as compared to prior years.**

The significant components of the income of the Company are coming from its core real estate business and continuing operations.

The Company is diversifying its portfolio of projects to achieve a balanced mix of both developmental and investments projects, providing the Company with a diversified earnings base hedging against down cycles in the property industry. For instance, the CityMall projects to be established in various parts of the country will provide the Company with a steady stream of recurring income from less saturated provincial markets that are less dependent on economic cycles since the business model of CityMall is the modern replacement for existing demand which is currently being serviced by traditional retailers.

## **GENERAL RISK WARNING**

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not a guide to future

performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities. An investor deals in a range of investments each of which may carry a different level of risk.

### **PRUDENCE REQUIRED**

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his/her/its own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

### **PROFESSIONAL ADVICE**

Investors should seek professional advice regarding any aspect of the securities such as the nature of the risks involved in the trading of the securities, especially in the trading of high-risk securities. Each investor should consult his/her/its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Offer Shares.

### **RISKS RELATING TO THE COMPANY AND ITS BUSINESS**

#### **Significant competition in the real estate industry could adversely affect the Company's business.**

The Company's ability to sell its projects may be adversely affected by the competition from other real estate developers, some with greater financial and developmental resources, more attractive locations of projects, and a more aggressive approach to prospective projects and clients.

To mitigate this risk, the Company will continue to focus on prime and mature locations for its prospective projects. The Company believes that having projects located in premier locations, competitive pricing, and proper identification of the target market for each project, will allow the Company to successfully sell its projects.

#### **Availability of land for use in the Company's future projects could adversely affect the Company's business.**

The Company's future growth and development is directly affected by its ability to enter into agreements for the acquisition and/or development of additional land deemed viable for the Company's future projects. In the event the Company is unable to acquire suitable land at acceptable prices, with reasonable returns, its growth prospects could be limited and its business and results of operations could be adversely affected.

To mitigate this risk, the Company, subject to appropriate due diligence, remains flexible in its investment structures, whether these be direct land acquisitions, joint venture developments, long- term leases or take-overs of existing projects.

**The Company's reputation and its business and financial performance will be adversely affected if its projects are not completed on time.**

The Company's reputation will be negatively affected if any of its projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues and consequently make it more difficult for it to attract new customers to its future projects. Any negative effect that would stain the Company's reputation may pose difficulties in pre-selling its projects and may have a domino effect to both its other current and future housing and developmental projects. This will adversely affect the Company's ability to raise its capital as well as the results of its operations and financial performance.

The Company will engage the services of reputable project managers and general contractors to ensure that its projects are constructed in accordance with plans and specifications and in accordance with the agreed schedules. The selection of project managers and general contractors will pass through a prequalification process and competitive bidding. Contracts will include provisions for warranties, penalties and liquidated damages for delay and unsatisfactory workmanship.

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

Philippine law provides that property developers, such as the Company, warrant the structural integrity of houses and/or buildings that were designed or built by them for a period of fifteen (15) years from the date of completion of the house/building. The Company may also be held responsible for hidden (i.e., latent or non-observable) defects in a house/building sold by it when such hidden defects render the house/building unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six (6) months from the delivery of the house/building to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors. Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

To mitigate this risk, the Company ensures that all its projects are carefully executed to meet required standards. The Company sources and/ or requires its contractors to source its construction materials from reputable suppliers to ensure quality. The selection of suppliers passes through a prequalification process and competitive bidding. In addition, each project will be covered by adequate bonds and insurances.

### **No assurance of successful implementation of business plans and strategies**

Every business is susceptible to the failure of the implementation of the business plans and strategies, especially with respect to new projects and undertakings.

The Company will continue to strive to translate its plans into reality through the careful formation of its strategies and overall organization of its departments. Meetings are held to ensure that goals are on track and remain achievable. Where synergies will be beneficial, the Company will take advantage of structures and partnerships already in place to help mitigate this risk.

### **Change in accounting principle for real estate sales (Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate) will change the Company's revenue recognition for sale of condominium units**

This new interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under Philippine Accounting Standard 11, construction contracts, which is based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against Philippine real estate industry practices is completed. Adoption of this interpretation will result to a change in the revenue recognition of the Company on sale of residential units and accounting for certain pre-selling costs.

The Company continues to assess the impact of this change in principle on its financial results. In addition, it also intends to build-up its recurring income generating projects to help alleviate the possible impact of its implementation on the Company's financial performance.

### **Ability to Obtain Financing**

The Company uses short-term financing to cover some of its pre-development and development costs. There is no assurance that the Company will be able to obtain such financing at favorable terms.

Aside from this higher inflation and interest rates could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Higher interest rates, and factors that affect interest rates, such as the Government's fiscal policy, inflation, foreign exchange rates, could have a

material adverse effect on the Company and on demand for its products. For example:

- Higher interest rates will make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Higher interest rates will make it more expensive for prospective and current customers who procure financing to fund their property purchases, and therefore could adversely affect demand for the Company's residential projects.
- Significantly higher Government borrowings in the domestic currency market may reduce the amount of bank financing available to real estate developers including the Company, and drive up interest rates charged by banks and other financial institutions
- Higher inflation rates could result in an increase in raw materials costs, which the Company may not be able to pass on to its customers as increased prices, and also result in higher interest rates.

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

While these risks are uncontrollable, the Company practices prudent financial management to minimize its possible effects. Total projects costs included in construction contracts are also typically fixed, which alleviates the impact of inflationary pressures. Likewise, collections from pre-selling activities minimize the Company's need for additional financing which reduces its exposure to interest rate movements.

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

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

Although it has not had to defend itself in the past, the Company, which owns lands with various titles under its name, from time to time, may be required to defend itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company. The Company conducts comprehensive due diligence and extensive title searches before it acquires any parcel of land.

**Environmental laws could adversely affect the Company's business.**

Real estate developers are required to follow strictly the guidelines of the DENR. Any changes in the current environmental laws and regulations applicable to the Company may increase the Company's operating expenses. The Company

complies with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business.

**Risk of a domestic asset price bubble could adversely affect the Company's business.**

One of the risks inherent in any real estate property market, including the Philippines, is the possibility of a domestic asset price bubble, which occurs when there is a gross imbalance between the supply and demand in the domestic property market, causing asset prices to be too high. The growth of the Philippine real estate sector is mainly driven by low interest rates, robust OFW remittances, and the fast growing BPO sector which is vulnerable to shocks in the global economy.

To mitigate this risk, the Company is diversifying its portfolio of projects to achieve a balanced mix of both developmental and investments projects, providing the Company with a varied earnings base hedging against down cycles in the property industry. For instance, the CityMall projects to be established in various parts of the country will provide the Company with a steady stream of recurring income.

**Mortgage of the Company's property to obtain financing**

Inherent in the real estate business, which is capital intensive, the Company may sometimes be required by financial institutions to mortgage some of their properties when obtaining financing for the completion of its projects. There is a risk that in the event that the Company is unable to service these obligations to its creditors or is delayed in servicing the same that foreclosure proceedings may be instituted by said creditor. To mitigate this risk, the Company practices sound and prudent financial management to ensure a healthy balance sheet and prompt payment of its obligations as they fall due.

Currently, one of the Company's land is subject of an unregistered real estate mortgage.

**RISKS RELATING TO THE COMPANY'S OFFER SHARES**

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

Subscribers of the Offer are required to pay the Offer Price of the Offer Shares so subscribed upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that listing will occur on the anticipated Listing Date. Delays in the admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares for listing on the PSE, the market for these will be illiquid and holders may not be able to trade the Offer Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

**There may be no liquidity in the market for the Offer Shares and the prices of these may fall.**

The Shares will be listed and traded on the PSE. In general, transfers of the Offer Shares will be made solely through the PSE. The Philippines securities market is smaller and less liquid than the securities markets in the United States and in certain European and Asian countries. Although the Shares will be listed on the PSE, there is no assurance that an active trading market for the Offer Shares will be developed or sustained in the long run, nor that the price per share will not decline less than the Offer Price. The market price of the common shares and Philippine securities may experience significant price fluctuations and volatility in general.

Until the Listing Date, the listing and trading of the Offer Shares on the PSE will not commence. During this intervening period, the investment in the Offer Shares will be illiquid. While the Company does not have any guarantee on the share prices and its liquidity, it will follow transparent corporate practices to ensure that material information is available and delivered in a timely manner to all the relevant parties.

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

The Philippine Constitution and related statutes restrict land ownership to Philippine nationals. The Company owns private land in the Philippines and therefore foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital stock. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine national for purposes of complying with nationality restrictions on land ownership. This restriction may adversely affect the liquidity and market price of the Offer Shares to the extent that international investors are restricted from purchasing these in normal secondary transactions.

**RISKS RELATING TO THE PHILIPPINES**

**The Company is exposed to risks associated with the Philippines, including the performance of the Philippine economy.**

The Philippine economy remains exposed to significant economic and political risks. The performance of the Philippine economy may influence, in general, the results of the Company's operations. Any deterioration in the economic conditions in the Philippines may adversely affect consumer sentiment. There can be no assurance that current or future Governments will adopt economic policies conducive to sustaining economic growth.

The Company's results of operations depend on the performance of the Philippine economy. Movement in interest rates will affect the Company's cost of capital as well as the financial viability of its projects. Any deterioration in the Philippine

economy could materially and adversely affect the Company's financial condition and results of operations.

The Company has derived all of its sales and operating profits from its development activities in the Philippines and its business is highly dependent on the state of the Philippine economy and the Philippine property market. Demand for, and prevailing prices of, developed land, and house and lot units are directly related to the economic, political and security conditions in the Philippines.

While the Philippine real estate sector presently shows no signs of slowdown and is experiencing resurgence, there is no guarantee that this trend will continue. Over different periods, the Philippines has faced declining economic growth rate with high inflation rate. The Philippine property market suffered a sharp downturn as a result of the Asian financial crisis in 1997 and the political crisis in 2000 brought about by the impeachment proceedings against, and eventual resignation, of former President Joseph Estrada. These crises led to a steep drop in real estate demand and consequently to an oversupply in the property market, depressed property prices and reduced demand for new residential projects. While the global economic recession, in 2008, resulted in higher cost of end-consumer products and financial market turmoil.

While the risks related to the Philippine economy in general and to the Philippine real estate industry in particular are uncontrollable, the Company practices prudent financial management to minimize their possible effects.

**Political or social instability could adversely affect the financial results of the Company.**

Like any other country, it is materially significant to position the Philippines as an appealing place to put up an investment. Any political and terrorist threats could adversely affect the general conditions and business environment in the Philippines, which could have a material effect on the operations and financial performance of the Company.

The Philippines has from time to time experienced political, social and military instability and no assurance can be given that the future political environment in the Philippines will be stable.

Political instability in the Philippines occurred in the late 1980's when Presidents Ferdinand Marcos and Corazon Aquino held office. In 2000, former President Joseph Estrada resigned from office after allegations of corruption led to impeachment proceedings, mass public protests and withdrawal of support of the military. In February 2006, President Gloria Arroyo issued Proclamation 1017 which declared a state of national emergency in response to reports of an alleged attempted coup d'état. The state of national emergency was lifted in March 2006.

The country has also been subject to sporadic terrorist attacks in the past several years. The Philippine army has been in conflict with the Abu Sayyaf organization, a group alleged to have ties with the Al-Qaeda terrorist network, and identified as being responsible for kidnapping and terrorist activities. More recently, On 09 September 2013, a faction of the Moro National Liberation Front (MNLFF) under the leadership of Nur Misuari seized hostages in Zamboanga and attempted to raise

the flag of the self-proclaimed Bangsamoro Republik, a state which declared its independence from the Philippines earlier in August, in Talipao, Sulu. This armed incursion has been met by the Armed Forces of the Philippines, which sought to free the hostages and expel the MNLF from the city. The standoff has degenerated into urban warfare, and brought parts of the city under standstill for days. On 28 September 2013, the government declared the end of military operations in Zamboanga City.

Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation.

The Company has no control over this risk.

### **Natural calamities could adversely affect the business of the Company.**

The Philippines has experienced a significant number of major natural catastrophes over the years, including typhoons, volcanic eruptions and earthquakes.

In 2013 alone, the country suffered the brunt of a monster typhoon and a deadly earthquake that killed thousands and left billions of pesos in damage to infrastructure and properties. In October

2013, an earthquake with 7.2 magnitude struck the provinces of Bohol and Cebu, killing more than

200 people and displacing tens of thousands of residents. Less than a month after, Typhoon Yolanda, the strongest and most destructive typhoon to ever hit the country in four decades, slammed Tacloban City, Leyte, Samar, and other provinces in Eastern Visayas killing more than 6,000 people.

Natural catastrophes will continue to affect the Philippines and the Company may incur losses for such catastrophic events which could materially and adversely affect its business, financial condition and results of operations.

The Company maintains sufficient insurance against natural catastrophes to cover its various developments.

### **Foreign Exchange Risk**

Any change in the value of the peso against the U.S. dollar could affect the dollar value of a foreign investor's return on an investment in the Offer Shares. Foreign exchange required for the repatriation of capital or remittance of dividends may be sourced from the Philippine banking system provided that the foreign investor registers his investment with the Bangko Sentral ng Pilipinas. In certain instances, the Bangko Sentral ng Pilipinas, with the approval of the President of the Philippines, may restrict the availability of foreign exchange. No assurances can be given that exchange controls and regulations in the future will not be changed.

As the revenues and expenses of the Company are in Peso denomination, DoubleDragon is not directly affected by foreign exchange risk. The Company's foreign exchange risk exposure is limited to the cost of materials which, although locally sourced, may be imported.

### III. EXTERNAL AUDIT FEES

The accounting firm of KPMG R.G. Manabat & Co. ("KPMG") was appointed as the Corporation's auditor. Since their appointment, the Corporation has no disagreement with them on any matters relating to accounting principles and practices, financial statement disclosures or auditing scope or procedures. The same auditing firm has been endorsed for re-appointment by the Audit Committee to the Executive Committee.

The following are the External Audit Fees paid to KPMG for its services, particularly for the audit of the financial statements for the years ended 31 December 2016 and 31 December 2015, to the Company as well as to its subsidiaries.

#### 31 December 2016

	2016			Total Audit Fees
	Audit Fee	OPE	VAT	
DoubleDragon Properties Corp. CityMall Commercial Centers Inc.	1,200,000	180,000	165,600	1,545,600
Hotel of Asia, Inc.	660,000	99,000	91,080	850,080
DD HappyHomes Residential Centers Inc.	550,000	82,500	75,900	708,400
Hotel 101 Management Corporation	484,000	72,600	66,792	623,392
Piccadilly Circus Landing Inc.	450,000	67,500	62,100	579,600
DoubleDragon Property Management Corp.	350,000	52,500	48,300	450,800
CSI Hotels Incorporated	300,000	45,000	41,400	386,400
Prime DDG Commercial Centers, Inc.	250,000	37,500	34,500	322,000
CM – Mandalagan Bacolod Inc.	200,000	30,000	27,600	257,600
DoubleDragon Sales Corp.	200,000	30,000	27,600	257,600
DD-Meridian Park Development Corp.	187,000	28,050	25,806	240,856
CM – Goldenfields Bacolod Inc.	165,000	24,750	22,770	212,520
CM – Tarlac MacArthur Inc.	100,000	15,000	13,800	128,800
CM – Danao Cebu Inc.	100,000	15,000	13,800	128,800
CM – Dipolog Zamboanga Inc.	100,000	15,000	13,800	128,800
CM – Northtown Davao Inc.	100,000	15,000	13,800	128,800
Iloilo – Guimaras Ferry Terminal Corp.	100,000	15,000	13,800	128,800
	<b>₱5,596,000</b>	<b>₱839,400</b>	<b>₱772,248</b>	<b>₱7,207,648</b>
Consolidation Fee	120,000	N/A	14,400	134,400
<b>GRAND TOTAL</b>	<b>₱5,716,000</b>	<b>₱839,400</b>	<b>₱786,648</b>	<b>₱7,342,048</b>

### 31 December 2015

	2015			Total Audit Fees
	Audit Fee	OPE	VAT	
DoubleDragon Properties Corp.	1,000,000	150,000	138,000	1,288,000
CityMall Commercial Centers Inc.	550,000	82,500	75,900	708,400
DD HappyHomes Residential Centers Inc.	440,000	66,000	60,720	566,720
Piccadilly Circus Landing Inc.	350,000	52,500	48,300	450,800
DoubleDragon Property Management Corp.	275,000	41,250	37,950	354,200
DoubleDragon Sales Corp.	187,000	28,050	25,806	240,856
Prime DDG Commercial Centers, Inc.	165,000	24,750	22,770	212,520
DD-Meridian Park Development Corp.	165,000	24,750	22,770	212,520
CM – Mandalagan Bacolod Inc.	100,000	15,000	13,800	128,800
CM – Goldenfields Bacolod Inc.	100,000	15,000	13,800	128,800
CM – Tarlac MacArthur Inc.	100,000	15,000	13,800	128,800
CM – Danao Cebu Inc.	100,000	15,000	13,800	128,800
	<b>₱3,632,000</b>	<b>₱544,800</b>	<b>₱501,216</b>	<b>₱4,678,016</b>
Consolidation Fee	100,000	N/A	12,000	112,000
<b>GRAND TOTAL</b>	<b>₱3,732,000</b>	<b>₱544,800</b>	<b>₱513,216</b>	<b>₱4,790,016</b>

### 31 December 2014

	2014			Total Audit Fees
	Audit Fee	OPE	VAT	
DoubleDragon Properties Corp.	900,000	136,500	124,380	1,160,880
CityMall Commercial Centers Inc.	500,000	72,700	68,724	641,424
DD Happy Homes Residential Centers Inc.	400,000	57,700	54,924	512,624
Piccadilly Circus Landing Inc.	350,000	51,500	48,180	449,680
DD Property Management Corp.	250,000	36,300	34,356	320,656
DoubleDragon Sales Corp.	170,000	24,100	23,292	217,392
Prime DDG Commercial Centers, Inc.	150,000	21,600	20,592	192,192
DD-Meridian Park Development Corp.	150,000	22,000	20,640	192,640
	<b>₱2,870,000</b>	<b>₱422,400</b>	<b>₱395,088</b>	<b>₱3,687,488</b>

### **AUDIT COMMITTEE'S APPROVAL POLICIES AND PROCEDURES**

The members of the Company's Audit Committee are the following:

Chairman	:	Gary P. Cheng
Members	:	Ferdinand J. Sia Rizza Marie Joy J. Sia

The partner-in-charge for the ensuing year is Mr. Darwin P. Virocel of R.G. Manabat & Co. SRC Rule 68, Part 3(b)(iv)(ix) provides that "the independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling-off period shall be observed in the engagement of the same signing partner or individual auditor". The Company is compliant with this rule.

The resolution for adoption will be the approval of the appointment of KPMG as the Company's independent external auditor.

Except for the preparation of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the afore-cited independent public accountants provide no other type of services.

In relation to the audit of the Company's annual financial statements, the Company's Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of our policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors, if any, are not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

#### **IV. BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT**

DoubleDragon Properties Corp. ("DD", the "Company", or the "Issuer"), formerly named as Injap Land Corporation, was incorporated and registered with the SEC on December 9, 2009, and started commercial operations in November 2010 with the primary purpose of engaging in real estate development and real estate related ventures. The Company was originally a wholly owned subsidiary of Injap Investments Inc., the holding company of the Sia family. On June 29, 2012, DoubleDragon became a 50-50 joint venture between Injap Investments and Honeystar Holdings Corporation ("Honeystar") when Honeystar, headed by Tony Tan Caktiong, Founder and Chairman of Jollibee Foods Corp. ("JFC"), invested in the Company. The Company eventually changed its corporate name to DoubleDragon Properties Corp. upon securing the SEC's approval on July 30, 2012.

The Company's vision is to accumulate one million (1,000,000) square meters of leasable space by 2020 primarily through the rollout of one hundred (100) community malls across provincial cities in the Philippines through its community mall chain brand "CityMall" and through the development of two major commercial office projects, DD Meridian Park and Jollibee Tower, both of which are located in prime locations in Metro Manila. At present, the Company has acquired a total of fifty-six (56) sites for its community malls. Fifteen (15) CityMalls have commenced commercial operations. Twenty-five (25) CityMalls are under construction of which majority will be opening this year while the remaining sixteen (16) will be completed and majority thereof will be operational by 2018.

#### **Corporate Transformation**

The Company, prior to the entry of Honeystar, was originally the Sia family's initial foray into real estate development. The Company's first venture, People's Condominium project, was the first condominium in Iloilo City. People's Condominium was completed in November 2011 and was fully sold a few months after the pre-selling activities started. Other projects developed by the Company in Iloilo City include Injap Tower, a 21-storey commercial and condotel tower, The Uptown Place, a 5-storey premium commercial and residential condominium, as well as horizontal developments FirstHomes and HappyHomes both located in Mandurriao – Iloilo.

It was after the entry of Honeystar and the renaming of the Company into DoubleDragon Properties Corp. that the Company's Chairman and Co-Chairman, Edgar "Injap" Sia II and Tony Tan Caktiong, both born the year of the dragon, established a clear road map for the Company. They identified a unique opportunity to capitalize on the modernization of retail in the provinces by building a chain of community malls to become the venue for this transition. In order to become the dominant leader in this space they targeted the roll out of one hundred (100) community malls across second- and third-tier provincial cities by 2020. CityMall Commercial Centers Inc. ("CM") was incorporated on December 27, 2013 to serve as the vehicle for this rollout. SM Investments Corporation ("SMIC") saw the potential of CityMall and subscribed to thirty-four percent (34%) of CM's capital through an Investment and Shareholder's Agreement signed on February 17, 2014. The one hundred (100) community malls, once fully developed, are expected to contribute seven hundred thousand (700,000) square meters of leasable space which is equivalent to seventy percent (70%) of the Company's target portfolio of one million (1,000,000) square meters of leasable space by 2020.

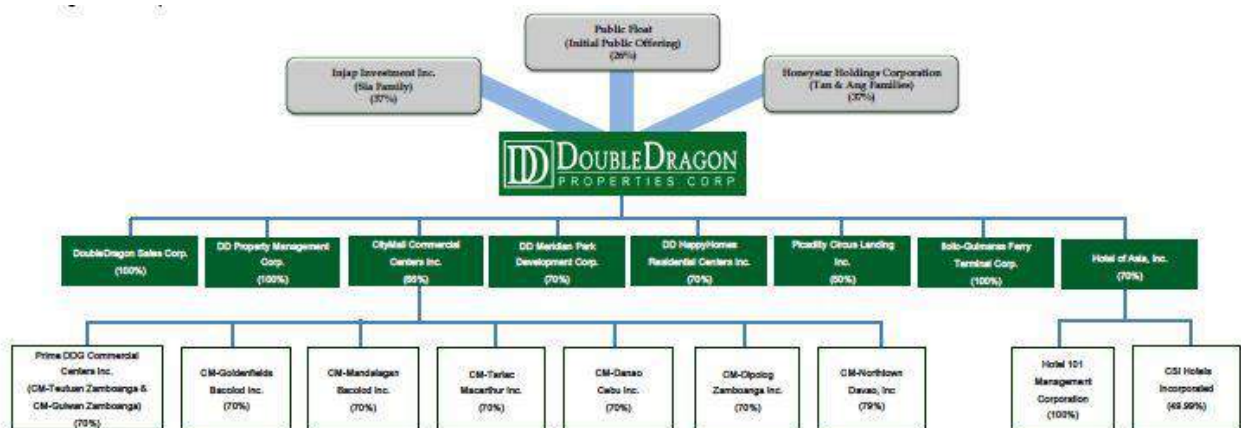
To further diversify its intended portfolio of recurring revenue properties, the Company decided to develop commercial office projects in Metro Manila, which would make up the remaining thirty percent (30%) of the Company's envisioned portfolio. The Company's flagship commercial office project is DD Meridian Park, a 4.75-hectare project in the Bay Area of Pasay City located at the corner of Diosdado Macapagal Boulevard and EDSA Extension. The Company's subsidiary DD-Meridian Park Development Corp. ("DDMP"), which is 70% owned by DoubleDragon and 30% owned by Carto Meridian Development Corp. ("Carto Meridian") will develop the project. DD Meridian Park will be developed in phases and will contribute a total of two hundred eighty thousand (280,000) square meters of leasable space by 2020. To complete that side of the portfolio, on August 26, 2015, the Company entered into joint venture with JFC to build a 40-storey commercial and office tower on the property of the latter located at the corner of F. Ortigas Jr. Road (formerly Emerald Avenue) and Garnet Road at the heart of the Ortigas central business district. In the Memorandum of Agreement between the Company and JFC, the Company undertook to develop a commercial and office condominium building on a parcel of land in Ortigas. JFC, on its part, will transfer ownership over the subject land to DD in exchange for condominium units and payment of PhP27.8 Million.

Because of the nature of developing investment properties intended for leasing, the Company anticipated that there would be a delay in recognizing profits as construction of the various projects would have to be completed before it could book leasing revenues. Because of this the Company invested in interim Metro Manila projects namely, W.H. Taft Residences, Dragon8 Mall and The SkySuites Tower, all of which were previously started and pre-sold projects, which the Company could resume development of and derive income from, based on a percentage-of-completion method.

On April 7, 2014, the authorized and outstanding shares of DD were listed on the PSE under the symbol "DD". Through its initial public offering, the Company was able to raise PhP1.16 Billion to finance the acquisition of land and development of projects. The listing further enhanced the ability of the Company to raise substantial funding in the local debt markets. As of March 31, 2017, the Company had a market capitalization of PhP119,625,013,500 and a price of PhP53.65 per share.

## Corporate Structure

The Company's corporate structure is presented in the diagram below:



At present, DoubleDragon has the following subsidiaries: DoubleDragon Sales Corp. ("DDSC"), DD Property Management Corp. ("DDPMC"), CityMall Commercial Centers Inc. ("CM"), Piccadilly Circus Landing, Inc. ("Piccadilly"), DD Happy Homes Residential Centers Inc ("DDHH"), and DD-Meridian Park Development Corp. ("DDMP"), Iloilo-Guimaras Ferry Terminal Corp. (IGFTC) and, upon approval by the SEC, Hotel of Asia, Inc ("HOA"). Each subsidiary was established to support DoubleDragon as the Company executes its strategies and plans. The functions of each subsidiary are discussed below.

### DoubleDragon Sales Corp. ("DDSC")

DoubleDragon Sales Corp. was incorporated on November 12, 2012, and is a wholly owned subsidiary that focuses on the selling and marketing of the Company's real estate projects that include condominium units, town houses, apartments, commercial spaces and other related projects. DDSC serves as the sales team of the Company's projects. DDSC has not started its commercial operations as of March 31, 2017.

### DoubleDragon Property Management Corp. ("DDPMC")

DoubleDragon Property Management Corp. was originally incorporated on January 17, 2012 as One Eleven Property Management Corp., a wholly owned subsidiary that focuses on managing, operating, and maintaining the projects of the Company. Its operations generally involve the maintenance, repair and beautification services of the buildings and ground. DDPMC's revenues are derived from association dues and common utilities service area (CUSA) charges collected from the Company's clients and tenants. DDPMC started its commercial operations in 2015.

### CityMall Commercial Centers Inc. ("CM")

CityMall Commercial Centers Inc. was incorporated on December 27, 2013 to serve as the vehicle for the construction, development, operation and maintenance of CityMall developments. CityMall is envisioned to become the largest branded

community mall chain in the Philippines. CM is 66%-34% owned by the Company and SMIC, respectively. CM started its commercial operations in 2015.

### **Piccadilly Circus Landing Inc. ("Piccadilly")**

The Company signed an Investment and Shareholders Agreement with the Aryanna Group to invest in Piccadilly Circus Landing, Inc., and jointly develop about sixteen thousand (16,000) square meter Umbria Commercial Center in Biñan, Laguna. Piccadilly is currently a 50-50 joint venture of the Company and the Aryanna Group. Piccadilly owns a two thousand nine hundred and fifty-five (2,955) square meter property where the Umbria Commercial Center will be developed. Piccadilly started its commercial operations in 2013.

### **DD HappyHomes Residential Centers Inc. ("DDHH")**

On May 23, 2014, the Company signed an Investment and Shareholders Agreement to subscribe to seventy percent (70%) of DDHH (previously named Zion Land Development Phils., Inc.), a property development company based in Western Visayas. The remaining thirty percent (30%) was retained by the then shareholders who agreed to DD's subscription to DDHH.

DDHH was incorporated in September 2011 and started its first project, HappyHomes in Mandurriao Iloilo in 2013. DDHH is the Company's horizontal housing project arm in the Visayas area and will complement the Company's project portfolio by providing affordable homes in the provinces. DDHH started its commercial operations in 2014.

### **DD-Meridian Park Development Corp ("DDMP")**

On June 2, 2014, DD signed a Memorandum of Agreement to develop a 4.75 hectare lot at the corner of EDSA and Macapagal Avenue in Pasay City near the Mall of Asia Complex. The joint venture agreement was signed on October 17, 2014, and resulted in DoubleDragon owning seventy percent (70%) of DDMP, the JV company for the project. DD Meridian Park will have approximately two hundred and eighty thousand (280,000) square meters of leasable space once fully developed. It is envisioned to be a prominent iconic landmark in the area. Construction of the first phase started in the fourth quarter of 2014 and is targeted to be completed by Q4 2017. DDMP has not started its commercial operations as of March 31, 2017.

### **Iloilo-Guimaras Ferry Terminal Corp. (IGFTC)**

IGFTC was incorporated and registered with the SEC on June 10, 2016, primarily to finance, design, construct, develop, operate and maintain Iloilo City-Guimaras Ferry Terminal and the surrounding areas and to provide a safe, efficient, and modern ferry terminal for commuters going to and arriving from Guimaras Island. Its commercial operations dates of December 31, 2016. It started its commercial operations on April 2017.

### **Hotel of Asia, Inc. (HOA)**

Hotel of Asia, Inc. was created in 2011 as a joint venture between Injap Investments Inc. ("III"), Chan C. Bros. Holdings, Inc. ("CCBHI") of the Oishi Group, and Staniel Realty Development Corp. ("SRDC"). On August 11, 2016, the Board of Directors of the

Company approved and, thus, the Company signed an agreement to acquire a majority stake of seventy percent (70%) for PhP832.17M in Hotel of Asia, Inc. ("HOA"), which will serve as the Company's hospitality arm. HOA is a hospitality firm primarily engaged in the ownership, operation and development of hotel projects, including the Hotel 101 at the Mall of Asia Complex. HOA started its commercial operations in 2012.

## **PROJECTS**

### **CityMall**

CityMall is envisioned to be the first and largest branded independent community mall chain in the Philippines by operating a total of one hundred (100) CityMalls by 2020. CityMall will not only provide prime spaces to the top Philippine fast food brands such as Jollibee, Mang Inasal, Chowking, Greenwich, Red Ribbon and Highlands Coffee, but also to various non-food retailers including those affiliated with the SM Group brands such as Savemore, Ace Hardware, Watson's, SM Appliance, Simply Shoes, BDO, and Chinabank Savings Bank. CityMall is poised to become a brand that every Filipino can be proud of.

All CityMalls will have a standard color, design, look and feel. They will also have the distinct feature of being "Greenergized" as each CityMall will be equipped with solar panels as their main source of energy and a rainwater collection system as a sign of the Company's drive to help save the planet and its commitment to sustainable development.

CityMall differentiates itself from other malls by choosing prime and strategic locations in the heart of every community it aims to serve. Location and accessibility to customers is the key to the successful rollout of CityMalls in the country. Each CityMall site is meticulously chosen and negotiated by none other than DD's Chairman, Edgar 'Injap' Sia II. Mr. Sia was the driving force behind the successful rollout of fastfood chain Mang Inasal.

Further, on 7 December 2016, CityMall and ABS-CBN Corporation (ABS-CBN) have partnered to roll out cinemas in various provincial areas of the country., through CityMall. In 2017, 10 cinemas are scheduled to open in CityMalls located in Tagum City-Davao, Victorias City- Negros, Anabu-Imus Cavite, Cotabato City, Bulua-Cagayan de Oro City, Koronodal City, Consolacion-Cebu, Mandalagan- Bacolod City, Sta. Rosa-Nueva Ecija and Dumaguete City. Each cinema will have a seating capacity of 100 to 120 seats. CityMall intends to fill up the gap in the provincial cinema space since majority of the over 140 cities in the Philippines do not have cinemas today.

At present, the Company has secured a total of fifty-six (56) site locations for CityMalls, It has completed the construction of the following 17 CityMalls which have all commenced business operations - CM Tetuan, CM Tagbak, CM Arnaldo Roxas, CM Imus, CM Consolacion, CM Kalibo, CM Tiaong, CM Parola, CM Cotabato, CM Mandalagan, CM Kabankalan, CM Victorias, CM San Carlos, CM Tagum, CM Boracay, CM SCTEX Southbound and CM Tarlac. Construction activities are being undertaken in 25 CityMalls located in the following sites:

## **DD Meridian Park**

DD Meridian Park is a 4.75-hectare project in the Bay Area of Pasay City located at the corner of Diosdado Macapagal Boulevard and EDSA Extension. The Company's subsidiary DD-Meridian Park Development Corp., which is 70% owned by DoubleDragon and 30% owned by Carto Meridian Development Corp., will develop the project.

The project will feature a commercial compound for BPOs and corporate offices and an area intended for future development. The Meridian Park will be constructed in four phases, and will feature the following:

Phase 1 of the project will be the construction of DoubleDragon Plaza, an 11-storey complex with a mall on the ground floor and business process outsourcing (BPO) offices from the 5th to the 11th levels. DoubleDragon Plaza will provide over one hundred thirty thousand (130,000) square meters of leasable space. The Company has commenced with the construction of Phase 1 which is 83.61% complete as of May 31, 2017. The Phase 1 of the Project will be partially operational by end-2017.

Phase 2 of the project will be two additional office towers, DoubleDragon Center East and DoubleDragon Center West, which will be adding roughly another thirty thousand (30,000) square meters of leasable space. As of May 31, 2017, Phase 2 is 13.32% complete.

As of June 19, 2017, DD through its subsidiary DDMPC, entered into an agreement with Ascott Limited to develop a five-star luxury serviced apartment as the Phase 3 of DD-Meridian Park. Phase 3 will cover 5,567 sq m within the 4.8 hectare complex and is expected to have over 300 luxury serviced apartment units. Construction of Ascott-DD-Meridian Park Manila is set to break ground within 2017 and is expected to be complete and operational by 2020.

As sustainable and green building developments continue to gain traction, the Company intends to secure Leadership in Energy & Environmental Design (LEED) certification for DoubleDragon Plaza. To receive LEED certification, DoubleDragon Plaza must satisfy prerequisites and earn points to achieve different levels of certification. LEED is a green building certification program that recognizes best-in-class building strategies and practices. LEED certified buildings save money and resources and have a positive impact on the health of occupants, while promoting renewable, clean energy.

## Jollibee Tower

On August 26, 2015, the Company signed a joint venture agreement with JFC to develop a 40-storey commercial and office tower on a three thousand and two (3,002) square meter prime commercial lot owned by the latter located at the corner of F. Ortigas Jr. Road (formerly Emerald Avenue) and Garnet Road at the heart of the Ortigas Central Business District in Metro Manila.

JFC will contribute the land for the project in exchange for fifteen percent (15%) of the project's resulting leasable floor area while the Company shall be the developer of the project in exchange for eighty-five percent (85%) of the projects resulting leasable floor area. In addition to the floor area received, JFC is expected to lease additional office space directly from the Company to accommodate their corporate office requirements.



*Above: Architect's Rendering of Jollibee Tower*

The project is expected to contribute close to forty-eight thousand (48,000) square meters of leasable space to the Company's portfolio by 2018. The ground floor will include commercial spaces and a drive-thru store provision, while the 2<sup>nd</sup> and 3<sup>rd</sup> floors will house an event center. The rest of the floors will be leased as office space and will include sufficient parking levels to service tenant requirements. The project is 8.94% complete as of May 31, 2017 and is expected to be complete by Q4 of 2018.

The Jollibee Tower will be designed as a Grade A structure and is expected to secure LEED certification in line with DD's core values in promoting sustainable developments through "green" technology. The exterior of the building will be made of double-glazed glass curtain wall for increased energy efficiency and the structure is poised to become one of the most prominent landmarks in the Ortigas skyline. Construction commenced in the Q1 of 2016 while completion is estimated to be within the Q4 of 2018. Once

fully tenanted, the development is expected to generate about PhP350 Million in annual rental revenues to the Company.

This project completes the land needed to build DoubleDragon's targeted 300,000 square meters of leasable commercial and office space in Metro Manila.

## **The SkySuites Tower**

The Company acquired The SkySuites Tower on September 1, 2014 from Rizal Commercial Banking Corporation ("RCBC"), the financial institution that foreclosed the property from its original developer four years prior. The SkySuites Tower was planned as a 38-storey commercial, office and residential tower sitting on a two thousand eight hundred and twelve (2,812) square meter prime corner lot property at the corner of EDSA and Quezon Avenue a few meters away from the Mass Rail Transit (MRT) station.

The SkySuites Tower is divided into two structures with dedicated lobbies, the lower structure is dedicated to corporate offices while the residential tower will consist of all lofts catering to the mid to high-end market. The Company has continued both the construction and sale of the remaining inventory of the residential units and parking but intends to retain the unsold commercial and office spaces as part of the Company's leasable portfolio.

690 of the units in The SkySuites Tower were already pre-sold prior to its acquisition and majority of the previous buyers have already executed new contracts with the Company which has in turn booked revenues from these sales based on the percentage of completion method. As of June 30, 2017, the overall completion of the project stands at 94.28%. The office structure of The SkySuites Tower will be completed and available for occupancy within Q4 2017 while the residential units are expected to be completed and will be turned over within Q4 2018. As of May 22, 2017, the total number of units sold is 502, broken down into 456 residential units, 29 corporate units and 17 commercial units equivalent to sales of around PhP 2.28 Billion, while the total number of units unsold is 521 residential units equivalent to around PhP3.24 Billion. Parking units sold total 206 slots, equivalent to PhP117 million, while there is a total of 277 parking units, equivalent to PhP138 Million, which are still unsold.

## **Dragon8 Mall**

Dragon8 Mall was a partially constructed project acquired by the Company on May 2, 2014. The project is located on a five thousand nine hundred and seventy-two (5,972) square meter prime corner lot at C.M. Recto corner Dagupan Streets, Divisoria, Manila. In line with the area being synonymous to a micro retail destination, Dragon8 Mall offers micro retailers a modern version of the mall stall units currently being offered within the vicinity at relatively the same prices.

The Company sells sixteen (16) year leasehold rights on the mall stall units, which gives locators the exclusive right to lease the said units for the duration of the leasehold contract. A portion of the development is also being leased out directly to tenants and form part of the leasable portfolio of the Company. Dragon8 Mall has close to nine thousand eight hundred (9,800) square meters of leasable space and houses approximately three hundred (300) parking spaces for the convenience of its shoppers.

The Company resumed the construction and renovation of the property upon acquisition and opened its doors to the public on June 30, 2015, a little over a year after the acquisition. As of June 30, 2017, Dragon8 Mall is 97.67% occupied.

## **W.H. Taft Residences**

The Company's first project in Metro Manila is the 31-storey W.H. Taft Residences, a condominium development ideally situated beside the De La Salle University (DLSU) in Taft Ave., Manila. W.H. Taft Residences is an ideal base for students from DLSU Manila, College of St. Benilde, and St. Scholastica's College all of which are within walking distance from the project. Residents of the project also enjoy a full range of student-inspired features and amenities such as wireless internet connection, a multi-purpose hall convertible into seminar, study, or focus group discussion areas, a swimming pool, multi-level flood free podium parking, and commercial establishments on the ground and second floors to cater to day-to-day needs of its residents. As of March 31, 2017, the project was 100% complete.

W.H. Taft Residences offers 533 low-density studios and one bedroom residential units to maintain residents' privacy and provide a conducive environment ideal for studying. The ground floor and the second floor of the project consist of a 17-unit commercial strip while the parking levels are located from the 3rd to the 6th floor. The project amenities are located on the 7th floor while the rest of the floors above consist of residential units. As of June 30, 2017, a total of 472 residential units have been sold and assigned with a total value of approximately PhP1.3 Billion while there are still 61 residential units available for sale with a total value of approximately PhP283 Million.

## **Hotel of Asia (HOA)**

On August 11, 2016, the Board of Directors of the Company approved and, thus, the Company signed an agreement to acquire a majority stake of seventy percent (70%) for PhP832.17 Million in Hotel of Asia, Inc. ("HOA"), which will serve as the Company's hospitality arm. HOA is a hospitality firm primarily engaged in the ownership, operation and development of hotel projects, including the Hotel 101 at the Mall of Asia Complex. HOA booked PhP113.4 Million in net income for the year ended 2015. The stake in HOA will now allow DoubleDragon to benefit from the booming tourism prospects for the Philippines in the years to come as well as fully optimize the use and value of its string of prime properties in various strategic areas of the country.

HOA was initially created in 2011 as a joint venture between III, Chan C. Bros. Holdings, Inc. ("CCBHI") of the Oishi Group, and Staniel Realty Development Corp. ("SRDC"). III has fully divested its interests in HOA which will now be consolidated at the DD level, while CCBHI and SRDC will retain 15% fifteen percent each in HOA.

On October 13, 2016, the Company has completed the due diligence for the acquisition of a majority stake of seventy percent (70%) of Hotel of Asia, Inc. The consideration of Injap Investments Inc. ("III") for its shares in HOA will be paid in DD shares priced at a 5% premium over the 30-day weighted average of the closing prices of DD common shares preceding closing date of the transaction. Injap Investments Inc. opted that the consideration would be DD shares instead of cash as a sign of its long-term solid commitment to DoubleDragon. The closing date will be set after the completion of due diligence. The Company engaged PricewaterhouseCoopers Philippines to advise it on the proper valuation of the acquisition. The Company submitted the application for the confirmation of valuation with the SEC last November 26, 2016 as a requirement prior the issuance of shares to

III. The SEC has requested for additional documentation to which the Company has submitted on May 3, 2017. As of the date of this Prospectus, the application is currently pending. Thus, the shares of DD, as payment for HOA, have not yet been issued. Further, the corresponding Certificates Authorizing Registration from the BIR for the subject shares have also not been issued yet.

The Company valued HOA, taking into consideration the growth of HOA amid the continued increase in tourist arrivals in the Mall of Asia complex and in the Philippines. HOA has established its own brand called Hotel 101 and its subsidiary holds the master franchise for the Philippines of JinJiang Inn, one of the largest hotel brands in Asia. HOA currently has two (2) operating JinJiang Inns in the Philippines, the first located along San Miguel Ave. in Ortigas followed by JinJiang Inn-Makati which recently opened along Pasay Road. In totality, HOA has 866 operating hotel rooms under its wing, which also include Hotel 101 in the Bay Area near Mall of Asia, a condotel concept that was fully sold out prior to opening mid this year and Injap Tower Hotel in Iloilo City. HOA will soon be adding another 608 rooms to its portfolio with the development of Hotel 101-Fort located adjacent to C5 nearly across SM Aura and Market Market. The valuation was also compliant with applicable policies and rules on related party transactions, since III is a related party of the Company.

DD has already recognized HOA as a subsidiary as it is already the beneficial owner of HOA, even pending the issuance of the Certificates Authorizing Registration from the BIR.

### **Injap Tower**

The Company's landmark project in Iloilo, Injap Tower, is a 21-storey commercial and condotel tower located along West Diversion Road, Iloilo City. Situated right across SM Iloilo, the tower is Iloilo's first high-rise building as well as the tallest building in Western Visayas. Injap Tower features two commercial units on the ground floor, multi-level parking, and 196 fully furnished condotel units. Amenities and facilities of the tower include a swimming pool, 24-hour security, four elevators, several retail shops and the Horizon Café on the top floor. To make the Tower even more accessible, an overpass was constructed connecting Injap Tower to SM Iloilo. The Tower was completed in May 2014 and is presently fully sold.

### **The Uptown Place**

The Uptown Place is a five-storey premium commercial and residential condominium located along General Luna Street, Iloilo City. The project is across the University of the Philippines Iloilo and consists of 236 residential units ranging from 21sqm studios up to as large as 73 sqm three bedroom units with selling prices, which vary, from PhP1.85 Million to PhP6.79 Million. The ground floor consists of commercial units for lease. The project was completed in March 2014. As of June 30, 2017, 177 residential units have been sold with a total value of approximately PhP472 million while there remains 59 unsold units with a total value of approximately PhP174 Million.

### **People's Condominium**

People's Condominium is the Company's first project and is also the first condominium project ever built in Iloilo City. It is a six-storey condominium with 71 semi-furnished units.

It is located at the KAPIDECO estate in Barangay San Rafael, Mandurriao, Iloilo City. Constructed on January 2011 and turned over to buyers on November 2011, all units were sold out soon after preselling activities commenced.

### **FirstHomes**

FirstHomes Subdivision is the Company's first horizontal housing project. Located in Navais, Mandurriao, Iloilo City. FirstHomes is a gated townhouse project of 112 units within a sprawling 1.3 hectare property. The project was completed in October 2012 and is currently 90% sold with only 11 units left in inventory with a total value of approximately PhP40 million. As of June 30, 2017, the Company has sold 99 units with total contract value of approximately PhP213 million. FirstHomes offers semi-furnished two, three and four bedroom units equipped with modern utilities and features modern minimalist design and a wide range of amenities including swimming pools, community parks, clubhouse, and CCTV security systems.

### **DD HappyHomes**

HappyHomes-Mandurriao ("HappyHomes-Mandurriao") is a project of DDHH, Inc. a subsidiary of DoubleDragon. HappyHomes is an affordable community space located in the fast growing Mandurriao district of Iloilo City. There are a total of 613 lots available for development and as of June 30, 2017, the Company has sold 362 units of lots available for development. HappyHomes offers four variations of units with varying house and lot packages ranging from PhP1.2 Million to P 3.1 Million. Each unit is built upon receipt of 10% downpayment and can be turned over four to six months from start of construction. As of June 30, 2017, land development is 100% complete. Construction is on a per-block basis and commences when at least 50% of the block has been sold. Construction period is around seven to eight months. Overall, the project is 47.01% complete.

### **Competition**

The Company competes with other local companies in the real estate industry that are likewise developing malls, residential (both horizontal and vertical) as well as office buildings. However, the Company's CityMall is the first and largest branded independent community mall of its kind and will have a competitive edge not only because of its choice of prime locations in underserved areas but also due to the strength of its shareholders and the retail brands they represent which enables CityMall to be substantially tenanted even prior to opening.

### **Suppliers**

The Company and its subsidiaries have a broad range of suppliers for the various projects that it is developing and is not dependent on any one supplier.

There is no scarcity of the Company's raw materials and they are easily sourced in the market hence the Company is not, nor is it expected to be, dependent upon one or a limited number of suppliers for its essential raw materials or any other items.

### **Dependence on Certain Customers**

The Company and its subsidiaries are not dependent on a single or a few customer / client base. The group has a broad base of individual and corporate customers / clients.

### **Transactions With and/or Dependence on Related Parties**

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of lease of properties and advances for real estate transactions, working capital requirements and other business-related purposes. Rental for leased properties are within market rates while there are no interest on advances. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions.

All transactions with related companies are done on market terms and at an arm's length basis. See Note 20 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

### **Governmental regulations and environmental laws**

The Company and its subsidiaries meet all governmental, environment, health and safety requirements. The Company has not experienced significant governmental, environment, health or safety problems.

### **Employees**

As of March 31, 2017, the Company has one hundred ninety-nine (199) direct employees. Out of these, a total of one hundred seventy-four (174) are regular employees, twenty-three (23) are probationary employees and two (2) are fixed term employees. The Company has five subsidiaries that also directly employ people.

### **Risks**

DoubleDragon and its subsidiaries are exposed to financial, operating, and administrative risks, which are normal in the course of the business.

Normal risks relating to the Company and its business include the following:

- (1) Significant competition in the real estate industry
- (2) Availability of prime properties viable for future projects
- (3) Timeliness in the completion of projects may affect reputation and financial performance
- (4) Liability may arise from construction defects and other building-related claims
- (5) No assurance of successful implementation of business plans and strategies
- (6) Changes in accounting principles for real estate sales will change revenue recognition of sale of units
- (7) Ability to obtain financing or inability to meet debt covenants set by the Lenders/Debtors of the Company

- (8) Titles of land owned may be contested by third parties
- (9) Changes in environmental laws may lead to an increase in operating expenses due to the need for compliance
- (10) Risk of a domestic asset price bubble in the Philippine real estate industry
- (11) Foreclosure risk of the Company's mortgaged assets in the event of default.

## MARKET INFORMATION

The Company's common shares of stock are traded in the PSE and were listed on the exchange last 7 April 2014.

### 2014

Stock Prices	High	Low
2nd Quarter	PhP9.90	PhP3.00
3rd Quarter	PhP9.84	PhP7.24
4th Quarter	PhP8.13	PhP7.28

### 2015

Stock Prices	High	Low
1st Quarter	PhP9.00	PhP7.26
2nd Quarter	PhP10.50	PhP8.50
3rd Quarter	PhP22.60	PhP9.70
4th Quarter	PhP25.35	PhP19.60

### 2016

Stock Prices	High	Low
1st Quarter	PhP39.50	PhP20.00
2nd Quarter	PhP70.00	PhP36.25
3rd Quarter	PhP63.50	PhP53.70
4th Quarter	PhP58.30	PhP36.00

### 2017

Stock Prices	High	Low
1st Quarter	PhP55.50	PhP39.50
2 <sup>nd</sup> Quarter	PhP54.45	PhP46.50

The Company's preferred shares of stock are also traded in the PSE and were listed on the exchange last 26 July 2016.

### 2016

Stock Prices	High	Low
3rd Quarter	PhP106.30	PhP103.40
4th Quarter	PhP105.00	PhP103.20

## 2017

Stock Prices	High	Low
1st Quarter	PhP106.50	PhP103.50
2nd Quarter	PhP106.00	PhP103.00

### Dividend Information

The Company has entered into several term loan agreements which do not allow it to declare dividends if, in doing so, it will violate its financial covenants or if it will result into an event of default. All of the Company's long term loan agreements provide for the following financial covenant: (i) that its Debt-to-Equity Ratio does not exceed 2.33x and (ii) that its Debt Service Coverage Ratio shall not be less than 1.25x. The Debt-to-Equity Ratio, under the Bonds, is the same as what is required in such long term loan agreements. For the Debt Service Coverage Ratio, under the Bonds, the Company is required to maintain a lower ratio, at not less than 1.0x.

On April 10, 2013 the Board of Directors in a special meeting declared cash dividends to common stockholders in the amount of PhP92.72 Million to all common stockholders of record as of April 10, 2013 and the same was paid in June 2013. On June 25, 2015 the Board of Directors in a regular meeting declared cash dividends to common shareholders equivalent to 20% of 2014 Net Income amounting to PhP111.46 Million or PhP0.05 per common share to all common shareholders as of record date July 13, 2015. Payment date of the said dividend was July 27, 2015.

The Company has approved a dividend policy that would entitle the stockholders to receive the dividends equivalent up to thirty percent (30%) of the prior year's net income after tax subject to (i) the availability of unrestricted earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition.

With respect to its subsidiaries, the said companies intend to approve a dividend policy that would entitle its stockholders to receive dividends equivalent to 30% to 100% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. None of the subsidiaries have declared dividends in the past.

For the preferred stockholders, the Board of Directors approved on June 23, 2016, a special dividend, in the amount of PhP0.0867 per share. The special dividends were paid to all shareholders in record as of July 8, 2016 and were paid on July 14, 2016. This declaration of special cash dividends to all preferred share of the Corporation is in addition to the regular dividend of 6.4778% p.a. that the preferred shareholders are already entitled to, provided that the Corporation has sufficient unrestricted retained earnings.

## Regular Dividends

Date of Approval of Board of Directors	Amount of Dividends Approved	Date of Payment
June 23, 2016	PhP 1.619 / share	14 July 2016
September 20, 2016	PhP 1.6199 / share	14 October 2016
December 8, 2016	PhP1.61945 / share	14 January 2017
March 21, 2017	PhP1.61945 / share	17 April 2017

The Top 20 common stockholders as of June 30, 2017 are as follows:

Rank	Name	Name of Beneficial Owner	Nationality	No. of Shares	Percentage
1	HONEYSTAR HOLDINGS CORP.	Direct Owner	Fil	824,996,999	36.999861%
2	INJAP INVESTMENTS INC.	Direct Owner	Fil	824,996,999	36.999861%
3	PCD NOMINEE CORPORATION	Various owners	Fil	288,005,738	12.916619%
4	PCD NOMINEE CORPORATION	Various owners	Non Fil	286,094,742	12.83091%
5	JAVELOSA, JOHN MICHAEL ALERTA	Direct Owner	Fil	1,000,000	0.044848%
6	TIOPE, CONSUELO A.	Direct Owner	Fil	500,000	0.022424%
7	DUMANCAS, CHARLES ANTHONY M.	Direct Owner	Fil	400,000	0.017939%
8	FERMIN, AILENE B.	Direct Owner	Fil	258,400	0.011589%
9	ANG, MICHELLE MARIE C.	Direct Owner	Fil	251,100	0.011261%
10	BOCALA, KATHERINE T.	Direct Owner	Fil	200,000	0.008970%
11	ANG, MICHELLE MARIE C.	Direct Owner	Fil	200,000	0.008970%
12	HUYONG JR., INOCENCIO G.	Direct Owner	Fil	150,000	0.006727%
13	TIUTAN, RICARDO G.	Direct Owner	Fil	150,000	0.006727%
14	TAN, KENNETH SIO	Direct Owner	Fil	125,000	0.005606%
15	TAN, EVELYN W.	Direct Owner	Fil	100,000	0.004485%
16	DULACA, JERMAINE M.	Direct Owner	Fil	100,000	0.004485%
17	SA-ONNOY, MARIA EPHIE ANGELA GICARO	Direct Owner	Fil	100,000	0.004485%
18	JURIDICO, PERRY ARTHUR B.	Direct Owner	Fil	100,000	0.004485%
19	TAN, ALBERT S.	Direct Owner	Fil	100,000	0.004485%
20	CHUA, CHARISSE LIM	Direct Owner	Fil	100,000	0.004485%

The Top 20 preferred stockholders as of June 30, 2017 are as follows:

Rank	Name	Name of Beneficial Owner	Nationality	No. of Shares	Percentage
1		Various owners	Fil	97,851,930	97.85193%
2	PCD Nominee Corporation	Direct Owner	Non-Fil	565,550	0.565550%
3		Various owners	Fil	550,000	0.550000%
4	Ng, Andrew Jonathan L. Meralco Employees Savings And Loan Associati	Direct Owner	Fil	250,000	0.250000%
5	Tan, Judy O.	Direct Owner	Fil	55,500	0.055500%
6	Josefina Gutierrez Castillo Or Cynthia Gutie	Direct Owner	Fil	55,000	0.055000%
7	Ben Tiuk Sy Or Judy Yu Sy	Direct Owner	Fil	50,000	0.050000%
8	Barcelona, John P.	Direct Owner	Fil	37,500	0.037500%
9	Foundation For Resource Linkage And Developm	Direct Owner	Fil	35,000	0.035000%
10	Pardinas, Ernesto Lim	Direct Owner	Fil	32,700	0.032700%
11	Republic Glass Holdings Corp.	Direct Owner	Fil	25,100	0.025100%
12	William O. Dizon Or Susan A. Dizon	Direct Owner	Fil	25,000	0.025000%
13	Chiong Ping G. Ching And/Or Maria Gracia J.	Direct Owner	Fil	25,000	0.025000%
14	Ching Bun Teng Tiu And/Or Ching Chiong Ping	Direct Owner	Fil	25,000	0.025000%
15	Sota Philippines, Inc.	Direct Owner	Fil	25,000	0.025000%
16	Aguinaldo A. Andrada Or Mira Grace Q. Andrad	Direct Owner	Fil	21,600	0.021600%
17	Chandru Tolaram Budhrani Or Avinash Chandru	Direct Owner	Fil	21,000	0.021000%
18	Alejandro, Reynaldo G.	Direct Owner	Fil	20,000	0.020000%
19	One Point Contact, Inc.	Direct Owner	Fil	20,000	0.020000%
20	Romeo M. Laglagaron Or Lea Carina C. Laglaga	Direct Owner	Fil	17,500	0.015000%

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

1) On October 30, 2014 the Group obtained a total of P7.4 billion unsecured 7-year fixed rate corporate notes subscribed to by various financing institutions through bi-lateral loan agreements. The loan payments are to be made in seven consecutive annual installments to commence at the end of the 12th month after the initial borrowing date. The proceeds from these borrowings were used by the Group to partly finance its capital expenditures, primarily for the development of DD Meridian Park, Dragon8 Mall, The SkySuites Tower, the roll-out of the first 12 CityMalls and for general corporate purposes.

2) On May 11, 2015 the Group obtained a total of P5.0 billion unsecured 7-year fixed rate corporate notes subscribed to by one lender through a bi-lateral loan agreement. The loan payments are to be made in five consecutive annual installments to commence at the end of the 36th month after the initial borrowing

date. The proceeds from these borrowings will be used by the Group to finance capital expenditures for the development of CityMall branches.

3) On July 30, 2015, the Group obtained a total of P1.5 Billion unsecured seven year fixed rate corporate note subscribed to by One Lender through a bi-lateral loan agreement. The loan payments are to be made in six (6) consecutive annual installment to commence on at the end of the 36<sup>th</sup> month after the initial borrowing date. The proceeds of these loans shall be used for will be used by the Group to partly finance the development of (a) DoubleDragon Plaza (Phase 1- DD Meridian Park); (b) refinance existing short term loans; and (c) general corporate purposes.

4) On May 14, 2016, the Group obtained a total of P1.5 Billion unsecured seven year fixed rate corporate note subscribed to by One Lender through a bi-lateral loan agreement. The loan payments are to be made in six (6) consecutive annual installment to commence on at the end of the 36<sup>th</sup> month after the initial borrowing date. The proceeds of these loans shall be used for will be used by the Group to partly finance the development of (a) DoubleDragon Plaza (Phase 1 – DD Meridian Park); (b) Jollibee Tower; and (c) CityMalls.

### **Discussion on Compliance with Leading Practice on Corporate Governance**

The Company has adopted governance policies and mechanisms to serve as its foundation and guiding principle for good governance. These are found primarily in its Articles of Incorporation and By-Laws. The Company, however, continues to adopt policies and mechanisms in accordance with established rules and best practices.

The Company's Code on Corporate Governance ("Code") exemplifies principles and best practices on good corporate governance. It lays down, among others, the qualifications and disqualifications of members of the Board of Directors as well as their duties and responsibilities. It further provides the framework of rules, systems and processes the Board and Management's duties and responsibilities to stockholders which include, among others, customers, employees, government and community in which it operates. Furthermore, the Code underscores the Company's compliance system and disclosure and transparency geared towards the promotion and recognition of the rights of the stakeholders. The Code is subject to periodic review by the Board as initiated by the Corporate Governance Committee.

Among the Policies are:

#### **Policy on Conflict of Interest**

The policy provides that conflict of interest exists in a situation that undermines the impartiality of a director, officer or employee because of the actual or potential clash between his or her personal interest and the interest of the Company. It also provides for the duties of Directors, officers and employees to immediately disclose any involvement in material conflict of interest and not to participate in the decision-making process relating to the transaction.

## **Policy on Insider Trading**

As a listed company, the Corporation is subject to various laws and regulations regarding securities trading. The policy is aimed to assist the Company, its subsidiaries, its directors and employees in complying fully with these laws. It provides the guidelines and procedures to be followed by the Company, its subsidiaries, directors and employees when in possession of Material Non-Public Information or information which has not been generally disclosed to the public and would likely affect the market price of the security after being disseminated to the public and after the lapse of a reasonable time for the market to absorb the information.

The Board reviews and approves the Company's vision and mission periodically to make sure their efficiency in relation to the prevailing situation of the Company.

# **Annex B**

## **FINANCIAL STATEMENTS**



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **DoubleDragon Properties Corp. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

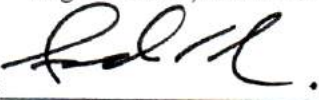
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature   
\_\_\_\_\_  
Edgar J. Sia II, Chairman of the Board

Signature   
\_\_\_\_\_  
Ferdinand J. Sia, President

Signature   
\_\_\_\_\_  
Rizza Marie Joy J. Sia, Treasurer

Signed this \_\_\_\_ day of \_\_\_\_ 2017

## ACKNOWLEDGEMENT

Republic of the Philippines )

\_\_\_\_\_ ) S.S.  
**MAKATI CITY**

BEFORE ME, this APR 12 2017, in **MAKATI CITY**,  
Philippines personally appeared the following people:

1. **Edgar J. Sia II** with Passport No. EB8173899 issued by DFA Manila expiring on May 28, 2018.
2. **Ferdinand J. Sia** with Passport No. EC1251976 issued by DFA NCR East expiring on May 28, 2019.
3. **Rizza Marie Joy J. Sia** with Passport No. EB9154343 issued by DFA Manila expiring on September 15, 2018.

All known to me to be the same persons who executed the foregoing instrument, and who acknowledged to me that the same is their free act and deed.

This instrument consists of two (2) pages including the page on which this acknowledgement is written.

IN WITNESS WHEREOF, I have set my hand and affixed my Notarial seal on the day, year and place written.

Notary Public

Doc 376  
Page 77  
Book 550  
Series of 2017.

**RUBEN T. M. RAMIREZ**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2017  
2734 M. AURORA ST., MAKATI CITY  
IBP NO. 1052569/11-22-2016 APPT. NO M-23  
ROLL NO. 28947 / MCLE - 4 NO. 006324 / 06-19-12  
PTR NO. MKT 5909552 / 01-03-17

**DOUBLEDRAGON PROPERTIES CORP. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2016, 2015 and 2014



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
Email [ph-inquiry@kpmg.com.ph](mailto:ph-inquiry@kpmg.com.ph)

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
DoubleDragon Properties Corp.  
DD Meridian Park Bay Area  
Corner Macapagal Avenue and EDSA Extension Boulevard  
Brgy 76 Zone 10, San Rafael, Pasay City, Metro Manila

### *Opinion*

We have audited the consolidated financial statements of DoubleDragon Properties Corp. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Valuation of Investment Properties (P32.54 billion)*

Refer to Note 12 to the consolidated financial statements.

##### *The risk*

The valuation of investment property requires significant judgment and estimates by management and the independent appraiser. Any input inaccuracies or unreasonable bases used in these judgments could result in a material misstatement of the net income and investment property.

##### *Our response*

We performed the following audit procedures around the valuation of investment property:

- We evaluated the Group's controls over data used in the valuation of the investment property portfolio and management's review of the valuations;
- We evaluated the competence, capabilities and objectivity of the independent appraiser;
- We conducted comparison of assumptions and/or detailed analytical procedures by reference to external market data to evaluate the appropriateness of the valuations used by the independent appraiser and investigated further the valuations of those properties which were not in line with our expectations;
- We performed site visits for a sample of properties (focusing primarily on development properties) which enabled us to assess the stage of completion of, and gain specific insights into, these developments; and
- We met with the external valuation expert to obtain understanding on the assumptions used.

#### *Determination of Percentage of Completion (P931.93 million)*

Refer to Note 3 to the consolidated financial statements.

##### *The risk*

Real estate sales were recognized based on a percentage of completion which is determined by the project managers. The percentage of completion involves estimation uncertainty in which an error in assumptions and judgment used would result to an error in the accuracy of real estate sales and related cost of sales.



*Our response*

We performed the following audit procedures around the determination of percentage of completion:

- We met with project managers for major properties under development and assessed project costs, progress of development and verified the forecasted costs to complete as well as identified contingencies, exposures and remaining risks. We corroborated the information provided by the project managers through review, site visits and cost analysis;
- We evaluated the competence, capabilities and objectivity of the project managers;
- We compared the percentage of completion of major projects based on input method to check the reasonableness of the stage of completion as determined by the project managers; and
- We performed site visits for a sample of properties (focusing primarily on development properties) which enabled us to assess the stage of completion of these developments.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' 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 auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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



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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 1386-A, Group A, valid until April 30, 2017

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-31-2016

Issued October 18, 2016; valid until October 17, 2019

PTR No. 5904948MD

Issued January 3, 2017 at Makati City

April 7, 2017

Makati City, Metro Manila

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	P5,466,874,377	P960,459,833
Receivables - net	7	1,712,247,793	719,103,845
Inventories	8	3,186,344,243	2,640,403,512
Due from related parties	21	101,808,489	58,567,380
Prepaid expenses and other current assets - net	9	3,251,281,534	1,282,725,181
<b>Total Current Assets</b>		<b>13,718,556,436</b>	<b>5,661,259,751</b>
<b>Noncurrent Assets</b>			
Receivables - net of current portion	7	643,323,007	458,709,355
Property and equipment - net	10	1,459,841,829	145,751,214
Goodwill and intangible assets	11	170,035,031	94,347,435
Investment property	12	32,535,137,136	19,929,916,375
Deferred tax assets	24	15,519,784	418,809,603
Other noncurrent assets	13	1,001,210,584	1,054,534,129
<b>Total Noncurrent Assets</b>		<b>35,825,067,371</b>	<b>22,102,068,111</b>
		<b>P49,543,623,807</b>	<b>P27,763,327,862</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	14	P2,639,958,858	P1,603,262,410
Short-term notes payable	15	3,486,004,312	4,274,000,000
Due to related parties	21	1,081,038,940	553,660,373
Current portion of customers' deposits	16	219,924,165	57,805,095
Dividends payable		161,945,000	-
Income tax payable		1,128,130	699,571
<b>Total Current Liabilities</b>		<b>7,589,999,405</b>	<b>6,489,427,449</b>
<b>Noncurrent Liabilities</b>			
Long-term notes payable - net of debt issue costs	15	15,027,837,523	11,114,499,192
Bonds payable - net of bond issue costs	15	5,217,658,399	-
Deferred tax liabilities	24	898,715,869	785,147,211
Retirement benefits liability	23	6,121,432	4,983,866
Customers' deposits - net of current portion	16	-	111,346,839
Other noncurrent liabilities	17	844,155,052	613,446,150
<b>Total Noncurrent Liabilities</b>		<b>21,994,488,275</b>	<b>12,629,423,258</b>
<b>Total Liabilities</b>		<b>29,584,487,680</b>	<b>19,118,850,707</b>

Forward

		<b>December 31</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	26	<b>P10,222,973,000</b>	P222,973,000
Additional paid-in capital	26	<b>1,358,237,357</b>	1,358,237,357
Retained earnings	26	<b>1,574,129,905</b>	1,174,325,142
Remeasurement loss on defined benefit liability - net of tax		<b>(2,602,254)</b>	(2,602,254)
		<b>13,152,738,008</b>	2,752,933,245
<b>Non-controlling Interests</b>		<b>6,806,398,119</b>	5,891,543,910
<b>Total Equity</b>		<b>19,959,136,127</b>	8,644,477,155
		<b>P49,543,623,807</b>	P27,763,327,862

*See Notes to the Consolidated Financial Statements.*

**DOUBLEDRAAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2016	2015	2014
<b>INCOME</b>				
Real estate sales	7, 21	<b>P931,925,450</b>	P641,470,191	P1,073,008,556
Leasehold rights' sales	12	<b>292,660,122</b>	139,713,804	140,493,171
Rent income	22	<b>268,667,585</b>	116,545,653	6,046,194
Hotel revenues	28	<b>78,894,545</b>	-	-
Unrealized gains from changes in fair values of investment property	12	<b>1,830,049,768</b>	811,063,913	455,732,211
Interest income	6, 7, 13	<b>119,292,042</b>	120,857,833	30,644,040
Income from forfeitures		<b>12,672,533</b>	69,295,227	-
Others		<b>177,553,903</b>	29,988,318	4,577,884
		<b>3,711,715,948</b>	1,928,934,939	1,710,502,056
<b>COSTS AND EXPENSES</b>				
Cost of real estate sales	8, 18	<b>495,763,585</b>	370,604,075	573,338,423
Cost of hotel operations	8	<b>61,006,174</b>	-	-
Cost of leasehold rights	12	<b>21,913,753</b>	8,364,736	24,073,820
Selling expenses	19	<b>172,663,800</b>	113,030,897	70,679,172
General and administrative expenses	20	<b>725,452,401</b>	428,602,219	200,830,656
Interest expense	15, 17	<b>330,238,308</b>	114,353,234	37,501,634
		<b>1,807,038,021</b>	1,034,955,161	906,423,705
<b>INCOME BEFORE INCOME TAX</b>		<b>1,904,677,927</b>	893,979,778	804,078,351
<b>INCOME TAX EXPENSE</b>				
	24			
Current		<b>(34,001,309)</b>	93,875,651	116,808,650
Deferred		<b>468,370,715</b>	177,321,390	126,422,153
		<b>434,369,406</b>	271,197,041	243,230,803
<b>NET INCOME</b>		<b>1,470,308,521</b>	622,782,737	560,847,548
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Item that will never be reclassified to profit or loss</b>				
Remeasurement gain (loss) on defined benefit liability	23	-	(3,717,505)	-
Deferred tax effect on remeasurement loss on defined benefit liability		-	1,115,251	-
		-	(2,602,254)	-
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>		<b>P1,470,308,521</b>	P620,180,483	P560,847,548
<b>Net income attributable to:</b>				
Equity holders of the Parent Company		<b>P1,079,113,320</b>	P559,405,589	555,890,174
Non-controlling interest		<b>391,195,201</b>	63,377,148	4,957,374
		<b>P1,470,308,521</b>	P622,782,737	P560,847,548

Forward

					<b>Years Ended December 31</b>			
					<b>Note</b>	<b>2016</b>	2015	2014
<b>Total comprehensive income attributable to:</b>								
Equity holders of the Parent Company					<b>P1,079,113,320</b>	P559,405,589	P555,890,174	
Non-controlling interest					<b>391,195,201</b>	63,377,148	4,957,374	
					<b>P1,470,308,521</b>	P620,180,483	P560,847,548	
<b>Basic/Diluted Earnings Per Share</b>					25	<b>P0.2622</b>	P0.2509	P0.2835

*See Notes to the Consolidated Financial Statements.*

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	Equity Attributable to Equity Holders of the Parent Company								
	Note	Capital Stock		Additional Paid-in Capital	Retained Earnings	Remeasurement Loss on Defined Benefit Liability - net of tax	Total	Non- controlling Interests	Total Equity
		Common Shares	Preferred Shares						
As of January 1, 2014		P165,000,000	P -	P318,625,580	P170,852,010	P -	P654,477,590	(P39,389,867)	P615,087,723
Total comprehensive income (loss)									
Net income for the year		-	-	-	555,890,175	-	555,890,175	4,957,374	560,847,549
Total comprehensive income (loss)		-	-	-	555,890,175	-	555,890,175	4,957,374	560,847,549
Movements during the year									
Stock issuances during the year	26	57,973,000	-	1,101,487,000	-	-	1,159,460,000	-	1,159,460,000
Stock issuance cost during the year		-	-	(61,875,223)	(336,132)	-	(62,211,355)	-	(62,211,355)
Share capital		-	-	-	-	-	-	5,467,744,924	5,467,744,924
Effect of business combination		-	-	-	-	-	-	89,246,591	89,246,591
Total movement during the year		57,973,000	-	1,039,611,777	(336,132)	-	1,097,248,645	5,556,991,515	6,654,240,160
Balance as of December 31, 2014		222,973,000	-	1,358,237,357	726,406,053	-	2,307,616,410	5,522,559,022	7,830,175,432
Total comprehensive income (loss)									
Net income for the year		-	-	-	559,405,589	-	559,405,589	63,377,148	622,782,737
Other comprehensive income-net of tax		-	-	-	-	(2,602,254)	(2,602,254)	-	(2,602,254)
Total comprehensive income (loss)		-	-	-	559,405,589	(2,602,254)	556,803,335	63,377,148	620,180,483
Movements during the year									
Cash dividends declared		-	-	-	(111,486,500)	-	(111,486,500)	-	(111,486,500)
Share capital		-	-	-	-	-	-	300,207,740	300,207,740
Effect of business combination		-	-	-	-	-	-	5,400,000	5,400,000
Total movement during the year		-	-	-	(111,486,500)	-	(111,486,500)	305,607,740	194,121,240
Balance as of December 31, 2015		222,973,000	-	1,358,237,357	1,174,325,142	(2,602,254)	2,752,933,245	5,891,543,910	8,644,477,155

Forward

	Equity Attributable to Equity Holders of the Parent Company								
	Note	Capital Stock		Additional Paid-in Capital	Retained Earnings	Remeasurement Loss on Defined Benefit Liability - net of tax	Total	Non- controlling Interests	Total Equity
		Common Shares	Preferred Shares						
<b>As of January 1, 2016</b>		<b>P222,973,000</b>	<b>P -</b>	<b>P1,358,237,357</b>	<b>P1,174,325,142</b>	<b>(P2,602,254)</b>	<b>P2,752,933,245</b>	<b>P5,891,543,910</b>	<b>P8,644,477,155</b>
<b>Total comprehensive income (loss)</b>									
Net income for the year		-	-	-	1,079,113,320	-	1,079,113,320	391,195,201	1,470,308,521
Other comprehensive income-net of tax		-	-	-	-	-	-	-	-
<b>Total comprehensive income (loss)</b>		-	-	-	<b>1,079,113,320</b>	-	<b>1,079,113,320</b>	<b>391,195,201</b>	<b>1,470,308,521</b>
<b>Movements during the year</b>									
Stock issuances during the year	26	-	10,000,000,000	-	-	-	10,000,000,000	-	10,000,000,000
Stock issuance cost during the year		-	-	-	(184,803,557)	-	(184,803,557)	-	(184,803,557)
Dividends declared	26	-	-	-	(494,505,000)	-	(494,505,000)	-	(494,505,000)
Share capital		-	-	-	-	-	-	445,717,560	445,717,560
Effect of business combination		-	-	-	-	-	-	77,941,448	77,941,448
<b>Total movement during the year</b>		-	<b>10,000,000,000</b>	-	<b>(679,308,557)</b>	-	<b>9,320,691,443</b>	<b>523,659,008</b>	<b>9,844,350,451</b>
<b>Balance as of December 31, 2016</b>		<b>P222,973,000</b>	<b>P10,000,000,000</b>	<b>P1,358,237,357</b>	<b>P1,574,129,905</b>	<b>(P2,602,254)</b>	<b>P13,152,738,008</b>	<b>P6,806,398,119</b>	<b>P19,959,136,127</b>

See Notes to the Consolidated Financial Statements.

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31

	<i>Note</i>	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P1,904,677,927</b>	P893,979,778	P804,078,351
Adjustments for:				
Unrealized gains from changes in fair values of investment property	12	<b>(1,830,049,768)</b>	(811,063,913)	(455,732,211)
Interest expense	15	<b>330,238,308</b>	114,353,234	37,501,634
Interest income	6, 7, 13	<b>(119,292,042)</b>	(120,857,833)	(30,644,040)
Impairment loss on input value-added tax	9, 20	<b>83,475,465</b>	18,104,261	-
Depreciation and amortization	10, 11, 20	<b>32,952,498</b>	8,965,701	5,044,824
Retirement costs	23	<b>1,137,566</b>	1,266,361	-
Impairment loss on receivables	7, 20	-	1,098,574	-
Operating income before working capital changes		<b>403,139,954</b>	105,846,163	360,248,558
Decrease (increase) in:				
Receivables		<b>(722,063,032)</b>	(435,303,193)	(331,122,332)
Inventories		<b>(303,498,684)</b>	(396,995,636)	(1,495,777,594)
Leasehold rights		-	-	(205,115,350)
Due from related parties		<b>(43,241,109)</b>	(57,537,310)	(1,030,070)
Prepaid expenses and other current assets		<b>(1,746,548,611)</b>	(723,655,185)	(519,317,909)
Increase (decrease) in:				
Accounts payable and other current liabilities		<b>670,435,484</b>	763,014,564	706,128,794
Customers' deposits		<b>(123,924,759)</b>	(237,866,416)	289,691,488
Due to related parties		<b>(37,808,882)</b>	272,981,081	243,001,865
Cash used for operations		<b>(1,903,509,639)</b>	(709,515,932)	(953,292,550)
Interest received		<b>34,937,469</b>	120,857,833	2,274,515
Interest paid		<b>(966,526,899)</b>	(89,277,502)	(50,346,301)
Income tax paid		<b>(74,312,326)</b>	(50,322,077)	(58,468,179)
Net cash used in operating activities		<b>(2,909,411,395)</b>	(728,257,678)	(1,059,832,515)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Property and equipment	10	<b>(65,936,618)</b>	(57,654,454)	(14,374,708)
Intangible assets	11	<b>(84,580,032)</b>	(26,589,473)	(66,285,903)
Investment property	12	<b>(10,193,754,015)</b>	(8,446,718,294)	(9,767,465,400)
Increase in non-controlling interest		<b>445,717,560</b>	305,607,740	5,467,744,924
Decrease (increase) in other noncurrent assets		<b>268,928,521</b>	(839,563,784)	(134,920,674)
Acquisition of a subsidiary, net of cash acquired	28	<b>(145,311,366)</b>	-	89,246,591
Net cash used in investing activities		<b>(9,774,935,950)</b>	(9,064,918,265)	(4,426,055,170)

Forward

<b>Years Ended December 31</b>				
	<b>Note</b>	<b>2016</b>	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Issuance of capital stock	26	<b>P9,815,196,443</b>	P -	P1,097,584,777
Availment of notes, net of debt issue costs		<b>6,504,257,166</b>	7,167,707,048	8,688,222,998
Issuance of bonds, net of debt issue costs		<b>5,217,658,399</b>	-	-
Payment of:				
Notes	15	<b>(4,176,899,556)</b>	(174,000,000)	(1,050,000,000)
Dividends	26	<b>(332,560,000)</b>	(111,486,500)	-
Increase in other noncurrent liabilities		<b>163,109,437</b>	54,223,994	453,967,116
Net cash provided by financing activities		<b>17,190,761,889</b>	6,936,444,542	9,189,774,891
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>4,506,414,544</b>	(2,856,731,401)	3,703,887,206
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
	6	<b>960,459,833</b>	3,817,191,234	113,304,028
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	6	<b>P5,466,874,377</b>	P960,459,833	P3,817,191,234

*See Notes to the Consolidated Financial Statements.*

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**DOUBLEDRAAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Reporting Entity**

DoubleDragon Properties Corp., (“DD” or the “Parent Company”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 9, 2009 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the Parent Company, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time.

The Parent Company’s shares are listed in the Philippine Stock Exchange (“PSE”) on April 7, 2014 under the stock symbol “DD”.

On June 23, 2015, the SEC approved the change in the Parent Company’s registered office address to DD Meridian Park Bay Area, Corner Macapagal Avenue and EDSA Extension Boulevard, Brgy. 76 Zone 10, San Rafael, Pasay City, Metro Manila. The Parent Company also maintains its corporate office at 16<sup>th</sup> Floor, 6750 Building, Ayala Avenue, Makati City.

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**2. Basis of Preparation**

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 7, 2017.

Basis of Measurement

The consolidated financial statements of the Group have been prepared using the historical cost basis of accounting except for investment property which is measured at fair value.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the “Group”):

Subsidiaries	Percentage of Ownership	
	2016	2015
DoubleDragon Sales Corp. (DDSC) <sup>(a)</sup>	100	100
DoubleDragon Property Management Corp. (DDPMC) <sup>(a)</sup>	100	100
Iloilo-Guimaras Ferry Terminal Corp. (IGFTC) <sup>(b)</sup>	100	-
DD-Meridian Park Development Corp. (DD-MPDC) <sup>(c)</sup>	70	70
DD HappyHomes Residential Centers Inc. (DDHRCI) <sup>(d)</sup>	70	70
Hotel of Asia, Inc. (HOA) <sup>(e)</sup>	70	-
CityMall Commercial Centers Inc. (CMCCI) <sup>(f)</sup>	66	66
Piccadilly Circus Landing Inc. (PCLI) <sup>(g)</sup>	50	50

(a) Consolidated effective January 1, 2012.

(b) Incorporated and consolidated effective June 10, 2016.

(c) Consolidated effective October 27, 2014.

(d) Consolidated effective May 23, 2014.

(e) Consolidated effective October 12, 2016.

(f) Consolidated effective December 27, 2013.

(g) Consolidated effective August 1, 2013.

#### *DDSC*

DDSC was incorporated and registered with the SEC on November 12, 2012 primarily to engage in the business of selling or marketing real estate products, including but not limited to land, buildings, condominium units, town houses, apartments, house and lot packages and all other forms of real estate products. DDSC has not started its commercial operations as at December 31, 2016.

#### *DDPMC*

DDPMC was incorporated and registered with the SEC on January 17, 2012 primarily to engage in maintaining, preserving, preparing and cleaning buildings, condominiums, townhouses, hotels, amusement or recreational places, counters, office premises, factories, shops, equipment and facilities. DDPMC started its commercial operations in 2015.

#### *IGFTC*

IGFTC was incorporated and registered with the SEC on June 10, 2016, primarily to finance, design, construct, develop, operate and maintain Iloilo City-Guimaras Ferry Terminal and the surrounding areas and to provide a safe, efficient and modern ferry terminal for commuters going to and arriving from Guimaras Island. IGFTC has not started its commercial operations as at December 31, 2016.

#### *DD-MPDC*

DD-MPDC was incorporated and registered with the SEC on October 27, 2014 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the entity, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. DD-MPDC has not started its commercial operations as at December 31, 2016.

*DDHRCI*

DDHRCI was incorporated and registered with the SEC on September 15, 2011 primarily to engage, operate and hold or manage real estate business, to acquire by purchase, lease, donation or otherwise, own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, and hold for investment or otherwise, real estate of all kinds, whether improved, managed or otherwise, deal in or dispose of buildings, houses, apartments, townhouses, condominiums, and other structure of whatever kind, together with the appurtenances or improvements found thereon. DDHRCI started its commercial operations in 2014.

*HOA*

HOA was incorporated and registered with the SEC on June 8, 2011 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by HOA, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. HOA started its commercial operations in 2012.

HOA has the following subsidiaries which are also engaged in the hotel industry and are included in the consolidated financial statements:

Subsidiaries	<b>Percentage of Ownership 2016</b>
Hotel 101 Management Corporation <sup>(h)</sup>	<b>100</b>
CSI Hotels Incorporated <sup>(h)</sup>	<b>50</b>

<sup>(h)</sup> Consolidated effective October 12, 2016.

*CMCCI*

CMCCI was incorporated and registered with the SEC on December 27, 2013 primarily to engage in the business of commercial shopping centers or malls, and for the attainment of this purpose, to construct, build, develop, operate and maintain commercial center or malls and to perform all acts or trades necessary for its operation and maintenance, including but not limited to the preservation of commercial spaces for rent, amusement centers, movie theater, performing arts center, children's play area and hobby or gaming centers, parking lots and other service facilities, within the compound or premises of the shopping centers. CMCCI started its commercial operations in 2015.

CMCCI has the following subsidiaries which are also engaged in the real estate investment industry and are included in the consolidated financial statements:

Subsidiaries	Percentage of Ownership	
	2016	2015
CM-Norhttown Davao Inc. <sup>(i)</sup>	79	-
Prime DDG Commercial Centers Inc. <sup>(j)</sup>	70	70
CM-Goldenfields Bacolod Inc. <sup>(k)</sup>	70	70
CM-Tarlac MacArthur Inc. <sup>(l)</sup>	70	70
CM-Danao Cebu Inc. <sup>(m)</sup>	70	70
CM-Mandalagan Bacolod Inc. <sup>(m)</sup>	70	70
CM-Dipolog Zamboanga Inc. <sup>(n)</sup>	70	70

(i) Incorporated and consolidated effective December 5, 2016.

(j) Incorporated and consolidated effective April 28, 2014.

(k) Incorporated and consolidated effective March 2, 2015.

(l) Incorporated and consolidated effective April 24, 2015.

(m) Incorporated and consolidated effective July 21, 2015.

(n) Incorporated and consolidated effective October 8, 2015.

### PCLI

PCLI was incorporated and registered with the SEC on October 10, 2012 primarily to engage in owning, using, improving, developing, subdividing, selling, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. PCLI started its commercial operations in 2013.

The following table summarizes the financial information relating to the DD-MPDC and CMCCI, DD's subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations:

### DD-MPDC

	December 31	
	2016	2015
<b>NCI percentage</b>	<b>30.00%</b>	30.00%
Current assets	<b>P1,402,984,423</b>	P667,798,655
Noncurrent assets	<b>12,204,652,614</b>	9,858,708,689
Current liabilities	<b>(587,995,289)</b>	(137,815,419)
Noncurrent liabilities	<b>(396,668,681)</b>	(25,659,022)
<b>Net assets</b>	<b>12,622,973,067</b>	10,363,032,903
Carrying amount of NCI	<b>3,786,891,920</b>	3,108,909,871
Net income/total comprehensive income	<b>329,818,347</b>	29,203,457
Net income/total comprehensive income allocated to NCI	<b>98,945,504</b>	8,761,037
Cash flows from operating activities	<b>454,249,437</b>	(167,189,803)
Cash flows from investing activities	<b>(1,821,551,627)</b>	(2,281,426,857)
Cash flows from financing activities	<b>1,959,326,009</b>	1,850,016,570
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>P592,023,819</b>	(P598,600,090)

CMCCI

	December 31	
	2016	2015
<b>NCI percentage</b>	<b>34.00%</b>	34.00%
Current assets	<b>P4,597,224,113</b>	P938,755,184
Noncurrent assets	<b>19,248,416,464</b>	8,516,908,323
Current liabilities	<b>(8,751,277,453)</b>	(2,247,879,132)
Noncurrent liabilities	<b>(11,110,596,594)</b>	(6,303,966,815)
<b>Net assets</b>	<b>3,983,766,530</b>	903,817,560
Carrying amount of NCI	<b>1,354,480,620</b>	307,297,970
Net income/total comprehensive income	<b>602,410,138</b>	123,564,754
Net income/total comprehensive income allocated to NCI	<b>204,819,447</b>	42,012,016
Cash flows from operating activities	<b>(2,006,467,909)</b>	133,275,320
Cash flows from investing activities	<b>(6,797,031,388)</b>	(5,923,668,292)
Cash flows from financing activities	<b>10,085,496,904</b>	3,662,625,613
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>P1,281,997,606</b>	(P2,127,767,359)

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the equity holders of the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in DD-MPDC, DDHRCI, CMCCI and its subsidiaries, PCLI and HOA and its subsidiaries in 2016 and 2015.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
  - *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

- *Disclosure of information “elsewhere in the interim financial report” (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” - i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

*New Standards, Amendments to Standards and Interpretation Issued Not Yet Adopted*

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new standards, amendments to standards and interpretation in preparing these consolidated financial statements. Management is in the process of assessing the impact of these new standards, amendments to standards and interpretation which may be relevant on the consolidated financial statements upon adoption in their respective effective dates.

*Effective January 1, 2017*

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users’ requests for improved disclosures about an entity’s net debt relevant to understanding an entity’s cash flows. The amendments require entities 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 - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Early adoption is permitted. On initial application, 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. If an entity applies the relief, it shall disclose that fact.

*Effective January 1, 2018*

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2)*. The amendments cover the following areas:
  - *Measurement of cash-settled awards*. The amendments clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments - i.e., the modified grant date method.

- *Classification of awards settled net of tax withholdings.* The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
  - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and
  - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

The exception does not apply to equity instruments that the company withholds in excess of the employee's tax obligation associated with the share-based payment.

- *Modification of awards from cash-settled to equity settled.* The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Transfers of Investment Property (Amendments to PAS 40)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

*Effective January 1, 2019*

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

*Deferral of the Local Implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB 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.

*Deferral of the Local Implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate*

- Philippine Interpretation IFRIC 15 *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Financial Instruments

*Date of Recognition*

The Group recognizes a financial asset or financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

*Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments, AFS financial assets and financial assets at FVPL as at December 31, 2016 and 2015.

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities 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 designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, receivables, due from related parties and refundable deposits under "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts are included in this category (Notes 6, 7, 9 and 13).

#### Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at December 31, 2016 and 2015.

#### Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's accounts payable and other current liabilities, due to related parties, notes payable, bonds payable and other noncurrent liabilities (excluding payables to government agencies and unearned rent income) accounts are included in this category (Notes 14, 15 and 17).

#### Derecognition of Financial Assets and Financial Liabilities

##### Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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. The difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have 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.

For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of 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) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### Fair Value Measurements

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 in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or 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.

The Group 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Inventories

##### *Real Estate Inventories*

Real estate inventories are properties that are acquired and developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. They consist of acquisition cost of land and other related development costs, capitalized borrowings and other capitalized costs.

These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sale.

The cost of real estate inventories recognized in profit or loss is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.

##### *Hotel Inventories*

Hotel inventories are valued at the lower of cost and NRV. The cost of hotel inventories is determined using the weighted average method and includes all expenditures incurred in acquiring the inventories and in bringing them to their existing location and condition.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of marketing and distribution necessary to make the sale.

The Group maintains an allowance to reduce hotel inventories to NRV at a level considered adequate to provide for potential obsolete inventories. The level of this allowance is evaluated by management based on the movements and current condition of hotel inventory items. Such allowance has been considered in the determination of the NRV of the hotel inventories.

The amount of any write-down of hotel inventories to NRV and all losses of hotel inventories are recognized as expense in the period the write-down or loss occurred. The amount of any reversal of any write-down of hotel inventories arising from an increase in NRV is recognized as a reduction in the amount of hotel inventories recognized as expense in the period in which the reversal occurred.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for commissions, taxes and licenses and rental.

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), etc.

#### Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Building	50
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Equipment and showroom	3 to 10
Furniture and fixtures	3 to 5
Room fixtures and components	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized using the straight-line method over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible assets.

The following intangibles are recognized and determined by the Group to have finite lives:

#### *Concession Right*

Concession right on service concession arrangements is recognized when the Group effectively receives a license or right to charge users for the public service it provides. Concession rights consist of the cost of the ferry terminal constructed in accordance with the terms and conditions of the concession arrangements accounted for under Philippine Interpretation IFRIC 12 *Service Concession Arrangements*. These are not recognized as property and equipment of the Group but as an intangible asset.

The service concession right is amortized on a straight-line basis over the years stated in the concession arrangement which is 25 years from the start of commercial operations and is being assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### *Computer Software Licenses*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as the lives of this intangible asset is considered limited.

#### Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation. Initially, investment property is measured at cost including certain transaction costs. Subsequent to initial recognition, investment property, is stated at fair value, which reflects market conditions at the reporting date. The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's investment property. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment property of the Group is mainly composed of land, building and construction-in-progress.

Investment property is derecognized either when it is disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or real estate inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

#### *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

#### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

### Impairment of Non-financial Assets

The carrying amounts of property and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

*Common Shares.* Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as deduction from equity, net of any tax effects.

*Preferred Shares.* Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's BOD.

#### Additional Paid-in Capital

Additional paid-in capital represents the amount received in excess of the par value of the capital stock issued.

Stock issuance costs are transaction costs that are directly attributable to the issuance of new shares accounted for as a deduction from equity, net of any related income tax benefit. Such costs are deducted from additional paid-in capital arising from the share issuance. If the additional paid-in capital is insufficient to absorb such expenses, the excess shall be charged to stock issuance costs to be reported as a contra equity account as a deduction from the following in the order of priority: (1) additional paid-in capital from previous stock issuance; and (2) retained earnings.

#### Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### *Real Estate Sales*

Revenue is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

For financial reporting purposes, revenue is recognized using the percentage of completion method as permitted by FRSC when all the following conditions are met:

- Equitable interest is transferred to the buyer;
- The Group is obliged to perform significant acts;
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits will flow to the Group.

Under this method, revenue is recognized as the related obligation is fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Nonrefundable reservation fees paid by prospective buyers which are to be applied against the receivable upon recognition of revenue and the excess collections from buyers over the related revenue recognized based on the percentage of completion method are included in the "Customers' deposits" account in the consolidated statements of financial position.

For income tax reporting purposes, income is recognized in full upon collection of at least 25% of the total contract price in the year of sale. Otherwise, revenue from sale is deferred and recognized as income based on collection of installments.

Estimated loss on unsold units is recognized immediately when it is probable that the total project cost will exceed total contract price.

#### *Leasehold Rights' Sale*

Revenue from sale of leasehold rights over mall stalls in the Dragon8 Shopping Center (the "Dragon8") is recognized on the accrual basis when the collectibility of sales price is reasonably assured.

#### *Rent Income*

Rent income from investment property is recognized on a straight-line basis over the lease term and terms of the lease, respectively or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

#### *Hotel Revenues*

Hotel revenues are based on the actual occupancy.

#### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

#### *Other Income*

Common Usage Service Area (CUSA) charges and income from various charges to tenants are recognized when earned. Other income from hotel operations, which include guest laundry, minibar, shuttle service and other charges, are recognized upon delivery of order or upon rendering of service.

#### Cost and Expense Recognition

Costs and expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

#### *Cost of Real Estate Sales*

The cost of real estate sales recognized in the consolidated statements of comprehensive income upon sale 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. It includes the following:

##### **Land and Land Development Costs**

Land and land development costs represent the cost for acquiring the land and preparing it for condominium site and residential lots.

##### **Construction Costs and Other Project Costs**

Construction costs and other project costs pertain to accumulated costs for materials, labor and overhead incurred as at reporting date.

##### **Cost of Leasehold Rights**

The cost consists of the prorated building's construction costs over which the corresponding leasehold rights are being sold. A systematic allocation of the construction/project cost is made based on the floor area attributable to the corresponding mall stalls.

### *Cost of Hotel Operations*

Cost of hotel operations is charged to operations when incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

### *Operating Lease*

#### *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as expense in the period in which they are incurred. Associated costs such as maintenance and insurance are expensed as incurred.

#### *Group as Lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset otherwise it's expensed out. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

The amount of specific borrowing costs capitalized is net of the investment income on any temporary investment of the funds pending expenditure on the asset. On the other hand, general borrowing costs capitalized is exclusive of any investment income earned.

### Employee Benefits

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Retirement Costs*

The Parent Company has no established retirement plan for its permanent employees and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The defined benefit retirement liability is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability
- Remeasurements of defined benefit retirement liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the defined benefit retirement liability is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability. Net interest on the defined benefit retirement liability is recognized as expense or income in profit or loss.

Remeasurements of defined benefit retirement liability comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

## Taxes

### *Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

### *VAT*

Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets - net" or "Accounts payable and other current liabilities" account in the consolidated statements of financial position.

## Related Parties

Parties are considered to be related 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 operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 5 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Impairment of Non-financial Assets*

PFRS require that an impairment review be performed on property and equipment and computer software licenses when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The combined carrying amounts of property and equipment and intangible assets with finite lives amounted to P1,545.59 million and P155.82 million as at December 31, 2016 and 2015, respectively (Notes 10 and 11).

##### *Distinction between Real Estate Inventories and Investment Property*

The Group determines whether a property will be classified as real estate inventories or investment property. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business [real estate inventories] or which is held primarily to earn rental and capital appreciation and is not substantially for use by, or in the operations of the Group [investment property].

##### *Distinction between Investment Property and Property and Equipment*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

##### *Property Acquisitions and Business Combinations*

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired. The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property* on ancillary services. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

#### *Determination of Control*

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

- a. power over the entity;
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent Company's returns.

#### *Collectibility of the Sales Price*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor the obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

#### *Provisions and Contingencies*

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements in 2016, 2015 and 2014.

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

#### *Revenue and Cost Recognition*

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales is recognized based on the percentage of completion. It is measured principally on the basis of the estimated completion of a physical proportion of contract work by reference to the actual costs incurred to date over the estimated total costs of the project. Changes in estimate may affect the reported amounts of revenue in real estate sales and receivables. There were no changes in the assumptions or basis for estimation during the year.

Revenue and cost recognized related to real estate contracts amounted to P931.93 million and P495.76 million, respectively, in 2016, P641.47 million and P370.60 million, respectively, in 2015, and P1,073.01 million and P573.34 million, respectively, in 2014 (Note 18).

*Allowance for Impairment Losses on Receivables, Due from Related Parties and Refundable Deposits*

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.

The Group recognized impairment loss on its receivables amounting to P1.10 million in 2015. No impairment loss is recognized for due from related parties and refundable deposits in 2016, 2015 and 2014.

The combined carrying amounts of the Group's receivables, due from related parties and refundable deposits amounted to P2,551.30 million and P1,299.24 million as at December 31, 2016 and 2015, respectively (Notes 7, 9, 13 and 21).

*Write-down of Inventories*

The Group writes-down the costs of inventories to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the real estate inventories and leasehold rights are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

No inventories were written down to their net realizable values in 2016 and 2015.

The combined carrying amounts of the Group's inventories amounted to P3,186.34 million and P2,640.40 million as at December 31, 2016 and 2015, respectively (Note 8).

*Estimating Useful Lives of Property and Equipment and Intangible Assets with Finite Lives*

The Group estimates the useful lives of property and equipment and intangible assets with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets with finite lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment and intangible assets with finite lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and intangible assets with finite lives would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization amounted to P1,459.84 million and P145.75 million as at December 31, 2016 and 2015, respectively. Accumulated depreciation and amortization of property and equipment amounted to P40.72 million and P16.66 million as at December 31, 2016 and 2015, respectively (Note 10).

Intangible assets with finite lives, net of accumulated amortization amounted to P85.75 million and P10.07 million as at December 31, 2016 and 2015, respectively. Accumulated amortization of the intangible assets with finite lives amounted to P11.94 million and P3.04 million as at December 31, 2016 and 2015, respectively (Note 11).

#### *Impairment of Goodwill*

The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P84.28 million as at December 31, 2016 and 2015 (Note 11).

#### *Fair Value Measurement of Investment Property*

The Group carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such property.

Investment property amounted to P32,535.14 million and P19,929.92 million as at December 31, 2016 and 2015, respectively. Unrealized gains from changes in fair values of investment property recognized in profit or loss amounted to P1,830.05 million, P811.06 million, and P455.73 million in 2016, 2015 and 2014, respectively (Note 12).

#### *Realizability of Deferred Tax Assets*

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax asset on deductible temporary difference and carryforward benefits of net operating loss carry-over (NOLCO) is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P810.05 million and P418.81 million as at December 31, 2016 and 2015, respectively (Note 24).

#### *Estimating Defined Benefit Retirement Obligation*

Defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 23 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of the defined benefit retirement obligation amounted to P6.12 million and P4.98 million as at December 31, 2016 and 2015, respectively (Note 23).

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## 5. Segment Information

### Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are real estate development and real estate investment. The former segment is engaged in the development of real estate assets to be held as trading inventory and for sale while the latter segment is engagement in the acquisition and/or development of real estate assets that is held for rentals or for capital appreciation or both.

Others pertain to the segments engaged in marketing, property management activities and hotel operations.

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, real estate inventories, prepaid expenses and other current assets, property and equipment and computer software licenses, net of accumulated depreciation and amortization, investment property and other noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of accounts payable and other current liabilities, customers' deposits and other noncurrent liabilities. Segment assets and liabilities do not include deferred taxes.

### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

## Operating Segments

Analyses of financial information by business segment follow:

	Real Estate Development	Real Estate Investment	Others	Eliminations	Consolidated
<b>For the Year Ended December 31, 2016</b>					
<b>Net Revenues</b>					
External revenues	P1,224,585,572	P2,099,982,353	P78,894,545	(P1,265,000)	P3,402,197,470
<b>Results</b>					
Segment results	706,908,234	1,949,760,902	56,905,158	1,265,000	2,714,839,294
Unallocated corporate expenses	-	-	(931,686,378)	142,244,841	(789,441,537)
<b>Results from operating activities</b>	<b>706,908,234</b>	<b>1,949,760,902</b>	<b>(874,781,220)</b>	<b>143,509,841</b>	<b>1,925,397,757</b>
Finance income	102,291,345	565,596,232	63,083	(548,658,618)	119,292,042
Finance expense	(1,073,993,051)	(85,061,413)	-	828,816,156	(330,238,308)
Other income	13,381,947	142,287,981	142,447,577	(107,891,069)	190,226,436
Income taxes	(18,651,209)	(337,637,558)	(137,384,435)	59,303,796	(434,369,406)
<b>Net income (loss)</b>	<b>(P270,062,734)</b>	<b>P2,234,946,144</b>	<b>(P869,654,995)</b>	<b>P375,080,106</b>	<b>P1,470,308,521</b>
<b>As at December 31, 2016</b>					
<b>Other information</b>					
Segment assets	P5,563,602,119	P32,779,923,234	P71,945,382	P1,091,923,714	P39,507,394,449
Unallocated corporate assets	-	-	44,645,520,792	(34,609,291,434)	10,036,229,358
<b>Total Assets</b>	<b>P5,563,602,119</b>	<b>P32,779,923,234</b>	<b>P44,717,466,174</b>	<b>(P33,517,367,720)</b>	<b>P49,543,623,807</b>
Segment liabilities	(P2,066,171,456)	(P1,506,985,717)	(P49,667,467)	P267,281,198	(P3,355,543,442)
Unallocated corporate liabilities	-	-	(50,433,973,698)	24,205,029,460	(26,228,944,238)
<b>Total Liabilities</b>	<b>(P2,066,171,456)</b>	<b>(P1,506,985,717)</b>	<b>(P50,483,641,165)</b>	<b>P24,472,310,658</b>	<b>(P29,584,487,680)</b>
Capital expenditures	P1,391,402	P11,004,637,943	P88,323,785	P -	P11,094,353,130
Depreciation and amortization	P755,025	P9,575,738	P21,916,739	P -	P32,247,502

	Real Estate Development	Real Estate Investment	Others	Eliminations	Consolidated
For the Year Ended December 31, 2015					
Net Revenues					
External revenues	P781,183,995	P927,609,566	P -	P -	P1,708,793,561
Results					
Segment results	269,640,836	955,047,877	-	-	1,224,688,713
Unallocated corporate expenses	-	-	(436,517,080)	-	(436,517,080)
Results from operating activities	269,640,836	955,047,877	(436,517,080)	-	788,171,633
Finance income	9,617,478	111,236,752	3,602	-	120,857,833
Finance expense	(100,178,307)	(14,174,927)	-	-	(114,353,234)
Other income	92,406,500	6,040,888	836,158	-	99,283,546
Income taxes	(13,463,950)	(55,828,248)	(201,904,843)	-	(271,197,041)
Net income	P258,022,557	P1,002,322,342	(P637,582,163)	P -	P622,762,737
As at December 31, 2015					
Other information					
Segment assets	P17,128,038,647	P20,170,989,814	P -	(P13,664,670,295)	P23,634,358,166
Unallocated corporate assets	-	-	11,940,368,969	(7,811,399,273)	4,128,969,696
Total Assets	P17,128,038,647	P20,170,989,814	P11,940,368,969	(P21,476,069,568)	P27,763,327,862
Segment liabilities	P511,138,125	P1,033,660,668	P -	P -	P1,544,798,793
Unallocated corporate liabilities	-	-	32,780,589,104	(15,206,536,050)	17,574,053,054
Total Liabilities	P511,137,555	P1,033,660,668	P32,780,589,104	(P15,206,536,050)	P19,118,851,707
Capital expenditures	P5,869,846	P11,743,687,826	P12,571,679	P -	P11,762,129,351
Depreciation and amortization	P1,013,714	P2,891,280	P5,060,707	P -	P8,965,701

The financial information for the year ended December 31, 2014 were not presented since the Group had only one reportable or operating segment in 2014 which is real estate development.

There were no intersegment sales recognized between the two reportable segments in 2016 and 2015. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise of receivables, real estate inventories, prepaid expenses and other current assets, property and equipment, investment property and computer software licenses, net of accumulated depreciation and amortization, and other noncurrent assets. Liabilities of the individual segments include accounts payable and other current liabilities, customers' deposits and other noncurrent liabilities. Capital expenditures on noncurrent assets represent additions to property and equipment, computer software licenses and investment property. Noncash expenses pertain to depreciation and amortization expense attributable to the two reportable segments.

The Group has only one geographical segment, which is the Philippines.

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## 6. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2016	2015
Cash on hand		<b>P81,689,009</b>	P4,848,000
Cash in banks	27	<b>489,906,103</b>	725,161,410
Short-term placements	27	<b>4,895,279,265</b>	230,450,423
		<b>P5,466,874,377</b>	P960,459,833

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Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term placement rates. Total interest income from cash in banks and short-term placements amounted to P32.80 million, P11.58 million and P5.84 million in 2016, 2015 and 2014, respectively.

## 7. Receivables

This account consists of:

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Installment contracts receivable		<b>P1,135,827,341</b>	P551,309,926
Rent receivable		<b>209,373,450</b>	23,353,680
Receivables from:			
Leasehold rights' buyers		<b>59,886,183</b>	40,553,432
Condominium corporation and unit owners		<b>58,038,820</b>	36,300,885
Tenants		<b>51,531,502</b>	17,558,539
Contractors		<b>45,000,000</b>	20,085,865
Hotel operations		<b>25,854,803</b>	-
Receivable from minority		<b>56,605,263</b>	-
Advances to employees		<b>30,561,125</b>	18,127,152
Others		<b>40,667,880</b>	12,912,940
		<b>1,713,346,367</b>	720,202,419
Less allowance for impairment loss		<b>1,098,574</b>	1,098,574
	<b>27</b>	<b>P1,712,247,793</b>	P719,103,845

The details of installment contracts receivable from real estate buyers follow:

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Installment contracts receivable		<b>P1,524,512,517</b>	P1,052,055,956
Less unearned interest income		<b>71,382,689</b>	119,653,596
Net installment contracts receivable		<b>1,453,129,828</b>	932,402,360
Less noncurrent portion	<b>27</b>	<b>317,302,487</b>	381,092,434
		<b>P1,135,827,341</b>	P551,309,926

Installment contracts receivable from real estate buyers pertain to receivables from the sale of condominium and subdivision units. These receivables are collectible in monthly installments over a period of one to five years. These non-interest bearing installment contracts receivable are discounted using effective annual interest rates ranging from 3.00% to 13.00% that are specific to the tenor of the installment contracts receivable. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Total real estate revenue in 2016, 2015, 2014 amounted to P931.9 million, P641.5 million and P1,073.0 million, respectively. Real estate revenue is recognized using percentage of completion method as permitted by FRSC, based on the estimated completion of a physical proportion of the contract work. Gross profit in 2016, 2015 and 2014 amounted to P436.16 million, P270.87 million and P499.67 million, respectively.

The details of receivables from leasehold rights' buyers follow:

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Installment receivables from leasehold rights' buyers		<b>P429,514,387</b>	P141,883,732
Less unearned interest income		<b>43,607,684</b>	23,713,379
Net installment receivables from leasehold rights' buyers		<b>385,906,703</b>	118,170,353
Less noncurrent portion	<b>27</b>	<b>326,020,520</b>	77,616,921
Current portion		<b>P59,886,183</b>	P40,553,432

Receivables from leasehold rights' buyers pertain to receivables from the sale of leasehold rights in Dragon8. These receivables are collectible in monthly installments over a period of one to five years. These non-interest bearing installment receivables from leasehold rights buyers are discounted using effective annual interest rates ranging from 4.00% to 11.00% that are specific to the tenor of the installment receivables.

Rent receivable pertains to receivables arising from the lease of commercial spaces relating to the Group's CityMall operations. These are generally collectible within 30 days.

Receivables from condominium corporation and unit owners includes receivables from buyers for taxes and registration fees advanced on their behalf.

Receivables from tenants includes utilities, common usage service area fees and other charges billed to tenants which are due within 30 days upon billing.

Receivables from contractors pertains to the reimbursable share of contractors in the promotional cost incurred during the construction. These are generally collectible within 30-60 days.

Receivables from hotel operations consists of receivables from corporate hotel guests and are non-interest bearing and generally settled within 30 days.

The Group recognized impairment loss on its installment contracts receivable amounting to P1.10 million in 2015 (Note 20).

The total interest income recognized from the installment contracts receivable and receivables from leasehold rights' buyers amounted to P86.49 million, P132.22 million and P24.50 million in 2016, 2015 and 2014, respectively.

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## 8. Inventories

This account consist of:

	<b>2016</b>	2015
Real estate inventories - at cost	<b>P3,184,389,728</b>	P2,640,403,512
Hotel inventories - at cost	<b>1,954,515</b>	-
	<b>P3,186,344,243</b>	P2,640,403,512

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Real estate inventories represent the cost of construction and development of completed and in-progress residential, commercial and office units for sale. Projects of the Group include The Skysuites Tower, W.H. Taft Residences, The Uptown Place, Injap Tower, FirstHomes Subdivision, DD HappyHomes-Mandurriao, DD HappyHomes-Tanauan, DD HappyHomes-Zarraga and Hotel 101-the Fort.

#### *The SkySuites Tower*

On September 1, 2014, the Group acquired from Rizal Commercial Banking Corporation (the "RCBC") the unfinished commercial, office and residential project, "The SkySuites Tower", in Quezon City for a total consideration of P700 million payable over four years. The Group was required to deliver to RCBC an irrevocable standby letter of credit to guarantee the payment of the remaining balance payable to RCBC. At the closing date of the transaction, RCBC delivered to the Group the physical possession and control over "The SkySuites Tower". Portion of the total acquisition cost of "The SkySuites Tower" and cost to be incurred in its development and completion was recognized as part of "Real estate inventories" and "Investment property" accounts in the consolidated statements of financial position for the parts pertaining to residential units for sale and commercial and office units held for leasing, respectively.

#### *W.H. Taft Residences*

On November 5, 2012, the Group acquired and took over the development of W.H. Taft Residences (the "W.H. Taft"), a condominium project along Taft Avenue in the City of Manila, from Philtown Properties, Inc. (the "Philtown"). The Group also acquired the land where the W.H. Taft is located from the Landowner. The development of the W.H. Taft was formerly initiated under an unincorporated joint venture agreement between Philtown and the Landowner. The project was completed in September 2015.

#### *The Uptown Place and Injap Tower*

On December 27, 2013, the Group entered into an unincorporated joint venture agreement with Injap Investments, Inc. ("III") for the joint development of "The Uptown Place" at General Luna St., Iloilo City and "Injap Tower" at Mandurriao District, Iloilo City (the "Projects"). The agreement stipulates that III shall contribute land and the Group shall finance and develop the Projects and be exclusively responsible for the management and supervision of the construction of the Projects. In consideration for III's land contribution, the Group delivered some saleable units of the Projects to III. The costs incurred in the development of the Projects are recorded as part of "Real estate inventories" and "Investment property" accounts in the consolidated statements of financial position. The projects were completed in 2014.

#### *FirstHomes Subdivision*

In October 2012, the Group completed its first horizontal development project located at Navais, Mandurriao, Iloilo City. FirstHomes is a 1.30 hectare townhouse project consisting of 112 units.

#### *DD HappyHomes-Mandurriao*

On May 31, 2014, as a result of the business combination, the Group acquired DDHRCI's horizontal, residential real estate project in Mandurriao, Iloilo.

#### *DD HappyHomes-Tanauan and DD HappyHomes-Zarraga*

In 2016, the Group acquired additional landsites for horizontal, residential real estate projects in Tanauan, Leyte and Zarraga, Iloilo.

#### *Hotel 101 - the Fort*

In 2016, HOA entered into a Memorandum of Agreement and Deed of Absolute Conveyance with a minority shareholder of HOA to acquire a parcel of land to be used for the construction of Hotel 101 - the Fort project (Note 21).

Real estate inventories recognized as "Cost of real estate sales" amounted to P495.76 million, P370.60 million, and P573.34 million in 2016, 2015 and 2014, respectively (Note 18).

Capitalized borrowing costs amounted to P97.60 million and P91.36 million as at December 31, 2016 and 2015 using 4.26% and 2.66% as capitalization rates, respectively (Note 15).

No inventory write-down was recognized on real estate inventories in 2016, 2015 and 2014.

Hotel inventories mainly consists of consumable items used in the operations of “Injap Tower Hotel”, “Jinjiang Inn Ortigas”, “Jinjiang Inn Makati” and “Hotel 101 Manila”. The cost of hotel inventories recognized under “Cost of hotel operations” in the consolidated statements of comprehensive income amounted to P61.01 million in 2016.

## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	<i>Note</i>	<b>2016</b>	2015
Input VAT - net		<b>P1,945,569,458</b>	P942,935,146
Advances to contractors and suppliers		<b>855,184,903</b>	133,657,185
Creditable withholding taxes		<b>141,813,031</b>	33,070,837
Prepaid expenses:			
Rent	22	<b>62,369,917</b>	34,751,941
Taxes		<b>25,711,001</b>	29,454,642
Marketing and multimedia		<b>27,350,787</b>	-
Commission		<b>7,062,334</b>	14,283,190
Insurance		<b>3,259,013</b>	-
Others		<b>31,873,967</b>	33,867,194
Refundable deposits	13, 22, 27	<b>8,646,060</b>	2,991,830
Other current assets		<b>142,441,063</b>	57,713,216
		<b>P3,251,281,534</b>	P1,282,725,181

Input VAT represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

The Group has written off input VAT amounting to P83.48 million, P18.10 million and nil in 2016, 2015 and 2014, respectively (Note 20).

Advances to contractors and suppliers represent amount paid as downpayments to contractors and suppliers to facilitate the initial construction of the Group’s projects.

Creditable withholding taxes pertain to taxes withheld by the Group’s customers which can be applied against any future income tax liability.

Advances to employees include advances for marketing events, official business trips and other approved disbursements that are not yet liquidated as at cut-off date. These advances are subject to liquidation within 30 days.

## 10. Property and Equipment

The movements and balances of this account consist of:

	Note	Land	Building	Leasehold Improvements	Equipment and Showroom	Furniture and Fixtures	Room Fixtures and Components	Total
<b>Cost</b>								
Balance, January 1, 2015		P80,986,000	P -	P5,435,297	P12,726,776	P5,608,781	P -	P104,756,854
Additions		-	-	2,762,203	47,641,448	7,250,803	-	57,654,454
Balance, December 31, 2015		80,986,000	-	8,197,500	60,368,224	12,859,584	-	162,411,308
Assets acquired through business combination	28	479,440,282	486,664,046	494,489	16,793,383	8,276,720	21,913,139	1,013,582,059
Additions		-	16,385,854	2,108,418	38,127,734	9,141,604	173,008	65,936,618
Transfer/Reclassification*		-	258,632,000	-	-	-	-	258,632,000
<b>Balance, December 31, 2016</b>		<b>560,426,282</b>	<b>761,681,900</b>	<b>10,800,407</b>	<b>115,289,341</b>	<b>30,277,908</b>	<b>22,086,147</b>	<b>1,500,561,985</b>
<b>Accumulated Depreciation and Amortization</b>								
Balance, January 1, 2015		-	-	2,397,429	4,499,367	2,000,534	-	8,897,330
Depreciation and amortization	20	-	-	1,291,698	4,733,679	1,737,387	-	7,762,764
Balance, December 31, 2015		-	-	3,689,127	9,233,046	3,737,921	-	16,660,094
Depreciation and amortization	20	-	1,116,210	1,751,178	15,089,045	4,881,998	1,221,631	24,060,062
<b>Balance, December 31, 2016</b>		<b>-</b>	<b>1,116,210</b>	<b>5,440,305</b>	<b>24,322,091</b>	<b>8,619,919</b>	<b>1,221,631</b>	<b>40,720,156</b>
<b>Carrying Amount</b>								
December 31, 2015		P80,986,000	P -	P4,508,373	P51,135,178	P9,121,663	P -	P145,751,214
<b>December 31, 2016</b>		<b>P560,426,282</b>	<b>P760,565,690</b>	<b>P5,360,102</b>	<b>P90,967,250</b>	<b>P21,657,989</b>	<b>P20,864,516</b>	<b>P1,459,841,829</b>

\*DD's Injap Tower Hotel condominium hotel units recorded in Investment Property is being managed by Hotel 101 Management Corporation. For consolidation purposes, the aforesaid property is recognized as part of "Property and Equipment - Building" account since it is owner-managed. Moreover, the recognized income share from Injap Tower Hotel of DD was accordingly eliminated in the consolidated statements of comprehensive income.

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## 11. Goodwill and Intangible Assets

This account consists of:

	<i>Note</i>	2016	2015
Goodwill		<b>P84,281,386</b>	P84,281,386
Advertising production cost		<b>31,102,041</b>	-
Concession right		<b>28,442,591</b>	-
Computer software licenses - net		<b>26,209,013</b>	10,066,049
		<b>P170,035,031</b>	P94,347,435

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### *Goodwill*

Goodwill comprises the excess of the acquisition costs over the fair value of the identifiable assets and liabilities in the acquisition of DDHRCI. Goodwill was computed based on fair values of net assets acquired.

In 2015, the Group finalized its purchase price allocation on the acquisition of DDHRCI which resulted in a goodwill amounting to P84.28 million.

No impairment loss is recognized for the goodwill account in 2016 and 2015.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculation of value in use are most sensitive to the following assumptions:

*Gross Margins.* Gross margins are based on average values achieved immediately before the budget period. These are increased over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

*Discount Rate.* The Group uses the weighted-average cost of capital as the discount rates, which reflect management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

The recoverable amount of the cash-generating unit was determined to be higher than its carrying amount as at December 31, 2016. Hence, management assessed that there is no impairment loss in the value of goodwill in 2016.

### *Advertising Production Cost*

Advertising production cost pertains to the production cost incurred by the Group in developing the CityMalls commercials which can be used and aired over a period time. This is being amortized over five years. Costs incurred in 2016 amounted to P31.91 million. Amortization in 2016 amounted to P0.81 million.

### *Concession Right*

The Parent Company entered into a Joint Venture Agreement with the City Government of Iloilo for the financing, design, construction, development, operation and maintenance of the Iloilo-Guimaras Ferry Terminal ("Ferry Terminal") and the surrounding areas within the property. The construction cost of the Ferry Terminal amounted to P28.44 million. The Ferry Terminal has not started operations as at December 31, 2016.

### *Computer Software Licenses*

The movements and balances of the "Computer software licenses - net" account consist of:

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cost</b>			
Balance at beginning of year		<b>P13,107,753</b>	P5,403,143
Assets acquired through business combination	28	<b>5,002,994</b>	-
Additions		<b>19,224,757</b>	7,704,610
Balance at end of year		<b>37,335,504</b>	13,107,753
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>3,041,704</b>	1,838,767
Amortization for the year	20	<b>8,084,787</b>	1,202,937
Balance at end of year		<b>11,126,491</b>	3,041,704
		<b>P26,209,013</b>	P10,066,049

The computer software licenses have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

## **12. Investment Property**

This account consists of:

	<b>Note</b>	<b>Land</b>	<b>Building</b>	<b>Construction in Progress</b>	<b>Total</b>
January 1, 2015		P8,025,029,669	P453,154,000	P1,988,835,149	P10,467,018,818
Additions		3,294,551,177	-	5,198,841,238	8,493,392,415
Reclassifications		-	3,056,891,784	(3,056,891,784)	-
Transfer from leasehold rights	9, 30	-	-	158,441,229	158,441,229
Unrealized gains (losses) from changes in fair values of investment property		1,103,337,851	(307,787,799)	15,513,861	811,063,913
December 31, 2015		12,422,918,697	3,202,257,985	4,304,739,693	19,929,916,375
Additions		1,469,913,114	120,569,010	9,392,849,622	10,983,331,746
Reclassifications		-	2,955,499,483	(2,955,499,483)	-
Transfer to property and equipment	10	-	-	(258,632,000)	(258,632,000)
Assets acquired through business combination	28	-	72,385,000	-	72,385,000
Sale of leasehold rights		-	(21,913,753)	-	(21,913,753)
Unrealized gains from changes in fair values of investment property		939,090,349	890,959,419	-	1,830,049,768
<b>December 31, 2016</b>		<b>P14,831,922,160</b>	<b>P7,219,757,144</b>	<b>P10,483,457,832</b>	<b>P32,535,137,136</b>

The following table provides the fair value hierarchy of the Group's investment property as at December 31, 2016 and 2015:

	Date of Valuation	Level 2	
		2016	2015
Land	Various	<b>P14,831,922,160</b>	P12,422,918,697
Commercial	Various	<b>17,013,016,976</b>	7,264,620,678
Corporate/office	Various	<b>690,198,000</b>	242,377,000
		<b>P32,535,137,136</b>	P19,929,916,375

The Group's investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent appraiser.

*Valuation Techniques and Significant Unobservable Inputs*

The fair values of the investment property were arrived at using the Market Data Approach for land and Cost Approach for buildings.

Market data approach is an approach that considers available market evidences. The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size and shape of the lot and time element.

Cost approach is a comparative approach to the value of the building and improvements or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction cost (new) of the subject property or asset, less total (accrued) depreciation based on the physical wear and tear, and obsolescence to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Capitalized borrowing costs amounted to P767.66 million and P563.43 million as at December 31, 2016 and 2015 using 4.26% and 2.66% as capitalization rates, respectively (Note 15). The Group also capitalized rent expenses which were incurred for the rental of land properties where ongoing construction of CityMall branches are situated (Note 22).

Rental income in 2016, 2015 and 2014 and the operating lease commitments of the Group as a lessor are fully disclosed in Note 22.

The Group recognized unrealized gains from changes in fair values of investment property amounting to P1,830.05 million, P811.06 million and P455.73 million in 2016, 2015 and 2014, respectively.

Revenue and cost recognized related to leasehold rights' sales which are presented under "Leasehold rights' sales" and "Cost of leasehold rights" accounts amounted to P292.66 million and P21.91 million in 2016, respectively, P139.71 million and P8.36 million in 2015, respectively, and P140.49 million and 24.07 million in 2014, respectively.

The total direct operating expense recognized in profit or loss arising from the Group's investment property that generated rental income amounted to P116.05 million, P69.93 million and P3.12 million in 2016, 2015 and 2014, respectively. On the other hand, the Group recognized total direct operating expense of P41.29 million, P13.47 million and P11.81 million in 2016, 2015 and 2014, respectively, for investment property that are not yet leased out.

### 13. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	<b>2016</b>	2015
Advances to contractors and suppliers		<b>P642,110,046</b>	P929,805,994
Deposits for future land acquisition	28	<b>158,184,085</b>	-
Refundable deposits - net of current portion	22, 27	<b>85,271,486</b>	59,866,053
Prepaid rent - net of current portion	22	<b>58,880,566</b>	58,880,566
Input VAT - net of current portion		<b>21,803,302</b>	5,981,516
Others		<b>34,961,099</b>	-
		<b>P1,001,210,584</b>	P1,054,534,129

Advances to contractors and suppliers represent amount paid as downpayments to contractors and suppliers expected to be recouped for more than one year.

Refundable deposits pertain to non-interest bearing deposits paid to and held by the Group's lessors which are refundable at the end of the lease term. The refundable deposits included as part of "Prepaid expenses and other current assets - net" account in the consolidated statements of financial position pertain to deposits to lessors with terms of one year or less. Noncurrent refundable deposits included in "Other noncurrent assets" account are discounted using the effective annual interest rates ranging from 4.75% to 5.77% that are specific to the tenor of the refundable deposits. The difference between the discounted and face values of the refundable deposits was recognized as part of "Prepaid rent" account which is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent expense in "General and administrative expenses - Rent" account. On the other hand, interest is accreted on these refundable deposits using the effective interest rate method and is recognized as part of "Interest income" account in the consolidated statements of comprehensive income.

The details of refundable deposits follow:

	<i>Note</i>	<b>2016</b>	2015
Refundable deposits		<b>P131,609,135</b>	P100,549,472
Less discount on refundable deposits		<b>37,691,589</b>	37,691,589
Net refundable deposits		<b>93,917,546</b>	62,857,883
Less current portion	9	<b>8,646,060</b>	2,991,830
Noncurrent portion		<b>P85,271,486</b>	P59,866,053

Interest income earned for these refundable deposits amounted to nil, P0.65 million and P0.30 million in 2016, 2015 and 2014.

Deposits for future land acquisition pertain to the series of payments made by HOA to acquire real estate properties located in the province of Aklan and Cebu, Philippines. The Transfer Certificates of Title and Deeds of Sale will be conveyed to HOA upon full payment of the agreed price in the succeeding years (Note 28).

#### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	<i>Note</i>	<b>2016</b>	2015
Trade payables	27	<b>P827,369,626</b>	P572,660,342
Retention payable - current	17, 27	<b>264,991,202</b>	163,494,880
Payable to RCBC	8, 17, 27	<b>100,000,000</b>	100,000,000
Security deposits	22, 27	<b>89,928,266</b>	-
Deposits from unit owners	27	<b>45,498,479</b>	42,263,048
Unearned rent income	17, 22	<b>28,869,805</b>	11,191,128
Withholding tax payable		<b>27,492,016</b>	5,242,428
Commission payable	27	<b>13,590,797</b>	13,889,537
Payable to a landowner	27	<b>12,145,000</b>	12,145,000
Accrued expenses:	27		
Project costs		<b>845,397,065</b>	564,329,434
Interest	15	<b>280,578,447</b>	51,838,340
Others		<b>22,763,109</b>	758,096
Other payables	27	<b>81,335,046</b>	65,450,177
		<b>P2,639,958,858</b>	P1,603,262,410

Trade payables and accrued project costs are liabilities arising from services provided by the contractors and subcontractors. These are non-interest bearing and are normally settled within 30 days.

Retention payable pertains to the amount retained by the Group from its payment to contractors to cover cost of contractors' noncompliance with the construction of the Group's projects (see Note 17). Amounts retained by the Group varies from different contractors.

As a result of the acquisition of The SkySuites Tower, the Group recognized a total noninterest-bearing liability to RCBC amounting to P700 million, payable over four years. The total amount of the Group's obligation to RCBC was discounted using effective interest rate of 5.60%. Interest is accreted on this non-interest bearing liability using the effective interest rate method and is recognized as part of "Interest expense" account in the consolidated statements of comprehensive income. Current portion of the liability amounted to P100 million as at December 31, 2016 and 2015.

## 15. Short-term and Long-term Debts

### Notes Payable

Details of the account are as follows:

	Note	2016	2015
Balance at beginning of the year		<b>P15,526,000,000</b>	P8,475,000,000
Availments		<b>6,600,000,000</b>	7,225,000,000
Liabilities assumed through business combination	28	<b>797,985,033</b>	-
Payments		<b>(4,176,899,556)</b>	(174,000,000)
	27	<b>18,747,085,477</b>	15,526,000,000
Less current portion		<b>3,486,004,312</b>	4,274,000,000
Noncurrent portion		<b>15,261,081,165</b>	11,252,000,000
Less unamortized debt issue costs		<b>233,243,642</b>	137,500,808
		<b>P15,027,837,523</b>	P11,114,499,192

### Long-term Notes Payable

#### Parent Company

a. On March 23, 2016, the Parent Company obtained a total of P1.50 billion unsecured, bilateral long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P1.5 billion during the year. The loan payments are to be made in five consecutive annual installments to commence at the end of the 36<sup>th</sup> month after the initial drawdown date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus 1.75%; or (ii) floor rate based on the prevailing BSP overnight rate plus 1.25%. The proceeds from these borrowings were used by the Parent Company to partly finance its capital expenditures for the development of additional CityMall branches and construction of the Jollibee Tower and Phase 1 of the Meridian Park. Related debt issue costs from this loan amounted to P15.25 million.

Outstanding balance of this loan amounted to P1.50 billion as at December 31, 2016.

b. On July 30, 2015, the Parent Company obtained a total of P1.50 billion unsecured, bilateral, long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P0.50 billion and P1.00 billion in 2016 and 2015, respectively. The principal repayments are to be made in five annual amortizations equivalent to 5.0% of the total principal amount of the loan amount drawn, beginning on the 36<sup>th</sup> month from initial drawdown date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus 1.75 bps; or (ii) floor rate based on the prevailing Bangko Sentral ng Pilipinas overnight rate plus 125 bps. The proceeds from these borrowings were used by the Parent Company to partly finance the development of The Meridian Park, a 4.75 hectare ongoing, mixed-use development real estate property situated in Pasay City. Related debt issue costs from this loan amounted to P2.75 million and P14.66 million in 2016 and 2015, respectively.

Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to P1.5 billion and P1.0 billion, respectively.

- c. On May 18, 2015, the Parent Company obtained a total of P5.00 billion unsecured, bilateral long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P2.00 billion and P3.00 billion in 2016 and 2015, respectively. The loan payments are to be made in five consecutive annual installments to commence at the end of the 36<sup>th</sup> month after the initial drawdown date. The Group pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a *fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus a spread of 2.00% or (ii) 6.00%*. The proceeds from these borrowings were used by the Group to partly finance its capital expenditures for the development of additional CityMall branches. Related debt issue costs from this loan amounted to P17.53 million and P42.63 million in 2016 and 2015, respectively.

Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to P5.00 billion and P3.00 billion, respectively.

- d. On October 30, 2014, the Parent Company obtained a total of P7.40 billion unsecured, bilateral long-term loans from various financing institutions. The loan payments are to be made in seven consecutive annual installments to commence at the end of the 12<sup>th</sup> month after the initial borrowing date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus a spread of 2.35% or (ii) 5.25%. The proceeds from these borrowings were used by the Parent Company to partly finance its capital expenditures, primarily for the development of The Meridian Park, the Dragon8, The SkySuites Tower and roll-out of the first 12 CityMalls and for general corporate purposes. Related debt issue costs from this loan amounted to P98.77 million in 2014.

Payments made in 2016 and 2015 amounted to P74.00 million. Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to P7.25 billion and P7.33 billion, respectively.

#### HOA

- e. On October 12, 2016, as a result of the acquisition of HOA, several long-term notes payable of HOA for a total amount of P97.99 million were assumed by the Parent Company. The principal amounts and related interests are due monthly. Interest is based on negotiated rates or prevailing market rates. Principal payments made in 2016 amounted to P2.90 million.

Current portion of these loans amounted to P12.00 million as at December 31, 2016. Outstanding long-term portion amounted to P83.09 million as at December 31, 2016.

## Short-term Loans Payable

### Parent Company

- a. The Group obtained short-term loans from various financial institutions which is payable within one year. The proceeds from these borrowings were used for working capital purposes more specifically in the development of the Group's on-going projects. The interest rates on these short-term and long-term borrowings are repriced monthly based on negotiated rates or prevailing market rates.

Total loan availments in 2016 and 2015 amounted to P2.54 billion and P3.23 billion, respectively. Payments made in 2016 and 2015 amounted to P4.1 billion and P0.1 billion, respectively.

Outstanding balance of the loans amounted to P2.64 billion and P4.20 billion as at December 31, 2016 and 2015, respectively.

### HOA

- b. On October 12, 2016, as a result of the acquisition of HOA, short-term notes payable of HOA amounting to P700.00 million were assumed by the Group. This loan is due on March 23, 2017 and bears interest of 5.5% per annum. The loan was fully settled in 2017.

### PCLI

- c. In 2016, PCLI obtained short-term loans from a local bank amounting to P63.00 million which is payable within one year. The proceeds from these borrowings were used for additional working capital requirements. The principal amounts are payable lump sum at maturity and related interests are due monthly. Interest is fixed at 3% per annum.

The long-term debt agreements contain, among others, covenants relating to maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, capital expenditures, significant changes in the ownership, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements as of December 31, 2016 and 2015.

The movements in debt issue costs are as follows:

	2016	2015
Balance at the beginning of year	<b>P137,500,808</b>	P96,756,628
Additions	<b>120,378,724</b>	57,292,952
Amortization	<b>(24,635,890)</b>	(16,548,772)
Balance at end of year	<b>P233,243,642</b>	P137,500,808

Interest expense, exclusive of the capitalized borrowing costs, recognized in profit or loss amounted to P330.24 million, P114.35 million and P37.50 million in 2016, 2015 and 2014, respectively. Total capitalized borrowing costs charged under "Real estate inventories" and "Investment property" accounts amounted to P865.26 and P654.79 million as at December 31, 2016 and 2015, respectively (Notes 8 and 12).

Amounts due beyond one year are shown under "Long-term notes payable - net of debt issue costs" account in the consolidated statements of financial position.

### *Bonds Payable*

Details of the account during the year is as follows:

Parent Company bonds - due 2026	<b>P5,300,000,000</b>
Less unamortized bond issue costs	<b>(82,341,601)</b>
	<b>P5,217,658,399</b>

On November 28, 2016, the Securities and Exchange Commission approved the Parent Company's application the shelf registration of fixed rate bonds with an aggregate principal amount of P15.00 billion, to be offered in one or several tranches. The aggregate principal amount for the first tranche issued amounted to P5.30 billion. The P9.70 billion remaining balance of the aggregate principal amount of the approved fixed rate bond offering have been lodged under a shelf registration and will be raised in future tranches.

The first tranche issued on December 15, 2016 will carry a due date of December 15, 2026 and fixed interest rate of 5.97% per annum. Interest is payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. Related costs from the issuance amounted to P82.34 million.

Amortization of bond issue costs in 2016 amounted to P0.31 million. Interest expense from this bond amounted to P14.07 million in 2016.

### **16. Customers' Deposits**

Customers' deposits represent nonrefundable reservation fees paid to the Group by prospective buyers which are to be applied against the installment contracts receivable upon recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

The breakdown of customers' deposits as at December 31 is as follows:

	<b>2016</b>	2015
Current	<b>P219,924,165</b>	P57,805,095
Noncurrent	-	111,346,839
	<b>P219,924,165</b>	P169,151,934

### **17. Other Noncurrent Liabilities**

This account consists of:

	<b>Note</b>	<b>2016</b>	2015
Payable to RCBC - net of current portion	14, 27	<b>P329,914,758</b>	P394,379,626
Retention payable - net of current	14	<b>315,243,078</b>	-
Accrued rent expense	27	<b>102,593,538</b>	117,610,953
Security deposits	22, 27	<b>87,348,140</b>	91,724,199
Others	22	<b>9,055,538</b>	9,731,372
		<b>P844,155,052</b>	P613,446,150

Accrued rent expense pertains to the excess of rent expense over rental payments made to lessors in accordance with PAS 17, *Leases*.

Security deposits account pertains to deposits collected from tenants for the lease of the Group's investment property. These deposits are non-interest bearing and refundable at the end of the lease term. Security deposits are discounted using the effective interest rates ranging from 5.58% to 5.76% that are specific to the tenor of the deposits. The difference between the discounted value and face values of security deposits was recognized as part of "Unearned rent income" account which is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income in the "Rent income" account in the consolidated statements of comprehensive income. Interest is accreted on these security deposits using the effective interest rate method and is recognized as part of "Interest expense" account in the consolidated statements of comprehensive income.

Interest expense for the amortization of security deposits amounted to P0.26 million in 2016 and P0.20 million each in 2015 and 2014.

The details of security deposits follow:

	<b>2016</b>	2015
Balance at beginning of year	<b>P91,724,199</b>	P16,705,271
Additions	<b>5,170,037</b>	83,545,888
Discount	<b>(9,546,096)</b>	(8,526,960)
Balance at end of year	<b>P87,348,140</b>	P91,724,199

The movement in the unamortized discount on security deposits follows:

	<b>2016</b>	2015
Balance at beginning of year	<b>P8,526,960</b>	P2,772,128
Additions	<b>1,274,199</b>	5,956,403
Accretion	<b>(255,063)</b>	(201,571)
Balance at end of year	<b>P9,546,096</b>	P8,526,960

## **18. Cost of Real Estate Sales**

This account consists of:

	<b>Note</b>	<b>2016</b>	2015	2014
Construction costs		<b>P462,979,693</b>	P314,177,121	P507,769,212
Land and land development costs		<b>27,115,672</b>	37,775,458	39,013,812
Other project costs		<b>5,668,220</b>	18,651,496	26,555,399
	<b>8</b>	<b>P495,763,585</b>	P370,604,075	P573,338,423

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## 19. Selling Expenses

This account consists of:

	<i>Note</i>	<b>2016</b>	2015	2014
Marketing		<b>P116,349,038</b>	P67,164,278	P35,393,295
Commission		<b>37,890,739</b>	33,962,001	20,582,135
Salaries, wages and other benefits	21i	<b>8,143,909</b>	3,598,699	8,314,980
Rent	21c, 22	<b>4,181,307</b>	4,847,380	4,896,180
Transportation and travel		<b>2,985,854</b>	356,725	354,296
Representation		<b>377,259</b>	889,853	290,086
Retirement costs	23	<b>44,641</b>	113,972	-
Miscellaneous		<b>2,691,053</b>	2,097,989	848,200
		<b>P172,663,800</b>	P113,030,897	P70,679,172

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## 20. General and Administrative Expenses

This account consists of:

	<i>Note</i>	<b>2016</b>	2015	2014
Salaries, wages and other benefits	21i	<b>P132,566,459</b>	P75,561,221	P31,297,507
Electricity and water		<b>91,588,883</b>	35,955,709	13,269,254
Outsourced services		<b>89,467,756</b>	37,910,146	8,539,047
Input VAT written off	9	<b>83,475,465</b>	18,104,261	-
Rent	21c, 22	<b>80,508,845</b>	15,628,046	18,661,175
Taxes and licenses		<b>76,921,437</b>	148,298,133	95,634,330
Depreciation and amortization	10, 11	<b>32,952,498</b>	8,965,701	5,044,824
Professional fees		<b>20,257,001</b>	15,479,442	6,563,099
Repairs and maintenance		<b>16,777,654</b>	1,212,862	983,592
Transportation and travel		<b>13,107,704</b>	14,047,180	2,582,871
Representation		<b>13,029,982</b>	6,839,413	1,454,426
Insurance		<b>10,657,661</b>	5,216,261	973,837
Property management supplies		<b>9,213,677</b>	-	-
Communications		<b>8,004,007</b>	4,335,575	1,442,310
Printing and office supplies		<b>7,121,349</b>	9,753,005	2,383,344
Management fees	21b	<b>2,678,571</b>	3,032,836	2,678,571
Retirement costs	23	<b>1,092,925</b>	1,152,388	-
Donations		-	5,554,424	1,220,547
Impairment loss on receivables	7	-	1,098,574	-
Miscellaneous		<b>36,030,527</b>	20,457,042	8,101,922
		<b>P725,452,401</b>	P428,602,219	P200,830,656

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## 21. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref/Note	Amount of Transaction	Outstanding Balances		Terms and Conditions
				Due from Related Parties	Due to Related Parties	
<b>Parent Company's Key Management Personnel</b>						
Management fees	2016	a	P2,678,571	P -	P -	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2015	a	2,678,571	-	-	Demandable; non-interest bearing; unsecured; payable in cash
	2014	a	2,678,571	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Sales	2015	b	1,116,121	-	-	20% down payment and 80% collectible in cash; no impairment
	2014	b	1,004,509	-	-	20% down payment and 80% collectible in cash; no impairment
<b>Stockholders</b>						
Rent expense	2016	c	3,672,896	-	-	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2015	c	3,584,449	-	-	Demandable; non-interest bearing; unsecured; payable in cash
	2014	c	3,395,181	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Acquisition of HOA	2016	d	429,944,449	-	429,944,449	<b>Payable by way of DD shares</b>
<b>Other Related Parties</b>						
Land acquired	2016	e	-	-	383,281,305	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2016	e	122,400,000	-	122,400,000	<b>Payable by way of condo units</b>
	2015	e	266,192,013	-	544,871,305	Demandable; non-interest bearing; unsecured; payable in cash
Cash advances received	2016	f	-	101,808,489	10,170,186	<b>Demandable; non-interest bearing; unsecured; collectible in cash; no impairment</b>
	2015	f	58,417,380	58,567,380	8,789,068	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
Acquisition of HOA	2016	g	356,643,000	-	135,243,000	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
Rent income	2016	h	89,487,076	-	-	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
	2015	h	47,649,689	-	-	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
	2014	h	-	-	-	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
	2016			P101,808,489	P1,081,038,940	
	2015			P58,567,380	P553,660,373	

### a. Executive Management Services Agreement

The Group entered into an agreement with a shareholder for executive corporate, strategic, administrative and financial oversight services relative to the real estate business of the Group. The term of this agreement is one year effective January 1, 2012. This is renewable under the same terms and conditions upon mutual agreement of the parties. On December 8, 2016, the Group's BOD authorized the extension of the aforesaid agreement from January 1 to December 31, 2017 under the same terms and conditions set out in 2016, payable on a quarterly basis. The fee, which includes staffing costs for services rendered by the shareholders, amounted to P2.68 million in 2016, 2015 and 2014 (Note 20).

### b. Sale of Real Estate Inventories

The Group sold condominium units to its key management personnel amounting to nil, P1.16 million and P1.00 million in 2016, 2015 and 2014, respectively.

- c. *Lease of Showrooms and Sales Office*  
The Group leases showrooms and sales office from III and Jollibee Foods Corporation (JFC), respectively. The terms of the lease are three to five years, renewable for the same period under the same terms and conditions. The rent shall escalate by 7% to 10% each year (Notes 19 and 20).
- d. *Acquisition of HOA*  
The Parent Company, entered into a Share Purchase Agreement (SPA) with III with the consideration amounting to the fair value of DD shares to be issued to III, as a consideration transferred in exchange for the latter's 40% share in HOA. These shares will be issued within 180 days from the closing date (Note 28).
- e. *Land Acquisitions*  
The Group has outstanding liabilities to minority shareholders of PDDG amounting to P383.28 million for the acquisition of certain parcels of land which will be used in the on-going CityMalls. The stated unsecured, non-interest bearing liabilities are to be settled by the Group in 2017.
- In 2016, HOA entered into a Memorandum of Agreement and Deed of Absolute Conveyance with a minority shareholder wherein HOA, in consideration of the land owned by the minority shareholder, settled to pay the latter in kind by way of condominium hotel (condotel) units in the Hotel 101 - The Fort project (32-storey) totaling 60 condotel units plus a portion of the deck referred to as the "Deck Unit" (Note 8).
- f. *Cash Advances*  
The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.
- g. *Acquisition of HOA*  
Payable to affiliates pertains to the amount of to be paid by the Parent Company as part of consideration for the purchase of shares of Chan C. Bros. Holdings, Inc. (CCBHI) and Staniel Realty and Development Corp. (SRDC) in HOA. The amount of consideration is to be settled in 2017.
- h. *Lease of Mall Spaces*  
The Group entered into various lease agreements with related parties covering its investment property portfolio. The amount pertains to the rent income earned by the Group from leasing out some of its commercial spaces in Dragon8 and CityMalls to JFC and the SM Group. These leases generally provide for either fixed monthly rent subject to escalation rates or a certain percentage of gross sales. The terms of the leases are for periods ranging from 5 to 15 years. The fixed monthly rent shall escalate by an average of 5% to 10% each year. The corresponding receivables from related party tenants are recorded in the "Rent receivables" account.
- i. *Key Management Personnel Compensation*  
The short-term benefits of other key management personnel amounted to P20.3 million, P18.61 million and P0.48 million in 2016, 2015 and 2014, respectively.

Except when indicated above, all outstanding due to/from related parties are to be settled in cash.

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## 22. Leases

### Group as Lessee

The Group leases office and parking spaces and showrooms. The terms of the lease are for periods ranging from one to five years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 5% to 10% each year.

The Group also entered into various noncancellable operating lease agreements covering certain parcels of land wherein some of the CityMalls will be situated or are being constructed. The terms of the leases are for periods ranging from 26 to 40 years. The rent shall escalate by an average of 5% to 10% each year.

The Group is required to pay advance rental payments and refundable deposits on its leases. These are shown under "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (Notes 9 and 13).

Total rent expense included as part of "Selling expenses" and "General and administrative expenses" accounts amounted to P84.69 million, P20.48 million and P23.56 million in 2016, 2015 and 2014, respectively (Notes 19 and 20). Rent expense capitalized as part of "Investment Property - CIP" account amounted to P3.5 million, P83.84 million and P34.42 million as at December 31, 2016, 2015 and 2014, respectively (Note 12).

The scheduled maturities of noncancellable minimum future rental payments are as follows:

	<b>2016</b>	2015
Less than one year	<b>P99,784,794</b>	P111,909,673
Between one and five years	<b>346,329,912</b>	446,785,450
More than five years	<b>2,905,900,809</b>	2,518,340,525
	<b>P3,352,015,515</b>	P3,077,035,648

### Group as Lessor

The Group entered into various lease agreements with third parties and related parties covering its investment property portfolio. These leases generally provide for fixed monthly rent subject to escalation rates except for a few tenants, which pay either a fixed monthly rent or a percentage of gross revenues, whichever is higher. The terms of the leases are for periods ranging from 2 to 15 years. The fixed monthly rent shall escalate by an average of 5% starting on the third year and every year thereafter.

Upon inception of the lease agreement, tenants are required to pay advance rentals and security deposits shown under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts in the consolidated statements of financial position (Notes 14 and 17).

Rent income amounted to P268.67 million, P116.55 million and P6.05 million in 2016, 2015 and 2014, respectively. Total contingent rent income amounted to P38.25 million, P11.68 million and P5.85 million in 2016, 2015 and 2014, respectively (Note 14).

The scheduled maturities of noncancellable minimum future rental collections are as follows:

	2016	2015
Less than one year	<b>P271,087,555</b>	P108,829,224
Between one and five years	<b>863,527,136</b>	332,546,699
More than five years	<b>931,150,836</b>	181,702,110
	<b>P2,065,765,527</b>	P623,078,033

### 23. Retirement Benefits

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under Republic Act. No. 7641, *The Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service for employees who attain the normal retirement age of sixty (60) with at least five (5) years of service.

The present value of the defined benefit obligation (DBO) is shown below:

	2016	2015
Beginning of year	<b>P4,983,866</b>	P -
Current service cost	<b>893,855</b>	1,266,361
Interest cost	<b>243,711</b>	-
Transitional liability	-	3,717,505
End of year	<b>P6,121,432</b>	P4,983,866

Retirement costs recognized in profit or loss amounted to P1.14 million and P1.27 million in 2016 and 2015, respectively, which were charged as follows:

	<i>Note</i>	2016	2015
General and administrative expenses	20	<b>P1,092,925</b>	P1,152,388
Selling expenses	19	<b>44,641</b>	113,973
		<b>P1,137,566</b>	P1,266,361

Defined benefit cost, net of tax, recognized under "Other comprehensive income" amounted to nil and P2.60 million in 2016 and 2015, respectively.

The following were the principal actuarial assumptions at the reporting date:

	2016	2015
Discount rate	<b>5.38%</b>	4.89%
Future salary increases	<b>5.00%</b>	5.00%

Assumptions regarding future mortality are based on the 2001 CSO Table - Generational. The average expected remaining working life of employees retiring at the age of 60 is 30.7 and 29.7 for both males and females in 2016 and 2015, respectively.

The weighted-average duration of DBO is 19.8 years and 21.4 years in 2016 and 2015, respectively.

The DBO is exposed to actuarial, longevity and interest rate risks.

The Parent Company has no plans to make contributions in 2017.

#### *Sensitivity Analysis*

The calculation of the DBO is sensitive to the assumptions set out above. The following table summarizes how the impact on the DBO at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 1%:

#### **2016**

	DBO	
	Increase	Decrease
Discount rate (1% movement)	<b>P1,298,017</b>	<b>(P1,024,860)</b>
Future salary growth (1% movement)	<b>1,221,992</b>	<b>(990,504)</b>

#### 2015

	DBO	
	Increase	Decrease
Discount rate (1% movement)	P1,208,267	(P926,970)
Future salary growth (1% movement)	1,135,568	(894,962)

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the recognized income and expenses and related assets or obligations.

#### *Maturity Profile of the DBO*

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
DBO	<b>P6,121,432</b>	<b>P15,619,762</b>	<b>P -</b>	<b>P4,951,220</b>	<b>P10,668,542</b>

	2015				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
DBO	P4,983,866	P10,668,542	P -	P619,908	P10,048,634

#### *Asset-liability Matching Strategies to Manage Risks*

The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

#### *Funding Arrangements*

The Group does not have a formal retirement plan, benefit claims under the retirement obligations are paid directly by the Group when they become due.

## **24. Income Taxes**

Income tax benefit (expense) consists of:

	2016	2015	2014
Current*	<b>(P34,001,309)</b>	P93,875,651	P116,808,650
Deferred	<b>468,370,715</b>	177,321,390	126,422,153
	<b>P434,369,406</b>	P271,197,041	P243,230,803

\*Current tax expense includes adjustments to prior year's current income tax amounting to P59,306,436.

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

	2016	2015	2014
Income before income tax	<b>P1,904,677,927</b>	P893,979,778	P804,078,351
Income tax at the statutory income tax rate	<b>571,403,378</b>	P268,193,933	P241,223,505
Income tax effects of:			
Nontaxable income	<b>(107,392,756)</b>	(530,413)	(164,266)
Stock issuance cost	<b>(55,441,067)</b>	-	-
Nondeductible expenses	<b>35,641,071</b>	4,620,824	3,367,203
Interest income subjected to final tax	<b>(9,841,220)</b>	(1,588,044)	(1,195,639)
Unrecognized DTA	-	500,741	-
	<b>P434,369,406</b>	P271,197,041	P243,230,803

The components of the Group's deferred tax assets and liabilities, relating to temporary differences are shown below.

	2016	2015
NOLCO	<b>P657,301,081</b>	P303,526,427
Unearned interest income on installment contracts receivable	<b>77,652,764</b>	43,097,401
MCIT	<b>33,819,649</b>	20,668,859
Accrued rent expense	<b>30,034,919</b>	42,942,901
Unearned rent income	<b>8,777,664</b>	5,263,502
Retirement benefits liability	<b>1,836,430</b>	1,495,160
Impairment loss on contracts receivables	<b>329,572</b>	329,572
Unrealized loss on fair value measurements	<b>203,855</b>	1,485,781
Unearned hotel revenues	<b>89,297</b>	-
DTA	<b>810,045,231</b>	418,809,603
Unrealized gains on fair value measurements	<b>901,577,199</b>	420,205,404
Borrowing costs	<b>339,941,728</b>	146,315,541
Excess of financial realized gross profit over taxable realized gross profit	<b>296,224,679</b>	132,285,881
Unamortized debt issue costs	<b>69,973,093</b>	63,387,589
Depreciation expense on depreciable investment property	<b>52,273,517</b>	6,007,667
Unamortized bond issue costs	<b>24,702,480</b>	-
Accrued interest and management income	<b>2,396,918</b>	-
Accrued rent income	<b>6,151,702</b>	5,922,946
Deferred lease income	-	11,022,182
DTL	<b>1,693,241,316</b>	785,147,210
Net DTL	<b>P883,196,085</b>	P366,337,608

The details of the Group's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2016	P1,289,417,468	P -	P -	P1,289,417,468	2019
2015	908,313,533	(3,907,306)	-	904,406,227	2018
2014	83,117,090	-	-	83,117,090	2017
2013	911,228	-	(911,228)	-	2016
	P2,281,759,319	(P3,907,306)	(P911,228)	P2,276,940,785	

The NOLCO pertains to net losses sustained by the Group's subsidiaries.

The details of MCIT, which can be claimed as tax credits against future regular corporate income tax liabilities, are as follow:

Year Incurred	Amount Incurred	Applied	Expired	Remaining Balance	Year of Expiration
2016	P13,150,790	P -	P -	P13,150,790	2019
2015	20,668,859	-	-	20,668,859	2018
	P33,819,649	P -	P -	P33,819,649	

## 25. Earnings Per Share

Earnings per share (EPS) is computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	P1,079,113,320	P559,405,589	P555,890,174
Dividends on preferred shares	(494,505,000)	-	-
Net income attributable to common shareholders of the Parent Company	584,608,320	559,405,589	555,890,174
Weighted average number of common shares for basic and diluted EPS	2,229,730,000	2,229,730,000	1,961,047,500
Basic and Diluted EPS	0.2622	0.2509	0.2835

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent preferred stock dividends declared.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2016, 2015 and 2014, the Parent Company has no potential dilutive debt or equity instruments.

Management Stock Option Plan (the "Plan") has no impact in the calculation of the diluted EPS since The Plan is pending approval of the SEC as at December 31, 2016.

The convertible preferred shares has no impact in the calculation of diluted EPS since the convertibility of the preferred shares will start on the 3rd year from the issue date which was in 2016.

## 26. Equity

The authorized capital stock of the Parent Company consist of:

	2016	2015
<b>Authorized Capital Stock</b>		
Common - P0.10 par value	<b>P500,000,000</b>	P500,000,000
Preferred - P100 par value	<b>20,000,000,000</b>	-
<b>Number of Shares Authorized for Issue</b>		
Common	<b>5,000,000,000</b>	5,000,000,000
Preferred	<b>200,000,000</b>	-

The movements in the number of subscribed shares are as follows:

	2016	2015
<b>Common</b>		
Balance at beginning and end of the year	<b>2,229,730,000</b>	2,229,730,000
<b>Preferred</b>		
Balance at beginning of the year	-	-
Subscription during the year	<b>100,000,000</b>	-
Balance at end of the year	<b>100,000,000</b>	-

### Common Shares

On January 30, 2014, the Parent Company filed with the SEC a Notice of Filing of Registration Statement for the registration of up to 579,730,000 common shares with par value of P0.10, to be offered by way of a primary offer.

On March 24, 2014, in accordance with the certificate of permit to offer securities for sale issued by the SEC, 579,730,000 common shares of the Parent Company with par value of P0.10 were registered and offered for sale at an offer price of P2.00 per share.

On November 11, 2015, the Parent Company's BOD approved the creation of 45,504,693 options underlying the Parent Company's common shares to be issued pursuant to the Parent Company's the Plan. The aforesaid corporate act was ratified by the Parent Company's stockholders on January 5, 2016.

The Plan covers the senior management of the Parent Company as identified by the Chairman and Chief Executive Officer. The Plan allows all covered senior management to acquire at market price at grant date such number of shares of stock not exceeding 2% of the issued and outstanding capital stock of the Parent Company or 45,504,693 shares, after a vesting period of three (3) years. The share options will be exercisable starting from their respective vesting dates up to seven (7) years from grant date.

The approval of the Stock Option Plan was ratified by the Shareholders on January 5, 2016 and submitted to SEC for approval on November 4, 2016. As of December 31, 2016, the Plan is still pending approval by the SEC.

On December 8, 2016, the Parent Company's BOD resolved to expand the coverage of the Plan to include rank and file regular employees of the Parent Company. As of the reporting date, the Plan is pending the approval of the SEC. There were no stock options granted during the year.

The Parent Company's public ownership percentage and total number of shareholders are 25.62% and 131, respectively, as at December 31, 2016 and 25.64% and 146, respectively, as at December 31, 2015.

#### Preferred Shares

On November 11, 2015, the Parent Company's BOD approved the increase in the authorized capital stock from P500.00 million to P20.50 billion with P100 par value. The aforesaid corporate act was ratified by the Parent Company's stockholders on January 5, 2016. On the same date, the Parent Company's BOD and stockholders approved the creation and issuance of 200,000,000 non-voting Preferred Shares with P100 par value.

On March 28, 2016, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of Subscriptions to Preferred Shares amounting to P10 billion cumulative, non-voting, non-participating, redeemable at the option of the Parent Company, convertible at the ratio of 1 preferred share to 1 common share, perpetual Preferred Shares at an offer price of P100 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On April 14, 2016, the Parent Company has secured approval from the SEC to issue Preferred Shares following the successful offer and distribution of subscriptions to 100,000,000 preferred shares amounting to P10,000,000,000.

#### Retained Earnings

On June 25, 2015, the BOD declared cash dividends of P0.05 per share equivalent to P111.49 million to common stockholders of record as at July 13, 2015 and were paid on July 27, 2015.

On June 23, 2016, the BOD declared regular cash dividends of P1.619 per share and special cash dividends of P0.0867 per share, amounting to P170.57 million to preferred stockholders of record as at July 8, 2016 and were paid on July 16, 2016.

On September 20, 2016, the BOD declared cash dividends of P1.6199 per share equivalent to P161.95 million to preferred stockholders of record as at October 4, 2016 and were paid on October 14, 2016.

On December 8, 2016, the BOD declared cash dividends of P1.61945 per share equivalent to P161.95 million to preferred stockholders of record as at January 4, 2017 and will be paid on January 14, 2017.

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## 27. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund its respective operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial assets include cash and cash equivalents, receivables, due from related parties and refundable deposits. These financial assets are used to fund the Group's operations and capital expenditures.

### Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Group's cash and cash equivalents, receivables, due from related parties and refundable deposits. The objective is to reduce the risk of loss through default by counterparties.

In respect of installments contracts receivable, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated by post-dated checks. Exposure to bad debts is not significant as titles to real estate properties are not transferred to the buyers until full payment has been made. There are no large concentrations of credit risk given the Group's diverse customer base.

Credit risk arising from rent receivable is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	2016	2015
Cash and cash equivalents*	6	<b>P5,385,185,368</b>	P955,611,833
Receivables**	7	<b>2,355,570,800</b>	1,195,940,352
Due from related parties	21	<b>101,808,489</b>	58,567,380
Refundable deposits***	9, 13	<b>93,917,546</b>	100,549,492
		<b>P7,936,482,203</b>	P2,310,669,057

\*Excluding "Cash on hand" account.

\*\* This includes both current and noncurrent portions of the account.

\*\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The following is the aging analysis per class of financial assets that are past due but not impaired as at December 31:

2016	Note	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
			1 to 30 Days	31 to 60 Days	More than 60 Days		
Receivables*	7	P2,157,912,172	P5,382,847	P24,793,057	P166,384,150	P1,098,574	P2,355,570,800
Due from related parties	21	101,808,489	-	-	-	-	101,808,489
Refundable deposits**	9, 13	93,917,546	-	-	-	-	93,917,546
		<b>P2,353,638,207</b>	<b>P5,382,847</b>	<b>P24,793,057</b>	<b>P166,384,150</b>	<b>P1,098,574</b>	<b>P2,551,296,835</b>

\* Including current and noncurrent portions.

\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

2015	Note	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
			1 to 30 Days	31 to 60 Days	More than 60 Days		
Receivables*	7	P1,169,284,374	P17,770,652	P -	P7,786,752	P1,098,574	P1,195,940,352
Due from related parties	21	58,567,380	-	-	-	-	58,567,380
Refundable deposits**	9, 13	100,549,492	-	-	-	-	100,549,492
		<b>P1,328,401,246</b>	<b>P17,770,652</b>	<b>P -</b>	<b>P7,786,752</b>	<b>P1,098,574</b>	<b>P1,355,057,224</b>

\* Including current and noncurrent portions.

\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The following is the credit quality of the Group's financial assets:

	Note	2016			Total
		High Grade	Medium Grade	Low Grade	
Cash and cash equivalents*	6	<b>P5,385,185,368</b>	P -	P -	<b>P5,385,185,368</b>
Receivables**	7	<b>2,163,295,019</b>	<b>24,793,057</b>	<b>167,482,724</b>	<b>2,355,570,800</b>
Due from related parties	21	<b>101,808,489</b>	-	-	<b>101,808,489</b>
Refundable deposits***	9, 13	<b>93,917,546</b>	-	-	<b>93,917,546</b>
		<b>P7,744,206,422</b>	<b>P24,793,057</b>	<b>P167,482,724</b>	<b>P7,936,482,203</b>

\*Excluding "Cash on hand" account.

\*\*This includes both current and noncurrent portions of the account.

\*\*\*This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

	Note	2015			Total
		High Grade	Medium Grade	Low Grade	
Cash and cash equivalents*	6	P955,611,833	P -	P -	P955,611,833
Receivables**	7	1,195,940,352	-	-	1,195,940,359
Due from related parties	21	58,567,380	-	-	58,567,380
Refundable deposits***	9, 14	100,549,492	-	-	100,549,492
		P2,310,669,057	P -	P -	P2,310,669,057

\*Excluding "Cash on hand" account.

\*\*This includes both current and noncurrent portions of the account.

\*\*\*This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The Group assessed the credit quality of unrestricted cash as high grade since this is deposited with reputable banks with low probability of insolvency.

Receivables assessed as high grade pertains to receivable from buyer that had no default in payment; medium grade pertains to receivable from buyer who has history of being 31 to 60 days past due; and low grade pertains to receivable from buyer who has history of being over 60 days past due. Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The Group performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness. The Group will assess the collectibility of its receivables and provide a corresponding allowance provision once the account is considered impaired.

The credit risk for due from related parties and refundable deposits is considered negligible since these accounts are still collectible based on the assessment of debtor's ability to pay and collection agreement.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Note	As at December 31, 2016					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years	
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	14	P2,583,597,037	P2,583,597,037	P2,583,597,037	P -	P -
Due to related parties	21	528,694,491	528,694,491	528,694,491	-	-
Dividends payable		161,945,000	161,945,000	161,945,000	-	-
Notes payable**	15	18,513,841,835	19,648,589,515	3,525,683,666	9,161,455,485	6,961,450,364
Bonds payable	15	5,217,658,399	8,475,763,710	317,400,526	1,270,481,329	6,887,881,855
Other noncurrent liabilities***	17	844,155,052	909,060,873	346,439,797	460,027,538	102,593,538

\* Excluding statutory obligations and unearned rent income account.

\*\* This includes both current and noncurrent portions of the account.

As at December 31, 2015						
Note	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years	
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	14	P1,586,828,854	P1,586,828,854	P1,586,828,854	P -	P -
Notes payable**	15	15,406,260,238	19,388,238,291	4,999,291,256	3,657,916,783	10,731,030,252
Due to related parties	21	553,660,373	553,660,373	553,660,373	-	-
Other noncurrent liabilities***	17	613,446,150	794,518,890	110,039,723	566,868,214	117,610,953

\* Excluding statutory obligations unearned rent income account.

\*\* This includes both current and noncurrent portions of the account.

### Interest Rate Risk

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group has short-term and long-term bank borrowings with fixed interest rates. Therefore, the Group is not subject to the effect of changes in interest rates.

### Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### *Cash and Cash Equivalents/Due from Related Parties/Accounts Payable and Other Current Liabilities/Due to Related Parties*

The carrying amounts of cash and cash equivalents, due from related parties, refundable deposits, accounts payable and other current liabilities, short-term notes payable and due to related parties approximate their fair values due to the relatively short-term nature of these financial instruments.

#### *Receivables*

The fair values of installment contract receivable and receivables from leasehold rights' buyers from are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The fair value of other receivables is approximately equal to their carrying amounts due to the short-term nature of the financial assets.

#### *Refundable Deposits/Payable to RCBC/Security Deposits*

Refundable deposits, payable to RCBC and security deposits are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

#### *Short-term Notes Payable/Long-term Notes Payable/Bonds Payable*

The fair value of the interest-bearing fixed-rate short-term and long-term debts is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as of reporting date.

### Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2016 and 2015. The Group is not subject to externally-imposed capital requirements.

## 28. Business Combinations

### 2016 Acquisition: HOA

On August 11, 2016, as amended on October 10, 2016, the Parent Company entered into a Share Purchase Agreement (SPA) with III, CCBHI and SRDC (collectively known as the "shareholders") for the sale and purchase of shareholders' shares of HOA. Closing date of the agreement is October 12, 2016. Details of the shares acquired by the Parent Company are as follows:

	Number of Shares	Percentage Interest	Par Value
III	40,000	40%	P40,000,000
CCBHI	15,000	15%	15,000,000
SRDC	15,000	15%	15,000,000
	70,000	70%	P70,000,000

Total consideration price are as follows:

	Cash Consideration	Fair Value of Shares to be Issued
III	P -	P429,944,449
CCBHI	178,321,500	-
SRDC	178,321,500	-
	P356,643,000	P429,944,449

The market value of the common shares at the date of the amended agreement, October 12, 2016, is P55.30.

Based on the SPA, the purchase price, payable to III in common shares of DD is computed at a 5% premium over the weighted average of the closing prices of DD's shares of stock for a period of 30 trading days ending the day prior to the closing date ("weighted average price per share").

Thus the weighted average price per share to be used in computing for the number of shares to be issued is P61.1625, pending approval by SEC as at December 31, 2016.

SPA provides that the Parent Company shall enjoy all the rights, privileges and benefits, and have all the corresponding obligations, of a shareholder owning 70% of the outstanding capital stock of HOA, including board representation as at execution of the agreement or cut-off date.

The acquisition gave the Parent Company 70% ownership and control, based on PFRS 3, *Business Combination*, of HOA effective October 12, 2016. For convenience purposes, the Group used September 30, 2016 as the cut-off date in determining the net assets of HOA.

HOA, a company incorporated in the Philippines, is a hospitality firm primarily engaged in the ownership, operations and development of hotel projects. HOA will serve as the Group's hospitality arm. The investment in HOA will allow the Group to benefit from the booming tourism prospects for the Philippines in the years to come, as well as to fully optimize the use and value of its string of prime properties in various strategic areas around the country.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary values of the identifiable net assets of HOA are as follows:

	September 30, 2016
<b>Assets</b>	
Cash	P76,088,634
Receivables	371,339,995
Inventories	144,833,616
Other current assets	167,349,682
Property and equipment - net	1,013,582,059
Investment property	72,385,000
Deposit for land acquisition	158,184,085
Deferred tax assets	1,570,798
Other noncurrent assets	57,420,891
	<b>2,062,754,760</b>
<b>Liabilities</b>	
Accounts payable and other current liabilities	175,485,280
Customers' deposits	174,696,990
Notes payable	797,985,033
Deferred tax liabilities	50,058,560
	<b>1,198,225,863</b>
<b>Net assets acquired</b>	<b>864,528,897</b>
Acquisition cost	786,587,449
Non-controlling interest	77,941,448
	<b>864,528,897</b>
<b>Excess of acquisition cost over net assets acquired</b>	<b>P -</b>

From October 13 to December 31, 2016, the Group's share in HOA's revenues and net loss amounted to P79.50 million and P113.65 million, respectively. If the combination had taken place at the beginning of 2016, the Group's share in HOA's total revenues and net loss would have been P211.06 million and P79.55 million, respectively.

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**29. Note to Consolidated Statements of Cash Flows**

The Group's noncash activities are as follow:

- a. Transfer from "Investment property" to "Property and equipment" account amounting to P258.6 million in 2016;
- b. Capitalized borrowing cost on "Investment property" and "Inventories" accounts amounting to P767.7 million and P97.6 million as at December 31, 2016, respectively; and
- c. Transfer from "Leasehold rights" to "Investment property" account amounting to P158.44 million in 2015.

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**30. Events After the Reporting Date**

On March 21, 2017, the BOD declared cash dividends of P1.161945 per share to preferred stockholders of record as at April 4, 2017 and will be paid on April 17, 2017.

On April 3, 2017, HOA purchased 250,000 Contemporain Development Corporation (CDC) shares from KYP Royalty Holding Corporation for the amount of P74,184,500.

On April 3, 2017, HOA subscribed 1,250,000 shares out of the increase in authorized capital stock of CDC for the amount of P348,162,500.

CDC warrants to seek the Securities Exchange and Commission (SEC) for approval of the increase of its authorized capital stock from P250,000,000, divided into 2,500,000 shares of Common Stock with a par value of P100, to P375,500,000, divided into 3,750,000 shares of Common Stock with a par value of P100.

The total of 1,500,000 shares purchased and subscribed out of the 3,750,000 authorized capital stock (after the increase in ACS is approved by SEC) will give rise to HOA's 40% ownership in CDC.

# COVER SHEET

## For AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	9	3	0	3	5	4
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**COMPANY NAME**

D	O	U	B	L	E	D	R	A	G	O	N	P	R	O	P	E	R	T	I	E	S	C	O	R	P	.
A	N	D	S	U	B	S	I	D	I	A	R	I	E	S												

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

D	D	M	e	r	i	d	i	a	n	P	a	r	k	B	a	y	A	r	e	a					
C	o	r	n	e	r	M	a	c	a	p	a	g	a	l	A	v	e	n	u	e	a	n	d		
E	D	S	A	E	x	t	e	n	s	i	o	n	B	o	u	l	e	v	a	r	d				
B	r	g	y	.	7	6	Z	o	n	e	1	0	,	S	a	n	R	a	f	a	e	l			
P	a	s	a	y	C	i	t	y	,	M	e	t	r	o	M	a	n	i	l	a					

**Form Type**

A	A	F	S
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**Department requiring the report**

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**Secondary License Type, If Applicable**

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**COMPANY INFORMATION**

**Company's email Address**

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**Company's Telephone Number/s**

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**Mobile Number**

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**No. of Stockholders**

--

**Annual Meeting (Month / Day)**

Day preceding the last  
Friday of the month of  
June

**Fiscal Year (Month / Day)**

December 31

**CONTACT PERSON INFORMATION**

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

**Name of Contact Person**

Rizza Marie Joy Sia

**Email Address**

rmjs@doubledragon.com.ph

**Telephone Number/s**

856-7111

**Mobile Number**

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**CONTACT PERSON'S ADDRESS**

16<sup>th</sup> Floor, 6750 Building, 6750 Ayala Avenue, 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.

**Note 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.

**COVER SHEET**

C	S	2	0	0	9	3	0	3	5	4
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S.E.C. Registration Number

D	O	U	B	L	E	D	R	A	G	O	N		P	R	O	P	E	R	T	I	E	S		C	O	R	P	.
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A	N	D		S	U	B	S	I	D	I	A	R	I	E	S													
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(	F	o	r	m	e	r	l	y		I	n	j	a	p		L	a	n	d									
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C	o	r	p	o	r	a	t	i	o	n	)																	
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(Company's Full Name)

D	D		M	E	R	I	D	I	A	N		P	A	R	K		A	R	E	A		C	O	R	.				
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M	A	C	A	P	A	G	A	L		A	V	E	.		A	N	D		E	D	S	A		E	X	T	.		
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B	L	V	D	.		S	A	N		R	A	F	A	E	L	,		P	A	S	A	Y		C	I	T	Y		
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(Business Address : No. Street Company / Town / Province)

Rizza Marie Joy Sia
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Contact Person

856-7111
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Company Telephone Number

0	6	3	0
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*Month Day*

1	7	-	Q
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FORM TYPE

0	7	2	1
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*Month Day*  
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings																					

Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Remarks = pls. use black ink for scanning purposes.

SEC No. 200930354  
File No. \_\_\_\_\_

**DOUBLEDRAAGON PROPERTIES CORP.**  
(Company's Full Name)

**DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension**  
**Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302**  
(Company's Address)

**856 7111**  
(Telephone Number)

**December 31**  
(Fiscal Year ending)

**Form 17-Q for the Second Quarter of 2017**  
(Form Type)

**N/A**  
Amendment Designation

**N/A**  
Period Ended Date

**N/A**  
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2017
2. Commission identification number CS200930354 3. BIR Tax Identification No. 287-191-423-000
4. Exact name of issuer as specified in its charter: DoubleDragon Properties Corp.
5. Province, country or other jurisdiction of incorporation or organization: Republic of the Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office and Postal Code: DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302
8. Issuer's telephone number, including area code: (632) 856-7111
9. Former name, former address and former fiscal year, if changed since last report: 5th Floor People's Hotel Fuentes and Delgado Sts., Iloilo City 5000
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class amount outstanding	Number of shares of common stock outstanding and of debt
<u>Common Shares</u>	<u>2,229,730,000</u>
<u>Preferred Shares</u>	<u>100,000,000</u>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Stock Exchange: Philippine Stock Exchange

Securities Listed: Common Shares and Preferred Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No  N/A

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

Yes  No  N/A

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The following financial statements are submitted as part of this report:

- a) Unaudited Consolidated Statements of Comprehensive Income for the three months ended June 30, 2017 and June 30, 2016;
- b) Consolidated Statements of Financial Position as of June 30, 2017 (unaudited) and December 31, 2016 (audited);
- c) Unaudited Consolidated Statements of Changes in Equity for the six months ended June 30, 2017 and June 30, 2016; and
- d) Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and June 30, 2016.

**DOUBLEDRAAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Note</i>	<b>Unaudited June 30, 2017</b>	<b>Audited December 31, 2016</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6,28	927,045,928	5,466,874,377
Receivables – net	7,28	2,093,316,398	1,712,247,793
Inventories	8	3,398,525,537	3,186,344,243
Due from related parties	9	101,808,489	101,808,489
Prepaid expenses and other current assets - net	10,14,23,28	3,441,776,073	3,251,281,534
<b>Total Current Assets</b>		<b>9,962,472,425</b>	<b>13,718,556,436</b>
<b>Noncurrent Assets</b>			
Receivables - net of current portion	7,28	956,723,615	643,323,007
Property and equipment - net	11	1,478,577,689	1,459,841,829
Goodwill and intangible assets	12	159,648,852	170,035,031
Investment property	13	36,056,922,921	32,535,137,136
Deferred tax assets	25	129,515,677	15,519,784
Other noncurrent assets	14, 23, 28	1,798,587,953	1,001,210,584
<b>Total Noncurrent Assets</b>		<b>40,579,976,707</b>	<b>35,825,067,371</b>
		<b>50,542,449,132</b>	<b>49,543,623,807</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other liabilities	8, 15, 28	2,192,545,843	2,639,958,858
Short-term notes payable	16, 28	4,792,708,418	3,486,004,312
Due to related parties	22, 28	729,305,852	1,081,038,940
Current portion of customers' deposits	17	148,579,236	219,924,165
Dividends payable		161,945,000	161,945,000
Income tax payable		19,430,530	1,128,130
<b>Total Current Liabilities</b>		<b>8,044,514,879</b>	<b>7,589,999,405</b>
<b>Noncurrent Liabilities</b>			
Long-term notes payable - net of debt issue costs	16, 28	14,957,750,490	15,027,837,523
Bonds payable – net of issue cost		5,220,831,408	5,217,658,399
Deferred tax liabilities	25	1,080,001,255	898,715,869
Retirement benefits liability	24	5,864,403	6,121,432
Customers' deposits - net of current portion	17	-	-
Other noncurrent liabilities	18, 28	982,027,593	844,155,052
<b>Total Noncurrent Liabilities</b>		<b>22,246,475,149</b>	<b>21,994,488,275</b>
<b>Total Liabilities</b>		<b>30,290,990,028</b>	<b>29,584,487,680</b>

*Forward*

<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	27	222,973,000	222,973,000
Preferred Shares	27	10,000,000,000	10,000,000,000
Additional paid-in capital	27	1,358,237,357	1,358,237,357
Retained earnings	27	1,574,575,507	1,574,129,905
Retirement benefits liability		(2,602,254)	(2,602,254)
		<b>13,153,183,610</b>	<b>13,152,738,008</b>
<b>Non-controlling Interest</b>	2	<b>7,098,275,494</b>	<b>6,806,398,119</b>
<b>Total Equity</b>		<b>20,251,459,104</b>	<b>19,959,136,127</b>
<b>Total Liabilities and Equity</b>		<b>50,542,449,132</b>	<b>49,543,623,807</b>

*See Notes to the Consolidated Financial Statements.*

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the quarters ended June 30, 2017 and June 30, 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>REVENUES</b>		
Real estate sales	356,783,282	290,788,785
Leasehold rights' sales	-	3,126,785
Rental income	163,895,970	46,819,505
Hotel revenues	115,232,935	-
Interest income	317,903,400	24,029,484
Other income from forfeiture	3,456,616	4,361,907
Others	24,088,856	28,376,454
	<b>981,351,059</b>	<b>397,502,920</b>
<b>COST AND EXPENSES</b>		
Cost of real estate sales	148,621,791	145,412,593
Cost of leasehold rights	-	516,706
Cost of hotel operations	46,748,626	-
Selling and marketing expenses	7,247,977	26,218,048
General and administrative expenses	195,796,674	100,534,887
Interest expense	351,002,289	20,616,667
	<b>749,417,357</b>	<b>293,298,901</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>231,933,702</b>	<b>104,204,019</b>
<b>INCOME TAX EXPENSE</b>	<b>21,198,543</b>	<b>3,660,346</b>
<b>NET INCOME/TOTAL</b>		
<b>COMPREHENSIVE INCOME</b>	<b>210,735,159</b>	<b>100,543,671</b>
<b>Attributable to:</b>		
Equity holders of the Parent		
Company	175,319,026	92,517,115
Non-controlling interest	35,416,133	8,026,556
	<b>210,735,159</b>	<b>100,543,671</b>
<b>Earnings per share</b>		
Basic	0.00600	0.04149
Diluted	0.00600	0.04149

*See Notes to the Consolidated Financial Statements.*

**DOUBLEDRAGON PROPERTIES CORP.**  
**(Formerly Injap Land Corporation)**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the six months ended June 30, 2017 and 2016**

	<b>June 30 2017</b>		<b>June 30 2016</b>	
	Number of Shares	Amount	Number of Shares	Amount
<b>CAPITAL STOCK</b>				
Authorized				
Common Shares - P0.10 par value - February 10, 2014				
P1 par value - April 10, 2013; P100 par value - 2012	5,000,000,000	500,000,000	5,000,000,000	500,000,000
Preferred Shares - P100 par value - April 14, 2016	200,000,000	20,000,000,000	200,000,000	20,000,000,000
Issued and outstanding				
Balance at beginning of year	2,229,730,000	222,973,000	2,229,730,000	222,973,000
Stock issuances during the year - preferred shares	100,000,000	10,000,000,000	100,000,000	10,000,000,000
<b>Balance at June 30</b>	<b>2,329,730,000</b>	<b>10,222,973,000</b>	<b>2,329,730,000</b>	<b>10,222,973,000</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		1,358,237,357		1,358,237,357
Stock issuances during the year		-		-
Stock issuance costs		-		(181,821,688)
<b>Balance at June 30</b>		<b>1,358,237,357</b>		<b>1,176,415,669</b>
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		1,574,129,905		1,174,325,142
Net income for the period		324,731,380		131,549,553
Stock issuance cost		(395,778)		
Cash dividends declared		(323,890,000)		
<b>Balance at June 30</b>		<b>1,574,575,507</b>		<b>1,305,874,695</b>
<b>REMEASUREMENT LOSS ON DEFINED BENEFIT LIABILITY</b>				
		<b>(2,602,254)</b>		<b>(2,602,254)</b>
<b>NON-CONTROLLING INTEREST</b>				
Balance at beginning of year		6,806,398,119		5,891,543,910
Share capital		239,068,213		200,000,000
Additional paid-in-capital		1,140,001		
Deposit for future stock subscription				28,302,632
Effect of business combination				
Net income for the period		51,669,161		12,653,502
<b>Balance at June 30</b>		<b>7,098,275,494</b>		<b>6,132,500,044</b>
		<b>20,251,459,104</b>		<b>18,835,161,154</b>

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the six months ended June 30, 2017 and 2016**

	June 30, 2017	June 30, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	420,164,220	173,583,534
Adjustments for:		
Interest expense	366,812,086	48,749,496
Depreciation and amortization	33,503,387	10,835,873
Interest income	(327,156,353)	(25,056,634)
Operating income before working capital changes	493,323,340	208,112,269
Decrease (increase) in:		
Receivables	(381,068,605)	(494,326,690)
Real estate inventories	(212,181,294)	(189,233,326)
Due from related parties	-	(101,915,516)
Prepaid expenses and other current assets	(190,494,538)	(363,273,687)
Increase (decrease) in:		
Accounts payable and other liabilities	(447,413,015)	348,840,194
Customers' deposits	(71,344,929)	32,414,516
Due to related parties	(351,733,088)	32,728,353
Cash absorbed by operations	(1,160,912,129)	(526,653,887)
Interest received	7,347,908	25,056,634
Interest paid	(551,016,649)	(373,930,487)
Net cash used in operating activities	(1,704,580,870)	(875,527,740)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(50,462,699)	(7,257,743)
Additions to intangible assets	(1,173,050)	(14,464,676)
Additions to investment property	(3,185,784,943)	(5,780,770,080)
Increase in other noncurrent assets	(797,377,369)	(136,924,701)
Net cash used in investing activities	(4,034,798,061)	(5,939,417,200)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	-	9,862,878,668
Proceeds from loans and note issuance	3,029,258,750	4,000,000,000
Payments of loans	(1,805,635,809)	(3,400,000,000)
Increase in other noncurrent payable	137,872,541	75,262,059
Cash dividends paid	(161,945,000)	-
Net cash provided by financing activities	1,199,550,482	10,538,140,727
<b>NET DECREASE IN CASH</b>	<b>(4,539,828,449)</b>	<b>3,723,195,787</b>
<b>CASH AT BEGINNING OF QUARTER</b>	<b>5,466,874,377</b>	<b>960,459,833</b>
<b>CASH AT END OF QUARTER</b>	<b>927,045,928</b>	<b>4,683,655,620</b>

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**DOUBLEDragon PROPERTIES CORP. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Reporting Entity**

DoubleDragon Properties Corp., (“DD” or the “Parent Company”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 9, 2009 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the Parent Company, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time.

The Parent Company’s shares are listed in the Philippine Stock Exchange (“PSE”) on April 7, 2014 under the stock symbol “DD”.

On June 23, 2015, the SEC approved the change in the Parent Company’s registered office address to DD Meridian Park Bay Area, Corner Macapagal Avenue and EDSA Extension Boulevard, Brgy. 76 Zone 10, San Rafael, Pasay City, Metro Manila. The Parent Company also maintains its corporate office at 16<sup>th</sup> Floor, 6750 Building, Ayala Avenue, Makati City.

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**2. Basis of Preparation**

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement

The consolidated financial statements of the Group have been prepared using the historical cost basis of accounting except for investment property which is measured at fair value.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as the "Group"):

Subsidiaries	Percentage of Ownership	
	2017	2016
DoubleDragon Sales Corp. (DDSC) <sup>(a)</sup>	100	100
DoubleDragon Property Management Corp. (DDPMC) <sup>(a)</sup>	100	100
Iloilo-Guimaras Ferry Terminal Corp. (IGFTC) <sup>(b)</sup>	100	100
DD-Meridian Park Development Corp. (DD-MPDC) <sup>(c)</sup>	70	70
DD HappyHomes Residential Centers Inc. (DDHRCI) <sup>(d)</sup>	70	70
Hotel of Asia, Inc. (HOA) <sup>(e)</sup>	70	70
CityMall Commercial Centers Inc. (CMCCI) <sup>(f)</sup>	66	66
Piccadilly Circus Landing Inc. (PCLI) <sup>(g)</sup>	50	50

(a) Consolidated effective January 1, 2012.

(b) Incorporated and consolidated effective June 10, 2016.

(c) Consolidated effective October 27, 2014.

(d) Consolidated effective May 23, 2014.

(e) Consolidated effective October 12, 2016.

(f) Consolidated effective December 27, 2013.

(g) Consolidated effective August 1, 2013.

#### *DDSC*

DDSC was incorporated and registered with the SEC on November 12, 2012 primarily to engage in the business of selling or marketing real estate products, including but not limited to land, buildings, condominium units, town houses, apartments, house and lot packages and all other forms of real estate products. DDSC has not started its commercial operations as at June 30, 2016.

#### *DDPMC*

DDPMC was incorporated and registered with the SEC on January 17, 2012 primarily to engage in maintaining, preserving, preparing and cleaning buildings, condominiums, townhouses, hotels, amusement or recreational places, counters, office premises, factories, shops, equipment and facilities. DDPMC started its commercial operations in 2015.

#### *IGFTC*

IGFTC was incorporated and registered with the SEC on June 10, 2016, primarily to finance, design, construct, develop, operate and maintain Iloilo City-Guimaras Ferry Terminal and the surrounding areas and to provide a safe, efficient and modern ferry terminal for commuters going to and arriving from Guimaras Island. IGFTC has not started its commercial operations as at December 31, 2016.

#### *DD-MPDC*

DD-MPDC was incorporated and registered with the SEC on October 27, 2014 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the entity, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. DD-MPDC has not started its commercial operations as at June 30, 2016.

***DDHHRCI***

DDHHRCI was incorporated and registered with the SEC on September 15, 2011 primarily to engage, operate and hold or manage real estate business, to acquire by purchase, lease, donation or otherwise, own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, and hold for investment or otherwise, real estate of all kinds, whether improved, managed or otherwise, deal in or dispose of buildings, houses, apartments, townhouses, condominiums, and other structure of whatever kind, together with the appurtenances or improvements found thereon. DDHHRCI started its commercial operations in 2014.

***HOA***

HOA was incorporated and registered with the SEC on June 8, 2011 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by HOA, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. HOA started its commercial operations in 2012.

HOA has the following subsidiaries which are also engaged in the hotel industry and are included in the consolidated financial statements:

<u>Subsidiaries</u>	<u>Percentage of Ownership</u>
	<u>2017</u>
Hotel 101 Management Corporation <sup>(h)</sup>	<b>100</b>
CSI Hotels Incorporated <sup>(h)</sup>	<b>50</b>

<sup>(h)</sup> Consolidated effective October 12, 2016.

***CMCCI***

CMCCI was incorporated and registered with the SEC on December 27, 2013 primarily to engage in the business of commercial shopping centers or malls, and for the attainment of this purpose, to construct, build, develop, operate and maintain commercial center or malls and to perform all acts or trades necessary for its operation and maintenance, including but not limited to the preservation of commercial spaces for rent, amusement centers, movie theater, performing arts center, children's play area and hobby or gaming centers, parking lots and other service facilities, within the compound or premises of the shopping centers. CMCCI started its commercial operations in 2015.

CMCCI has the following subsidiaries which are also engaged in the real estate investment industry and are included in the consolidated financial statements:

Subsidiaries	Percentage of Ownership	
	2017	2016
CM-Norhttown Davao Inc. <sup>(i)</sup>	79	79
Prime DDG Commercial Centers Inc. <sup>(j)</sup>	70	70
CM-Goldenfields Bacolod Inc. <sup>(k)</sup>	70	70
CM-Tarlac MacArthur Inc. <sup>(l)</sup>	70	70
CM-Danao Cebu Inc. <sup>(m)</sup>	70	70
CM-Mandalagan Bacolod Inc. <sup>(m)</sup>	70	70
CM-Dipolog Zamboanga Inc. <sup>(n)</sup>	70	70

<sup>(i)</sup> Incorporated and consolidated effective December 5, 2016.

<sup>(j)</sup> Incorporated and consolidated effective April 28, 2014.

<sup>(k)</sup> Incorporated and consolidated effective March 2, 2015.

<sup>(l)</sup> Incorporated and consolidated effective April 24, 2015.

<sup>(m)</sup> Incorporated and consolidated effective July 21, 2015.

<sup>(n)</sup> Incorporated and consolidated effective October 8, 2015.

#### **PCLI**

PCLI was incorporated and registered with the SEC on October 10, 2012 primarily to engage in owning, using, improving, developing, subdividing, selling, exchanging, leasing and holding for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. PCLI started its commercial operations in 2013.

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the equity holders of the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in DD-MPDC, DDHRCI, CMCCI and its subsidiaries, PCLI and HOA and its subsidiaries in 2016 and 2015.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. The adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:
  - *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

- *Disclosure of information “elsewhere in the interim financial report” (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” - i.e., incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.
- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

*New Standards, Amendments to Standards and Interpretation Issued Not Yet Adopted*

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new standards, amendments to standards and interpretation in preparing these consolidated financial statements. Management is in the process of assessing the impact of these new standards, amendments to standards and interpretation which may be relevant on the consolidated financial statements upon adoption in their respective effective dates.

*Effective January 1, 2017*

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users’ requests for improved disclosures about an entity’s net debt relevant to understanding an entity’s cash flows. The amendments require entities 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 - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Early adoption is permitted. On initial application, 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. If an entity applies the relief, it shall disclose that fact.

*Effective January 1, 2018*

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2)*. The amendments cover the following areas:
  - *Measurement of cash-settled awards*. The amendments clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments - i.e., the modified grant date method.

- *Classification of awards settled net of tax withholdings.* The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if:
  - the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and
  - the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.

The exception does not apply to equity instruments that the company withholds in excess of the employee's tax obligation associated with the share-based payment.

- *Modification of awards from cash-settled to equity settled.* The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled, at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value, recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in profit or loss immediately.

As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Transfers of Investment Property (Amendments to PAS 40)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

*Effective January 1, 2019*

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

*Deferral of the Local Implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB 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.

*Deferral of the Local Implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate*

- Philippine Interpretation IFRIC 15 *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Financial Instruments

*Date of Recognition*

The Group recognizes a financial asset or financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

*Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments, AFS financial assets and financial assets at FVPL as at June 30, 2017 and December 31, 2016.

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities 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 designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, receivables, due from related parties and refundable deposits under "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts are included in this category (Notes 6, 7, 9 and 13).

#### Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at June 30, 2017 and December 31, 2016.

#### Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's accounts payable and other current liabilities, due to related parties, notes payable, bonds payable and other noncurrent liabilities (excluding payables to government agencies and unearned rent income) accounts are included in this category (Notes 14, 15 and 17).

#### Derecognition of Financial Assets and Financial Liabilities

##### Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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. The difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have 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.

For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of 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) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### Fair Value Measurements

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 in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or 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.

The Group 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Inventories

##### *Real Estate Inventories*

Real estate inventories are properties that are acquired and developed or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. They consist of acquisition cost of land and other related development costs, capitalized borrowings and other capitalized costs.

These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sale.

The cost of real estate inventories recognized in profit or loss is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.

##### *Hotel Inventories*

Hotel inventories are valued at the lower of cost and NRV. The cost of hotel inventories is determined using the weighted average method and includes all expenditures incurred in acquiring the inventories and in bringing them to their existing location and condition.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of marketing and distribution necessary to make the sale.

The Group maintains an allowance to reduce hotel inventories to NRV at a level considered adequate to provide for potential obsolete inventories. The level of this allowance is evaluated by management based on the movements and current condition of hotel inventory items. Such allowance has been considered in the determination of the NRV of the hotel inventories.

The amount of any write-down of hotel inventories to NRV and all losses of hotel inventories are recognized as expense in the period the write-down or loss occurred. The amount of any reversal of any write-down of hotel inventories arising from an increase in NRV is recognized as a reduction in the amount of hotel inventories recognized as expense in the period in which the reversal occurred.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for commissions, taxes and licenses and rental.

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), etc.

#### Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Building	50
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Equipment and showroom	3 to 10
Furniture and fixtures	3 to 5
Room fixtures and components	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized using the straight-line method over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible assets.

The following intangibles are recognized and determined by the Group to have finite lives:

#### *Concession Right*

Concession right on service concession arrangements is recognized when the Group effectively receives a license or right to charge users for the public service it provides. Concession rights consist of the cost of the ferry terminal constructed in accordance with the terms and conditions of the concession arrangements accounted for under Philippine Interpretation IFRIC 12 *Service Concession Arrangements*. These are not recognized as property and equipment of the Group but as an intangible asset.

The service concession right is amortized on a straight-line basis over the years stated in the concession arrangement which is 25 years from the start of commercial operations and is being assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### *Computer Software Licenses*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as the lives of this intangible asset is considered limited.

#### Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation. Initially, investment property is measured at cost including certain transaction costs. Subsequent to initial recognition, investment property, is stated at fair value, which reflects market conditions at the reporting date. The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Group's investment property. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment property of the Group is mainly composed of land, building and construction-in-progress.

Investment property is derecognized either when it is disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or real estate inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

#### *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

#### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

#### Impairment of Non-financial Assets

The carrying amounts of property and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

*Common Shares.* Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as deduction from equity, net of any tax effects.

*Preferred Shares.* Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's BOD.

#### Additional Paid-in Capital

Additional paid-in capital represents the amount received in excess of the par value of the capital stock issued.

Stock issuance costs are transaction costs that are directly attributable to the issuance of new shares accounted for as a deduction from equity, net of any related income tax benefit. Such costs are deducted from additional paid-in capital arising from the share issuance. If the additional paid-in capital is insufficient to absorb such expenses, the excess shall be charged to stock issuance costs to be reported as a contra equity account as a deduction from the following in the order of priority: (1) additional paid-in capital from previous stock issuance; and (2) retained earnings.

#### Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### *Real Estate Sales*

Revenue is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

For financial reporting purposes, revenue is recognized using the percentage of completion method as permitted by FRSC when all the following conditions are met:

- Equitable interest is transferred to the buyer;
- The Group is obliged to perform significant acts;
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits will flow to the Group.

Under this method, revenue is recognized as the related obligation is fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Nonrefundable reservation fees paid by prospective buyers which are to be applied against the receivable upon recognition of revenue and the excess collections from buyers over the related revenue recognized based on the percentage of completion method are included in the "Customers' deposits" account in the consolidated statements of financial position.

For income tax reporting purposes, income is recognized in full upon collection of at least 25% of the total contract price in the year of sale. Otherwise, revenue from sale is deferred and recognized as income based on collection of installments.

Estimated loss on unsold units is recognized immediately when it is probable that the total project cost will exceed total contract price.

#### *Leasehold Rights' Sale*

Revenue from sale of leasehold rights over mall stalls in the Dragon8 Shopping Center (the "Dragon8") is recognized on the accrual basis when the collectibility of sales price is reasonably assured.

#### *Rent Income*

Rent income from investment property is recognized on a straight-line basis over the lease term and terms of the lease, respectively or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

#### *Hotel Revenues*

Hotel revenues are based on the actual occupancy.

#### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

#### *Other Income*

Common Usage Service Area (CUSA) charges and income from various charges to tenants are recognized when earned. Other income from hotel operations, which include guest laundry, minibar, shuttle service and other charges, are recognized upon delivery of order or upon rendering of service.

#### Cost and Expense Recognition

Costs and expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

#### *Cost of Real Estate Sales*

The cost of real estate sales recognized in the consolidated statements of comprehensive income upon sale 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. It includes the following:

##### Land and Land Development Costs

Land and land development costs represent the cost for acquiring the land and preparing it for condominium site and residential lots.

##### Construction Costs and Other Project Costs

Construction costs and other project costs pertain to accumulated costs for materials, labor and overhead incurred as at reporting date.

#### *Cost of Leasehold Rights*

The cost consists of the prorated building's construction costs over which the corresponding leasehold rights are being sold. A systematic allocation of the construction/project cost is made based on the floor area attributable to the corresponding mall stalls.

### *Cost of Hotel Operations*

Cost of hotel operations is charged to operations when incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

### *Operating Lease*

#### *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as expense in the period in which they are incurred. Associated costs such as maintenance and insurance are expensed as incurred.

#### *Group as Lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset otherwise it's expensed out. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

The amount of specific borrowing costs capitalized is net of the investment income on any temporary investment of the funds pending expenditure on the asset. On the other hand, general borrowing costs capitalized is exclusive of any investment income earned.

### Employee Benefits

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Retirement Costs*

The Parent Company has no established retirement plan for its permanent employees and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The defined benefit retirement liability is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability
- Remeasurements of defined benefit retirement liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the defined benefit retirement liability is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability. Net interest on the defined benefit retirement liability is recognized as expense or income in profit or loss.

Remeasurements of defined benefit retirement liability comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

## Taxes

### *Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

### *VAT*

Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets - net" or "Accounts payable and other current liabilities" account in the consolidated statements of financial position.

## Related Parties

Parties are considered to be related 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 operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 5 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Impairment of Non-financial Assets*

PFRS require that an impairment review be performed on property and equipment and computer software licenses when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The combined carrying amounts of property and equipment and intangible assets with finite lives amounted to P1,553.95 million and P1,545.59 million as at June 30, 2017 and December 31, 2016, respectively (Notes 10 and 11).

##### *Distinction between Real Estate Inventories and Investment Property*

The Group determines whether a property will be classified as real estate inventories or investment property. In making this judgment, the Group considers whether the property is held for sale in the ordinary course of business [real estate inventories] or which is held primarily to earn rental and capital appreciation and is not substantially for use by, or in the operations of the Group [investment property].

##### *Distinction between Investment Property and Property and Equipment*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

##### *Property Acquisitions and Business Combinations*

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired. The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property* on ancillary services. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

#### *Determination of Control*

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

- a. power over the entity;
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent Company's returns.

#### *Collectibility of the Sales Price*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor the obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

#### *Provisions and Contingencies*

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements in June 2017, December 2016 and 2015.

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

#### *Revenue and Cost Recognition*

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales is recognized based on the percentage of completion. It is measured principally on the basis of the estimated completion of a physical proportion of contract work by reference to the actual costs incurred to date over the estimated total costs of the project. Changes in estimate may affect the reported amounts of revenue in real estate sales and receivables. There were no changes in the assumptions or basis for estimation during the year.

Revenue and cost recognized related to real estate contracts amounted to P756.80 million and P314.29 million, respectively, as at June 30, 2017, P531.52 million and P261.86 million, respectively, as at June 30, 2016, and P497.08 million and P272.87 million, respectively, as at June 30, 2015 (Note 18).

*Allowance for Impairment Losses on Receivables, Due from Related Parties and Refundable Deposits*

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.

The Group recognized impairment loss on its receivables amounting to P1.10 million in 2015. No impairment loss is recognized for due from related parties and refundable deposits in 2017, 2016 and 2015.

The combined carrying amounts of the Group's receivables, due from related parties and refundable deposits amounted to P3,385.16 million and P2,551.30 million as at June 30, 2017 and December 31, 2016, respectively (Notes 7, 9, 13 and 21).

*Write-down of Inventories*

The Group writes-down the costs of inventories to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the real estate inventories and leasehold rights are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

No inventories were written down to their net realizable values in 2016 and 2015.

The combined carrying amounts of the Group's inventories amounted to P3,398.53 million and P3,186.34 million as at June 30, 2017 and December 31, 2016, respectively (Note 8).

*Estimating Useful Lives of Property and Equipment and Intangible Assets with Finite Lives*

The Group estimates the useful lives of property and equipment and intangible assets with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets with finite lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment and intangible assets with finite lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and intangible assets with finite lives would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization amounted to P1,478.58 million and P1,459.84 million as at June 30, 2017 and December 31, 2016, respectively. Accumulated depreciation and amortization of property and equipment amounted to P72.45 million and P40.72 million as at June 30, 2017 and December 31, 2016, respectively (Note 10).

Intangible assets with finite lives, net of accumulated amortization amounted to P75.37 million and P85.75 million as at June 30, 2017 and December 31, 2016, respectively. Accumulated amortization of the intangible assets with finite lives amounted to P14.56 million and P11.13 million as at June 30, 2017 and December 31, 2016, respectively (Note 11).

#### *Impairment of Goodwill*

The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P84.28 million as at June 30, 2017 and December 31, 2016 (Note 11).

#### *Fair Value Measurement of Investment Property*

The Group carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such property.

Investment property amounted to P36,056.92 million and P32,535.14 million as at June 30, 2017 and December 31, 2016, respectively. Unrealized gains from changes in fair values of investment property recognized in profit or loss amounted to nil, P1,830.05 million, P811.06 million as at June 30, 2017, December 31, 2016 and 2015 (Note 12).

#### *Realizability of Deferred Tax Assets*

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax asset on deductible temporary difference and carryforward benefits of net operating loss carry-over (NOLCO) is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P129.52 million and P810.05 million as at June 30, 2017 and December 31, 2016, respectively (Note 24).

#### *Estimating Defined Benefit Retirement Obligation*

Defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 23 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of the defined benefit retirement obligation amounted to P5.86 and P6.12 million as at June 30, 2017 and December 31, 2016, respectively (Note 23).

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## 5. Segment Information

### Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are real estate development and real estate investment. The former segment is engaged in the development of real estate assets to be held as trading inventory and for sale while the latter segment is engagement in the acquisition and/or development of real estate assets that is held for rentals or for capital appreciation or both.

Others pertain to the segments engaged in marketing, property management activities and hotel operations.

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, real estate inventories, prepaid expenses and other current assets, property and equipment and computer software licenses, net of accumulated depreciation and amortization, investment property and other noncurrent assets. Segment liabilities include all operating liabilities and consist primarily of accounts payable and other current liabilities, customers' deposits and other noncurrent liabilities. Segment assets and liabilities do not include deferred taxes.

### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

There were no intersegment sales recognized between the two reportable segments in 2017 and 2016. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise of receivables, real estate inventories, prepaid expenses and other current assets, property and equipment, investment property and computer software licenses, net of accumulated depreciation and amortization, and other noncurrent assets. Liabilities of the individual segments include accounts payable and other current liabilities, customers' deposits and other noncurrent liabilities. Capital expenditures on noncurrent assets represent additions to property and equipment, computer software licenses and investment property. Noncash expenses pertain to depreciation and amortization expense attributable to the two reportable segments.

The Group has only one geographical segment, which is the Philippines.

## 6. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2017</b>	2016
Cash on hand		<b>P6,168,967</b>	P81,689,009
Cash in banks	27	<b>790,663,792</b>	489,906,103
Short-term placements	27	<b>130,213,169</b>	4,895,279,265
		<b>P927,045,928</b>	P5,466,874,377

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term placement rates. Total interest income from cash in banks and short-term placements amounted to P11.08 million, P32.80 million, P11.58 million as at June 30, 2017, December 31, 2016 and 2015, respectively.

## 7. Receivables

This account consists of:

	<i>Note</i>	<b>2017</b>	2016
Installment contracts receivable		<b>1,376,217,227</b>	P1,135,827,341
Rent receivable		<b>290,585,972</b>	209,373,450
Receivables from:			
Tenants		<b>67,970,129</b>	51,531,502
Condominium corporation and unit owners		<b>60,956,670</b>	58,038,820
Contractors		<b>45,393,232</b>	45,000,000
Leasehold rights' buyers		<b>34,372,154</b>	59,886,183
Hotel operations		<b>3,484,695</b>	25,854,803
Receivable from minority		<b>92,947,368</b>	56,605,263
Advances to employees		<b>47,757,894</b>	30,561,125
Others		<b>74,729,631</b>	40,667,880
		<b>2,094,414,972</b>	1,713,346,367
Less allowance for impairment loss		<b>1,098,574</b>	1,098,574
	27	<b>P2,093,316,398</b>	P1,712,247,793

The details of installment contracts receivable from real estate buyers follow:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Installment contracts receivable		<b>P2,048,934,230</b>	P1,524,512,517
Less unearned interest income		<b>66,755,273</b>	71,382,689
Net installment contracts receivable		<b>1,982,178,957</b>	1,453,129,828
Less noncurrent portion	27	<b>605,961,730</b>	317,302,487
		<b>P1,376,217,227</b>	P1,135,827,341

Installment contracts receivable from real estate buyers pertain to receivables from the sale of condominium and subdivision units. These receivables are collectible in monthly installments over a period of one to five years. These non-interest bearing installment contracts receivable are discounted using effective annual interest rates ranging from 3.00% to 13.00% that are specific to the tenor of the installment contracts receivable. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Total real estate revenue as at June 30, 2017, December 31, 2016 and 2015 amounted to 756.80 million, P931.9 million and P641.5 million, respectively. Real estate revenue is recognized using percentage of completion method as permitted by FRSC, based on the estimated completion of a physical proportion of the contract work. Gross profit as at June 30, 2017, December 31, 2016 and 2015 amounted to P442.51 million, P436.16 million and P270.87 million, respectively.

The details of receivables from leasehold rights' buyers follow:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Installment receivables from leasehold rights' buyers		<b>P428,741,723</b>	P429,514,387
Less unearned interest income		<b>43,607,684</b>	43,607,684
Net installment receivables from leasehold rights' buyers		<b>385,134,039</b>	385,906,703
Less noncurrent portion	27	<b>350,761,885</b>	326,020,520
Current portion		<b>P34,372,154</b>	P59,886,183

Receivables from leasehold rights' buyers pertain to receivables from the sale of leasehold rights in Dragon8. These receivables are collectible in monthly installments over a period of one to five years. These non-interest bearing installment receivables from leasehold rights buyers are discounted using effective annual interest rates ranging from 4.00% to 11.00% that are specific to the tenor of the installment receivables.

Rent receivable pertains to receivables arising from the lease of commercial spaces relating to the Group's CityMall operations. These are generally collectible within 30 days.

Receivables from condominium corporation and unit owners includes receivables from buyers for taxes and registration fees advanced on their behalf.

Receivables from tenants includes utilities, common usage service area fees and other charges billed to tenants which are due within 30 days upon billing.

Receivables from contractors pertains to the reimbursable share of contractors in the promotional cost incurred during the construction. These are generally collectible within 30-60 days.

Receivables from hotel operations consists of receivables from corporate hotel guests and are non-interest bearing and generally settled within 30 days.

The Group recognized impairment loss on its installment contracts receivable amounting to P1.10 million in 2015 (Note 20).

The total interest income recognized from the installment contracts receivable and receivables from leasehold rights' buyers amounted to nil, P86.49 million and P132.22 million as at June 30, 2017, December 31, 2016 and 2015, respectively.

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## 8. Inventories

This account consist of:

	2017	2016
Real estate inventories - at cost	<b>P3,394,475,331</b>	P3,184,389,728
Hotel inventories - at cost	<b>4,050,206</b>	1,954,515
	<b>P3,398,525,537</b>	P3,186,344,243

Real estate inventories represent the cost of construction and development of completed and in-progress residential, commercial and office units for sale. Projects of the Group include The Skysuites Tower, W.H. Taft Residences, The Uptown Place, Injap Tower, FirstHomes Subdivision, DD HappyHomes-Mandurriao, DD HappyHomes-Tanauan, DD HappyHomes-Zarraga and Hotel 101-the Fort.

### *The SkySuites Tower*

On September 1, 2014, the Group acquired from Rizal Commercial Banking Corporation (the "RCBC") the unfinished commercial, office and residential project, "The SkySuites Tower", in Quezon City for a total consideration of P700 million payable over four years. The Group was required to deliver to RCBC an irrevocable standby letter of credit to guarantee the payment of the remaining balance payable to RCBC. At the closing date of the transaction, RCBC delivered to the Group the physical possession and control over "The SkySuites Tower". Portion of the total acquisition cost of "The SkySuites Tower" and cost to be incurred in its development and completion was recognized as part of "Real estate inventories" and "Investment property" accounts in the consolidated statements of financial position for the parts pertaining to residential units for sale and commercial and office units held for leasing, respectively.

### *W.H. Taft Residences*

On November 5, 2012, the Group acquired and took over the development of W.H. Taft Residences (the "W.H. Taft"), a condominium project along Taft Avenue in the City of Manila, from Philtown Properties, Inc. (the "Philtown"). The Group also acquired the land where the W.H. Taft is located from the Landowner. The development of the W.H. Taft was formerly initiated under an unincorporated joint venture agreement between Philtown and the Landowner. The project was completed in September 2015.

### *The Uptown Place and Injap Tower*

On December 27, 2013, the Group entered into an unincorporated joint venture agreement with Injap Investments, Inc. ("III") for the joint development of "The Uptown Place" at General Luna St., Iloilo City and "Injap Tower" at Mandurriao District, Iloilo City (the "Projects"). The agreement stipulates that III shall contribute land and the Group shall finance and develop the Projects and be exclusively responsible for the management and supervision of the construction of the Projects.

In consideration for III's land contribution, the Group delivered some saleable units of the Projects to III. The costs incurred in the development of the Projects are recorded as part of "Real estate inventories" and "Investment property" accounts in the consolidated statements of financial position. The projects were completed in 2014.

*FirstHomes Subdivision*

In October 2012, the Group completed its first horizontal development project located at Navais, Mandurriao, Iloilo City. FirstHomes is a 1.30 hectare townhouse project consisting of 112 units.

*DD HappyHomes-Mandurriao*

On May 31, 2014, as a result of the business combination, the Group acquired DDHRCI's horizontal, residential real estate project in Mandurriao, Iloilo.

*DD HappyHomes-Tanauan and DD HappyHomes-Zarraga*

In 2016, the Group acquired additional landsites for horizontal, residential real estate projects in Tanauan, Leyte and Zarraga, Iloilo.

*Hotel 101 - the Fort*

In 2016, HOA entered into a Memorandum of Agreement and Deed of Absolute Conveyance with a minority shareholder of HOA to acquire a parcel of land to be used for the construction of Hotel 101 - the Fort project (Note 21).

Real estate inventories recognized as "Cost of real estate sales" amounted to P314.29 million, P495.76 million and P370.60 million as of June 30, 2017, December 31, 2016 and December 31, 2015, respectively (Note 18).

Capitalized borrowing costs amounted to P80.12 million and P97.6 million as at June 30, 2017 and December 31, 2016 using 4.26% and 4.26% as capitalization rates, respectively (Note 15).

No inventory write-down was recognized on real estate inventories in 2017, 2016 and 2015.

Hotel inventories mainly consists of consumable items used in the operations of "Injap Tower Hotel", "Jinjiang Inn Ortigas", "Jinjiang Inn Makati" and "Hotel 101 Manila". The cost of hotel inventories recognized under "Cost of hotel operations" in the consolidated statements of comprehensive income amounted to P109.67 million and P61.01 million as at June 30, 2017 and December 31, 2016, respectively.

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## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Input VAT – net		<b>P2,458,308,713</b>	P1,945,569,458
Advances to contractors and suppliers		<b>407,814,213</b>	855,184,903
Creditable withholding taxes		<b>185,255,520</b>	141,813,031
Prepaid expenses:			
Taxes		<b>78,550,872</b>	25,711,001
Marketing and multimedia		<b>37,125,130</b>	27,350,787
Rent	22	<b>33,879,809</b>	62,369,917
Commission		<b>7,062,334</b>	7,062,334
Insurance		<b>6,621,075</b>	3,259,013
Others		<b>70,096,478</b>	31,873,967
Refundable deposits	13, 22, 27	<b>15,887,750</b>	8,646,060
Other current assets		<b>141,174,179</b>	142,441,063
		<b>P3,441,776,073</b>	P3,251,281,534

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Input VAT represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

The Group has written off input VAT amounting to nil, P83.48 million, and P18.10 million as at June 30 2017, December 31, 2016 and 2015, respectively (Note 20).

Advances to contractors and suppliers represent amount paid as downpayments to contractors and suppliers to facilitate the initial construction of the Group's projects.

Creditable withholding taxes pertain to taxes withheld by the Group's customers which can be applied against any future income tax liability.

Advances to employees include advances for marketing events, official business trips and other approved disbursements that are not yet liquidated as at cut-off date. These advances are subject to liquidation within 30 days.

## 10. Property and Equipment

The movements and balances of this account consist of:

Cost	Note	Land	Building	Leasehold Improvements	Equipment and Showroom	Furniture and Fixtures	Room Fixtures and Components	Total
Balance, January 1, 2016		80,986,000	-	8,197,500	60,368,224	12,859,584	-	162,411,308
Assets acquired through business combination	28	479,440,282	486,664,046	494,489	16,793,383	8,276,720	21,913,139	1,013,582,059
Additions		-	16,385,854	2,108,418	38,127,734	9,141,604	173,008	65,936,618
Transfer/Reclassification*		-	258,632,000	-	-	-	-	258,632,000
<b>Balance, December 31, 2016</b>		<b>560,426,282</b>	<b>761,681,900</b>	<b>10,800,407</b>	<b>115,289,341</b>	<b>30,277,908</b>	<b>22,086,147</b>	<b>1,500,561,985</b>
<b>Additions</b>		<b>-</b>	<b>9,333,876</b>	<b>130,108</b>	<b>19,744,243</b>	<b>3,875,673</b>	<b>14,134,728</b>	<b>47,218,628</b>
<b>Balance, December 31, 2017</b>		<b>560,426,282</b>	<b>771,015,776</b>	<b>10,930,515</b>	<b>135,033,584</b>	<b>34,153,581</b>	<b>36,220,875</b>	<b>1,547,780,613</b>
<b>Accumulated Depreciation and Amortization</b>								
Balance, January 1, 2016		-	-	3,689,127	9,233,046	3,737,921	-	16,660,094
Depreciation and amortization	20	-	1,116,210	1,751,178	15,089,045	4,881,998	1,221,631	24,060,062
<b>Balance, December 31, 2016</b>		<b>-</b>	<b>1,116,210</b>	<b>5,440,305</b>	<b>24,322,091</b>	<b>8,619,919</b>	<b>1,221,631</b>	<b>40,720,156</b>
<b>Depreciation and amortization</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>1,313,384</b>	<b>15,195,473</b>	<b>3,928,039</b>	<b>8,045,872</b>	<b>28,482,768</b>
<b>Balance, December 31, 2017</b>		<b>-</b>	<b>-</b>	<b>6,753,689</b>	<b>39,517,564</b>	<b>12,547,958</b>	<b>9,267,503</b>	<b>69,202,924</b>
<b>Carrying Amount</b>								
December 31, 2016		P560,426,282	P760,565,690	P5,360,102	P90,967,250	P21,657,989	P20,864,516	P1,459,841,829
<b>December 31, 2017</b>		<b>P560,426,282</b>	<b>P769,899,566</b>	<b>P4,176,826</b>	<b>P95,516,020</b>	<b>P21,605,623</b>	<b>P26,953,372</b>	<b>P1,478,577,689</b>

\*DD's Inlap Tower Hotel condominium hotel units recorded in Investment Property is being managed by Hotel 101 Management Corporation. For consolidation purposes, the aforesaid property is recognized as part of "Property and Equipment - Building" account since it is owner-managed. Moreover, the recognized income share from Inlap Tower Hotel of DD was accordingly eliminated in the consolidated statements of comprehensive income.

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## 11. Goodwill and Intangible Assets

This account consists of:

	<b>Note</b>	<b>2017</b>	2016
Goodwill	<b>P84,281,386</b>	P84,281,386	
Advertising production cost	<b>22,796,971</b>	31,102,041	
Concession right	<b>28,625,771</b>	28,442,591	
Computer software licenses - net	<b>23,944,724</b>	26,209,013	
	<b>P159,648,852</b>	P170,035,031	

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### *Goodwill*

Goodwill comprises the excess of the acquisition costs over the fair value of the identifiable assets and liabilities in the acquisition of DDHRCI. Goodwill was computed based on fair values of net assets acquired.

In 2015, the Group finalized its purchase price allocation on the acquisition of DDHRCI which resulted in a goodwill amounting to P84.28 million.

No impairment loss is recognized for the goodwill account in 2017 and 2016.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculation of value in use are most sensitive to the following assumptions:

*Gross Margins.* Gross margins are based on average values achieved immediately before the budget period. These are increased over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

*Discount Rate.* The Group uses the weighted-average cost of capital as the discount rates, which reflect management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

The recoverable amount of the cash-generating unit was determined to be higher than its carrying amount as at June 30, 2016. Hence, management assessed that there is no impairment loss in the value of goodwill in 2017.

### *Advertising Production Cost*

Advertising production cost pertains to the production cost incurred by the Group in developing the CityMalls commercials which can be used and aired over a period time. This is being amortized over five years. Costs incurred in 2017 and 2016 amounted to P8.31 million and P31.91 million, respectively. Amortization in 2017 and 2016 amounted to P0.46 million and P0.81 million.

### *Concession Right*

The Parent Company entered into a Joint Venture Agreement with the City Government of Iloilo for the financing, design, construction, development, operation and maintenance of the Iloilo-Guimaras Ferry Terminal ("Ferry Terminal") and the surrounding areas within the property. The construction cost of the Ferry Terminal amounted to P28.44 million. The Ferry Terminal has started operations on April 5, 2017.

### *Computer Software Licenses*

The movements and balances of the "Computer software licenses - net" account consist of:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Cost</b>			
Balance at beginning of year		<b>P37,335,504</b>	P13,107,753
Assets acquired through business combination	28	-	5,002,994
Additions		<b>1,173,050</b>	19,224,757
Balance at end of year		<b>38,508,554</b>	37,335,504
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>11,126,491</b>	3,041,704
Amortization for the year	20	<b>3,437,339</b>	8,084,787
Balance at end of year		<b>14,563,830</b>	11,126,491
		<b>P23,944,724</b>	P26,209,013

The computer software licenses have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

## **12. Investment Property**

This account consists of:

	<b>Note</b>	<b>Land</b>	<b>Building</b>	<b>Construction in Progress</b>	<b>Total</b>
January 1, 2016		P12,422,918,697	P3,202,257,985	P4,304,739,693	P19,929,916,375
Additions		1,469,913,114	120,569,010	9,392,849,622	10,983,331,746
Reclassifications		-	2,955,499,483	(2,955,499,483)	-
Transfer to property and equipment	10	-	-	(258,632,000)	(258,632,000)
Assets acquired through business combination	28	-	72,385,000	-	72,385,000
Sale of leasehold rights		-	(21,913,753)	-	(21,913,753)
Unrealized gains from changes in fair values of investment property		939,090,349	890,959,419	-	1,830,049,768
December 31, 2016		P14,831,922,160	P7,219,757,144	P10,483,457,832	P32,535,137,136
Additions		560,972,931	148,170,949	2,812,641,905	3,521,785,785
Reclassifications		-	3,522,928,887	(3,522,928,887)	-
<b>December 31, 2017</b>		<b>P15,392,895,091</b>	<b>P10,890,856,980</b>	<b>P9,773,170,850</b>	<b>P36,056,922,921</b>

The following table provides the fair value hierarchy of the Group's investment property as at December 31, 2017 and 2016:

	Date of Valuation	Level 2	
		2017	2016
Land	Various	<b>P15,392,895,091</b>	P14,831,922,160
Commercial	Various	<b>19,973,829,830</b>	17,013,016,976
Corporate/office	Various	<b>690,198,000</b>	690,198,000
		<b>P36,056,922,921</b>	P32,535,137,136

The Group's investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent appraiser.

*Valuation Techniques and Significant Unobservable Inputs*

The fair values of the investment property were arrived at using the Market Data Approach for land and Cost Approach for buildings.

Market data approach is an approach that considers available market evidences. The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size and shape of the lot and time element.

Cost approach is a comparative approach to the value of the building and improvements or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction cost (new) of the subject property or asset, less total (accrued) depreciation based on the physical wear and tear, and obsolescence to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Capitalized borrowing costs amounted to P642.21 million and P767.66 million as at June 30, 2017 and December 31, 2016 using 4.26% and 4.26% as capitalization rates, respectively (Note 15). The Group also capitalized rent expenses which were incurred for the rental of land properties where ongoing construction of CityMall branches are situated (Note 22).

Rental income in 2017, 2016 and 2015 and the operating lease commitments of the Group as a lessor are fully disclosed in Note 22.

The Group recognized unrealized gains from changes in fair values of investment property amounting to nil, P1,830.05 million and P811.06 million as at June 30, 2017, December 31, 2016 and 2015, respectively.

Revenue and cost recognized related to leasehold rights' sales which are presented under "Leasehold rights' sales" and "Cost of leasehold rights" accounts amounted to P24.08 million and P4.13 million as at June 30, 2017, respectively, P7.11 million and P1.17 million as at June 30, 2016, respectively, and P76.06 million and P8.4 million as at June 30, 2015, respectively.

The total direct operating expense recognized in profit or loss arising from the Group's investment property that generated rental income amounted to P42.99 million, P116.05 million and P69.93 million as at June 30, 2017, December 31, 2016 and 2015, respectively. On the other hand, the Group recognized total direct operating expense of P10.32 million, P41.29 million and P13.47 million as at June 30, 2017, December 31, 2016 and 2015, respectively, for investment property that are not yet leased out.

### 13. Other Noncurrent Assets

This account consists of:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Advances to contractors and suppliers		<b>P985,388,878</b>	P642,110,046
Deposits for future land acquisition	28	<b>182,184,085</b>	158,184,085
Refundable deposits - net of current portion	22, 27	<b>105,961,761</b>	85,271,486
Prepaid rent - net of current portion	22	<b>45,540,608</b>	58,880,566
Input VAT - net of current portion		<b>21,803,302</b>	21,803,302
Others		<b>457,709,319</b>	34,961,099
		<b>P1,798,587,953</b>	P1,001,210,584

Advances to contractors and suppliers represent amount paid as downpayments to contractors and suppliers expected to be recouped for more than one year.

Refundable deposits pertain to non-interest bearing deposits paid to and held by the Group's lessors which are refundable at the end of the lease term. The refundable deposits included as part of "Prepaid expenses and other current assets - net" account in the consolidated statements of financial position pertain to deposits to lessors with terms of one year or less. Noncurrent refundable deposits included in "Other noncurrent assets" account are discounted using the effective annual interest rates ranging from 4.75% to 5.77% that are specific to the tenor of the refundable deposits. The difference between the discounted and face values of the refundable deposits was recognized as part of "Prepaid rent" account which is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent expense in "General and administrative expenses - Rent" account. On the other hand, interest is accreted on these refundable deposits using the effective interest rate method and is recognized as part of "Interest income" account in the consolidated statements of comprehensive income.

The details of refundable deposits follow:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Refundable deposits		<b>P159,157,362</b>	P131,609,135
Less discount on refundable deposits		<b>37,307,851</b>	37,691,589
Net refundable deposits		<b>121,849,511</b>	93,917,546
Less current portion	9	<b>15,887,750</b>	8,646,060
Noncurrent portion		<b>P105,961,761</b>	P85,271,486

Interest income earned for these refundable deposits amounted to nil, nil, and P0.65 million as at June 30, 2017, December 31, 2016 and 2015.

Deposits for future land acquisition pertain to the series of payments made by HOA to acquire real estate properties located in the province of Aklan and Cebu, Philippines. The Transfer Certificates of Title and Deeds of Sale will be conveyed to HOA upon full payment of the agreed price in the succeeding years (Note 28).

#### 14. Accounts Payable and Other Current Liabilities

This account consists of:

	<i>Note</i>	2017	2016
Trade payables	27	<b>P581,596,029</b>	P827,369,626
Retention payable - current	17, 27	<b>410,988,845</b>	264,991,202
Payable to RCBC	8, 17, 27	<b>100,000,000</b>	100,000,000
Security deposits	22, 27	<b>90,108,970</b>	89,928,266
Deposits from unit owners	27	<b>46,386,900</b>	45,498,479
Unearned rent income	17, 22	<b>12,277,100</b>	28,869,805
Withholding tax payable		<b>36,093,295</b>	27,492,016
Commission payable	27	<b>13,572,188</b>	13,590,797
Payable to a landowner	27	<b>12,145,000</b>	12,145,000
Accrued expenses:	27		
Project costs		<b>471,068,528</b>	845,397,065
Interest	15	<b>377,436,327</b>	280,578,447
Others		<b>25,065,906</b>	22,763,109
Other payables	27	<b>15,806,755</b>	81,335,046
		<b>P2,192,545,843</b>	P2,639,958,858

Trade payables and accrued project costs are liabilities arising from services provided by the contractors and subcontractors. These are non-interest bearing and are normally settled within 30 days.

Retention payable pertains to the amount retained by the Group from its payment to contractors to cover cost of contractors' noncompliance with the construction of the Group's projects (see Note 17). Amounts retained by the Group varies from different contractors.

As a result of the acquisition of The SkySuites Tower, the Group recognized a total noninterest-bearing liability to RCBC amounting to P700 million, payable over four years. The total amount of the Group's obligation to RCBC was discounted using effective interest rate of 5.60%. Interest is accreted on this non-interest bearing liability using the effective interest rate method and is recognized as part of "Interest expense" account in the consolidated statements of comprehensive income. Current portion of the liability amounted to P100 million as at December 31, 2016 and 2015.

## 15. Short-term and Long-term Debts

### Notes Payable

Details of the account are as follows:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Balance at beginning of the year		<b>P18,747,085,477</b>	P15,526,000,000
Availments		<b>3,029,258,750</b>	6,600,000,000
Liabilities assumed through business combination	28	-	797,985,033
Payments		<b>(1,805,635,809)</b>	(4,176,899,556)
	27	<b>19,970,708,418</b>	18,747,085,477
Less current portion		<b>4,792,708,418</b>	3,486,004,312
Noncurrent portion		<b>15,178,000,000</b>	15,261,081,165
Less unamortized debt issue costs		<b>220,249,510</b>	233,243,642
		<b>P14,957,750,490</b>	P15,027,837,523

### *Long-term Notes Payable*

#### Parent Company

a. On March 23, 2016, the Parent Company obtained a total of P1.50 billion unsecured, bilateral long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P1.5 billion during the year. The loan payments are to be made in five consecutive annual installments to commence at the end of the 36<sup>th</sup> month after the initial drawdown date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus 1.75%; or (ii) floor rate based on the prevailing BSP overnight rate plus 1.25%. The proceeds from these borrowings were used by the Parent Company to partly finance its capital expenditures for the development of additional CityMall branches and construction of the Jollibee Tower and Phase 1 of the Meridian Park. Related debt issue costs from this loan amounted to P15.25 million.

Outstanding balance of this loan amounted to P1.50 billion as at June 30, 2017 and December 31, 2016, respectively.

b. On July 30, 2015, the Parent Company obtained a total of P1.50 billion unsecured, bilateral, long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P0.50 billion and P1.00 billion in 2016 and 2015, respectively. The principal repayments are to be made in five annual amortizations equivalent to 5.0% of the total principal amount of the loan amount drawn, beginning on the 36<sup>th</sup> month from initial drawdown date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus 1.75 bps; or (ii) floor rate based on the prevailing Bangko Sentral ng Pilipinas overnight rate plus 125 bps. The proceeds from these borrowings were used by the Parent Company to partly finance the development of The Meridian Park, a 4.75 hectare ongoing, mixed-use development real estate property situated in Pasay City. Related debt issue costs from this loan amounted to nil and P2.75 million as of June 30, 2017 and December 31, 2016, respectively.

Outstanding balance of the loan as at June 30, 2017 and December 31, 2016 amounted to P1.50 billion, respectively.

- c. On May 18, 2015, the Parent Company obtained a total of P5.00 billion unsecured, bilateral long-term loans from a financing institution with scheduled drawdown dates. The Parent Company has made drawdowns amounting to P2.00 billion and P3.00 billion in 2016 and 2015, respectively. The loan payments are to be made in five consecutive annual installments to commence at the end of the 36<sup>th</sup> month after the initial drawdown date. The Group pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a *fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus a spread of 2.00% or (ii) 6.00%*. The proceeds from these borrowings were used by the Group to partly finance its capital expenditures for the development of additional CityMall branches. Related debt issue costs from this loan amounted to nil and P17.53 million 2017 and 2016, respectively.

Outstanding balance of the loan as at June 30, 2017 and December 31, 2016 amounted to P5.00 billion, respectively.

- d. On October 30, 2014, the Parent Company obtained a total of P7.40 billion unsecured, bilateral long-term loans from various financing institutions. The loan payments are to be made in seven consecutive annual installments to commence at the end of the 12<sup>th</sup> month after the initial borrowing date. The Parent Company pays interest on the outstanding principal amount of the loan on each interest payment date for the interest period then ending at a fixed rate per annum determined on the interest rate setting date equal to the higher of: (i) the applicable benchmark rate as determined by the lender by reference to the PDST-R2 rate plus a spread of 2.35% or (ii) 5.25%. The proceeds from these borrowings were used by the Parent Company to partly finance its capital expenditures, primarily for the development of The Meridian Park, the Dragon8, The SkySuites Tower and roll-out of the first 12 CityMalls and for general corporate purposes. Related debt issue costs from this loan amounted to P98.77 million in 2014.

Payments made in 2016 and 2015 amounted to P74.00 million. Outstanding balance of the loan as at June 30, 2017 and December 31, 2016 amounted to P7.25 billion, respectively.

#### HOA

- e. On October 12, 2016, as a result of the acquisition of HOA, several long-term notes payable of HOA for a total amount of P97.99 million were assumed by the Parent Company. The principal amounts and related interests are due monthly. Interest is based on negotiated rates or prevailing market rates. Principal payments made in 2016 amounted to P2.90 million.

Current portion of these loans amounted to P12.00 million as at December 31, 2016. Outstanding long-term portion amounted to nil as at June 30, 2017.

### *Short-term Loans Payable*

#### Parent Company

- a. The Group obtained short-term loans from various financial institutions which is payable within one year. The proceeds from these borrowings were used for working capital purposes more specifically in the development of the Group's on-going projects. The interest rates on these short-term and long-term borrowings are repriced monthly based on negotiated rates or prevailing market rates.

Total loan availments in 2017 and 2016 amounted to P3.00 billion and P2.54 billion, respectively. Payments made in 2017 and 2016 amounted to P1.10 billion and P4.10 billion, respectively.

Outstanding balance of the loans amounted to P4.54 billion and P2.64 billion as at June 30, 2017 and December 31, 2016, respectively.

#### HOA

- b. On October 12, 2016, as a result of the acquisition of HOA, short-term notes payable of HOA amounting to P700.00 million were assumed by the Group. This loan is due on March 23, 2017 and bears interest of 5.5% per annum. The loan was fully settled in 2017.

#### PCLI

- c. In 2016, PCLI obtained short-term loans from a local bank amounting to P63.00 million which is payable within one year. The proceeds from these borrowings were used for additional working capital requirements. The principal amounts are payable lump sum at maturity and related interests are due monthly. Interest is fixed at 3% per annum.

The long-term debt agreements contain, among others, covenants relating to maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, capital expenditures, significant changes in the ownership, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements as of December 31, 2016 and 2015.

The movements in debt issue costs are as follows:

	<b>2017</b>	2016
Balance at the beginning of year	<b>P233,243,642</b>	P137,500,808
Additions	-	120,378,724
Amortization	<b>(12,994,132)</b>	(24,635,890)
Balance at end of year	<b>P220,249,510</b>	P233,243,642

Interest expense, exclusive of the capitalized borrowing costs, recognized in profit or loss amounted to P80.12 million, P330.24 million and P114.35 million as at June 30, 2017, December 31, 2016, 2015, respectively. Total capitalized borrowing costs charged under "Real estate inventories" and "Investment property" accounts amounted to P722.32 million, P865.26 million and P654.79 million as at June 30, 2017, December 31, 2016 and 2015, respectively (Notes 8 and 12).

Amounts due beyond one year are shown under "Long-term notes payable - net of debt issue costs" account in the consolidated statements of financial position.

*Bonds Payable*

Details of the account during the year is as follows:

	<b>2017</b>	2016
Parent Company bonds - due 2026	<b>P5,300,000,000</b>	P5,300,000,000
Less unamortized bond issue costs	<b>(79,168,592)</b>	(82,341,601)
Balance at end of year	<b>P5,220,831,408</b>	P5,217,658,399

On November 28, 2016, the Securities and Exchange Commission approved the Parent Company's application the shelf registration of fixed rate bonds with an aggregate principal amount of P15.00 billion, to be offered in one or several tranches. The aggregate principal amount for the first tranche issued amounted to P5.30 billion. The P9.70 billion remaining balance of the aggregate principal amount of the approved fixed rate bond offering have been lodged under a shelf registration and will be raised in future tranches.

The first tranche issued on December 15, 2016 will carry a due date of December 15, 2026 and fixed interest rate of 5.97% per annum. Interest is payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. Related costs from the issuance amounted to P82.34 million.

Amortization of bond issue costs as at June 30 2017 and December 31, 2016 amounted to P4.16 million and P0.31 million, respectively. Interest expense from this bond amounted to P157.38 million and to P14.07 million as at June 30, 2017 and December 31, 2016, respectively.

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## **16. Customers' Deposits**

Customers' deposits represent nonrefundable reservation fees paid to the Group by prospective buyers which are to be applied against the installment contracts receivable upon recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

The breakdown of customers' deposits as at December 31 is as follows:

	<b>2017</b>	2016
Current	<b>P148,579,236</b>	P219,924,165
Noncurrent	-	-
	<b>P148,579,236</b>	P219,924,165

## 17. Other Noncurrent Liabilities

This account consists of:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
Payable to RCBC - net of current portion	14, 27	<b>P329,914,758</b>	P329,914,758
Retention payable - net of current	14	<b>259,278,211</b>	315,243,078
Accrued rent expense	27	<b>118,426,688</b>	102,593,538
Security deposits	22, 27	<b>231,909,357</b>	87,348,140
Unearned rental income - net of current		<b>22,259,907</b>	-
Others	22	<b>20,238,672</b>	9,055,538
		<b>P982,027,593</b>	P844,155,052

Accrued rent expense pertains to the excess of rent expense over rental payments made to lessors in accordance with PAS 17, *Leases*.

Security deposits account pertains to deposits collected from tenants for the lease of the Group's investment property. These deposits are non-interest bearing and refundable at the end of the lease term. Security deposits are discounted using the effective interest rates ranging from 5.58% to 5.76% that are specific to the tenor of the deposits. The difference between the discounted value and face values of security deposits was recognized as part of "Unearned rent income" account which is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income in the "Rent income" account in the consolidated statements of comprehensive income. Interest is accreted on these security deposits using the effective interest rate method and is recognized as part of "Interest expense" account in the consolidated statements of comprehensive income.

Interest expense for the amortization of security deposits amounted to P0.26 million as at June 30, 2017 and P0.26 million as at December 31, 2016.

The details of security deposits follow:

	<b>2017</b>	<b>2015</b>
Balance at beginning of year	<b>P93,378,244</b>	P91,724,199
Additions	<b>158,056,534</b>	5,170,037
Discount	<b>(19,525,421)</b>	(9,546,096)
Balance at end of year	<b>P231,909,357</b>	P87,348,140

The movement in the unamortized discount on security deposits follows:

	<b>2017</b>	<b>2016</b>
Balance at beginning of year	<b>P9,546,096</b>	<b>P8,526,960</b>
Additions	<b>9,979,325</b>	<b>1,274,199</b>
Accretion	-	<b>(255,063)</b>
Balance at end of year	<b>P19,525,421</b>	<b>P9,546,096</b>

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**18. Cost of Real Estate Sales**

This account consists of:

	<b>Note</b>	<b>2017</b>	2016	2015
Construction costs		<b>P302,330,549</b>	P228,593,216	P196,253,937
Land and land development costs		<b>11,145,092</b>	17,581,384	23,509,178
Other project costs		<b>816,125</b>	15,687,291	53,114,114
	<b>8</b>	<b>P314,291,766</b>	P261,861,891	P272,877,229

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**19. Selling Expenses**

This account consists of:

	<b>Note</b>	<b>2017</b>	2016	2015
Marketing		<b>P38,207,366</b>	P33,785,006	P21,995,031
Commission		<b>9,762,886</b>	8,894,769	10,187,376
Salaries, wages and other benefits	<i>21i</i>	<b>4,597,489</b>	3,346,301	950,785
Rent	<i>21c, 22</i>	<b>2,738,000</b>	2,438,178	2,259,600
Transportation and travel		<b>1,321,182</b>	1,002,415	51,494
Representation		<b>169,492</b>	109,991	20,068
Miscellaneous		<b>750,597</b>	445,281	430,162
		<b>P57,547,012</b>	P50,021,941	P35,894,516

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**20. General and Administrative Expenses**

This account consists of:

	<i>Note</i>	<b>2017</b>	2016	2015
Salaries, wages and other benefits	<i>21i</i>	<b>P63,608,626</b>	P33,447,762	P24,493,992
Electricity and water		<b>61,901,725</b>	21,013,210	4,596,344
Taxes and licenses		<b>55,690,423</b>	28,572,992	26,366,017
Rent	<i>21c, 22</i>	<b>38,760,039</b>	20,830,311	11,316,106
Outsourced services		<b>38,403,638</b>	16,942,008	20,262,397
Depreciation and amortization	<i>10, 11</i>	<b>33,503,387</b>	10,835,873	3,074,854
Professional fees		<b>17,077,059</b>	9,411,712	6,191,569
Repairs and maintenance		<b>10,334,087</b>	3,520,634	127,678
Transportation and travel		<b>7,500,168</b>	4,864,970	2,999,926
Representation		<b>5,069,782</b>	3,710,274	1,170,558
Communications		<b>4,210,250</b>	2,176,467	1,320,778
Printing and office supplies		<b>3,372,171</b>	636,962	1,789,298
Insurance		<b>2,599,339</b>	2,647,562	726,798
Property management supplies		<b>2,770,939</b>	3,228,487	351,512
Management fees	<i>21b</i>	<b>1,562,500</b>	1,726,649	1,492,657
Donations		-	46,344	30,000
Miscellaneous		<b>11,331,124</b>	6,834,461	5,328,707
		<b>P357,695,257</b>	P170,446,678	P111,639,191

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## 21. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref/Note	Amount of Transaction	Outstanding Balances		Terms and Conditions
				Due from Related Parties	Due to Related Parties	
<b>Parent Company's Key Management Personnel</b>						
Management fees	2017	a	1,339,286	P -	P -	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2016	a	2,678,571	-	-	Demandable; non-interest bearing; unsecured; payable in cash
<b>Stockholders</b>						
Rent expense	2017	c	1,792,224	-	-	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2016	c	3,672,896	-	-	Demandable; non-interest bearing; unsecured; payable in cash
Acquisition of HOA	2017	d	-	-	429,944,449	<b>Payable by way of DD shares</b>
	2016	d	429,944,449	-	429,944,449	Payable by way of DD shares
<b>Other Related Parties</b>						
Land acquired	2017	e	-	-	383,281,305	<b>Demandable; non-interest bearing; unsecured; payable in cash</b>
	2017	e	-	-	122,400,000	<b>Payable by way of condo units</b>
	2016	e	-	-	383,281,305	Demandable; non-interest bearing; unsecured; payable in cash
	2016	e	122,400,000	-	122,400,000	Payable by way of condo units
Cash advances received	2017	f	-	101,808,489	10,170,186	<b>Demandable; non-interest bearing; unsecured; collectible in cash; no impairment</b>
	2016	f	-	101,808,489	10,170,186	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
Acquisition of HOA	2017	g	-	-	213,454,361	<b>Demandable; non-interest bearing; unsecured; collectible in cash; no impairment</b>
	2016	g	356,643,000	-	135,243,000	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
Rent income	2017	h	40,742,702	-	-	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
	2016	h	89,487,076	-	-	Demandable; non-interest bearing; unsecured; collectible in cash; no impairment
	2017			P101,808,489	P729,305,852	
	2016			P101,808,489	P1,081,038,940	

### a. Executive Management Services Agreement

The Group entered into an agreement with a shareholder for executive corporate, strategic, administrative and financial oversight services relative to the real estate business of the Group. The term of this agreement is one year effective January 1, 2012. This is renewable under the same terms and conditions upon mutual agreement of the parties. On December 8, 2016, the Group's BOD authorized the extension of the aforesaid agreement from January 1 to December 31, 2017 under the same terms and conditions set out in 2016, payable on a quarterly basis. The fee, which includes staffing costs for services rendered by the shareholders, amounted to P1.34 million and P2.68 million as at June 30, 2017 and December 31, 2016, respectively (Note 20).

### b. Sale of Real Estate Inventories

The Group sold condominium units to its key management personnel amounting to nil, P1.16 million and P1.00 million in 2016, 2015 and 2014, respectively.

### c. Lease of Showrooms and Sales Office

The Group leases showrooms and sales office from III and Jollibee Foods Corporation (JFC), respectively. The terms of the lease are three to five years, renewable for the same period under the same terms and conditions. The rent shall escalate by 7% to 10% each year (Notes 19 and 20).

*d. Acquisition of HOA*

The Parent Company, entered into a Share Purchase Agreement (SPA) with III with the consideration amounting to the fair value of DD shares to be issued to III, as a consideration transferred in exchange for the latter's 40% share in HOA. These shares will be issued within 180 days from the closing date (Note 28).

*e. Land Acquisitions*

The Group has outstanding liabilities to minority shareholders of PDDG amounting to P383.28 million for the acquisition of certain parcels of land which will be used in the on-going CityMalls. The stated unsecured, non-interest bearing liabilities are to be settled by the Group in 2017.

In 2016, HOA entered into a Memorandum of Agreement and Deed of Absolute Conveyance with a minority shareholder wherein HOA, in consideration of the land owned by the minority shareholder, settled to pay the latter in kind by way of condominium hotel (condotel) units in the Hotel 101 - The Fort project (32-storey) totaling 60 condotel units plus a portion of the deck referred to as the "Deck Unit" (Note 8).

*f. Cash Advances*

The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.

*g. Acquisition of HOA*

Payable to affiliates pertains to the amount of to be paid by the Parent Company as part of consideration for the purchase of shares of Chan C. Bros. Holdings, Inc. (CCBHI) and Staniel Realty and Development Corp. (SRDC) in HOA. The amount of consideration is to be settled in 2017.

*h. Lease of Mall Spaces*

The Group entered into various lease agreements with related parties covering its investment property portfolio. The amount pertains to the rent income earned by the Group from leasing out some of its commercial spaces in Dragon8 and CityMalls to JFC and the SM Group. These leases generally provide for either fixed monthly rent subject to escalation rates or a certain percentage of gross sales. The terms of the leases are for periods ranging from 5 to 15 years. The fixed monthly rent shall escalate by an average of 5% to 10% each year. The corresponding receivables from related party tenants are recorded in the "Rent receivables" account.

*i. Key Management Personnel Compensation*

The short-term benefits of other key management personnel amounted to P10.12 million and P20.3 million as at June 30, 2017 and December 31, 2016, respectively.

Except when indicated above, all outstanding due to/from related parties are to be settled in cash.

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## **22. Leases**

### Group as Lessee

The Group leases office and parking spaces and showrooms. The terms of the lease are for periods ranging from one to five years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 5% to 10% each year.

The Group also entered into various noncancellable operating lease agreements covering certain parcels of land wherein some of the CityMalls will be situated or are being constructed. The terms of the leases are for periods ranging from 26 to 40 years. The rent shall escalate by an average of 5% to 10% each year.

The Group is required to pay advance rental payments and refundable deposits on its leases. These are shown under "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (Notes 9 and 13).

Total rent expense included as part of "Selling expenses" and "General and administrative expenses" accounts amounted to P41.50 million, P23.27 million and P13.58 million as at June 30, 2017, 2016 and 2015, respectively (Notes 19 and 20). Rent expense capitalized as part of "Investment Property - CIP" account amounted to P0.88 million, P3.5 million, and P83.84 million as at June 30, 2017, December 31, 2016 and 2015, respectively (Note 12).

The scheduled maturities of noncancellable minimum future rental payments are as follows:

	2017	2016
Less than one year	<b>P99,784,794</b>	P99,784,794
Between one and five years	<b>346,329,912</b>	346,329,912
More than five years	<b>2,905,900,809</b>	2,905,900,809
	<b>P3,352,015,515</b>	P3,352,015,515

#### Group as Lessor

The Group entered into various lease agreements with third parties and related parties covering its investment property portfolio. These leases generally provide for fixed monthly rent subject to escalation rates except for a few tenants, which pay either a fixed monthly rent or a percentage of gross revenues, whichever is higher. The terms of the leases are for periods ranging from 2 to 15 years. The fixed monthly rent shall escalate by an average of 5% starting on the third year and every year thereafter.

Upon inception of the lease agreement, tenants are required to pay advance rentals and security deposits shown under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts in the consolidated statements of financial position (Notes 14 and 17).

Rent income amounted to P104.54 million, P268.67 million, and P116.55 million as at June 30, 2017, December 31, 2016 and 2015, respectively. Total contingent rent income amounted to P9.56 million, P38.25 million, and P11.68 million as at June 30, 2017, December 31, 2016 and 2015, respectively (Note 14).

The scheduled maturities of noncancellable minimum future rental collections are as follows:

	2017	2016
Less than one year	<b>P271,087,555</b>	P271,087,555
Between one and five years	<b>863,527,136</b>	863,527,136
More than five years	<b>931,150,836</b>	931,150,836
	<b>P2,065,765,527</b>	P2,065,765,527

## 23. Retirement Benefits

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under Republic Act. No. 7641, *The Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service for employees who attain the normal retirement age of sixty (60) with at least five (5) years of service.

The present value of the defined benefit obligation (DBO) is shown below:

	2017	2016
Beginning of year	<b>P6,121,432</b>	P4,983,866
Current service cost	-	893,855
Interest cost	-	243,711
Re-measurement adjustment	<b>(257,029)</b>	-
End of year	<b>5,864,403</b>	P6,121,432

Retirement costs recognized in profit or loss amounted to nil and P1.14 million as at June 30, 2017 and December 31, 2016, respectively, which were charged as follows:

	Note	2017	2016
General and administrative expenses	20	<b>P -</b>	P1,092,925
Selling expenses	19	-	44,641
		<b>P -</b>	P1,137,566

Defined benefit cost, net of tax, recognized under "Other comprehensive income" amounted to nil as at June 30, 2017 and December 31, 2016, respectively.

The following were the principal actuarial assumptions at the reporting date:

	2017	2016
Discount rate	<b>5.38%</b>	5.38%
Future salary increases	<b>5.00%</b>	5.00%

Assumptions regarding future mortality are based on the 2001 CSO Table - Generational. The average expected remaining working life of employees retiring at the age of 60 is 30.7 and 29.7 for both males and females in 2016 and 2015, respectively.

The weighted-average duration of DBO is 19.8 years and 21.4 years in 2016 and 2015, respectively.

The DBO is exposed to actuarial, longevity and interest rate risks. The Parent Company has no plans to make contributions in 2017.

### *Sensitivity Analysis*

The calculation of the DBO is sensitive to the assumptions set out above. The following table summarizes how the impact on the DBO at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 1%:

2017

	DBO	
	Increase	Decrease
Discount rate (1% movement)	<b>P1,298,017</b>	<b>(P1,024,860)</b>
Future salary growth (1% movement)	<b>1,221,992</b>	<b>(990,504)</b>

2016

	DBO	
	Increase	Decrease
Discount rate (1% movement)	P1,298,017	(P1,024,860)
Future salary growth (1% movement)	1,221,992	(990,504)

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the recognized income and expenses and related assets or obligations.

*Maturity Profile of the DBO*

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
DBO	<b>P5,864,403</b>	<b>P15,619,762</b>	<b>P -</b>	<b>P4,951,220</b>	<b>P10,411,513</b>

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
DBO	P6,121,432	P15,619,762	P -	P4,951,220	P10,668,542

*Asset-liability Matching Strategies to Manage Risks*

The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

*Funding Arrangements*

The Group does not have a formal retirement plan, benefit claims under the retirement obligations are paid directly by the Group when they become due.

**24. Income Taxes**

Income tax benefit (expense) consists of:

	2017	2016	2015
Current	<b>P43,249,670</b>	P27,271,216	P53,243,458
Deferred	<b>514,008</b>	2,109,263	-
	<b>P43,763,678</b>	P29,380,479	P53,243,458

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

	2017	2016	2015
Income before income tax	<b>P420,164,220</b>	P173,583,534	P177,478,193
Income tax at the statutory income tax rate	<b>126,049,266</b>	52,075,060	53,243,458
Income tax effects of:			
Nontaxable income	<b>(82,019,657)</b>	(18,168,614)	-
Nondeductible expenses	<b>1,045,930</b>	-	-
Interest income subjected to final tax	<b>(1,311,861)</b>	(4,525,967)	-
	<b>P43,763,678</b>	P29,380,479	P53,243,458

## 25. Earnings Per Share

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent preferred stock dividends declared. Earnings per share amounted to P0.0004 per common share as of June 30, 2017.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of June 30, 2017, December 31, 2016 and 2015, the Parent Company has no potential dilutive debt or equity instruments.

Management Stock Option Plan (the "Plan") has no impact in the calculation of the diluted EPS since The Plan is pending approval of the SEC as at June 30, 2017.

The convertible preferred shares has no impact in the calculation of diluted EPS since the convertibility of the preferred shares will start on the 3rd year from the issue date which was in 2016.

## 26. Equity

The authorized capital stock of the Parent Company consist of:

	2017	2016
<b>Authorized Capital Stock</b>		
Common - P0.10 par value	<b>P500,000,000</b>	P500,000,000
Preferred - P100 par value	<b>20,000,000,000</b>	20,000,000,000
<b>Number of Shares Authorized for Issue</b>		
Common	<b>5,000,000,000</b>	5,000,000,000
Preferred	<b>200,000,000</b>	200,000,000

The movements in the number of subscribed shares are as follows:

	2017	2016
<b>Common</b>		
Balance at beginning and end of the year	<b>2,229,730,000</b>	2,229,730,000
<b>Preferred</b>		
Balance at beginning of the year	-	-
Subscription during the year	<b>100,000,000</b>	100,000,000
Balance at end of the year	<b>100,000,000</b>	100,000,000

#### Common Shares

On January 30, 2014, the Parent Company filed with the SEC a Notice of Filing of Registration Statement for the registration of up to 579,730,000 common shares with par value of P0.10, to be offered by way of a primary offer.

On March 24, 2014, in accordance with the certificate of permit to offer securities for sale issued by the SEC, 579,730,000 common shares of the Parent Company with par value of P0.10 were registered and offered for sale at an offer price of P2.00 per share.

On November 11, 2015, the Parent Company's BOD approved the creation of 45,504,693 options underlying the Parent Company's common shares to be issued pursuant to the Parent Company's the Plan. The aforesaid corporate act was ratified by the Parent Company's stockholders on January 5, 2016.

The Plan covers the senior management of the Parent Company as identified by the Chairman and Chief Executive Officer. The Plan allows all covered senior management to acquire at market price at grant date such number of shares of stock not exceeding 2% of the issued and outstanding capital stock of the Parent Company or 45,504,693 shares, after a vesting period of three (3) years. The share options will be exercisable starting from their respective vesting dates up to seven (7) years from grant date.

The approval of the Stock Option Plan was ratified by the Shareholders on January 5, 2016 and submitted to SEC for approval on November 4, 2016. As of June 30, 2017, the Plan is still pending approval by the SEC.

On December 8, 2016, the Parent Company's BOD resolved to expand the coverage of the Plan to include rank and file regular employees of the Parent Company. As of the reporting date, the Plan is pending the approval of the SEC. There were no stock options granted during the year.

The Parent Company's public ownership percentage and total number of shareholders are 25.62% and 125, respectively, as at June 30, 2017, 25.62% and 131, respectively, as at December 31, 2016 and 25.64% and 146, respectively, as at December 31, 2015.

#### Preferred Shares

On November 11, 2015, the Parent Company's BOD approved the increase in the authorized capital stock from P500.00 million to P20.50 billion with P100 par value. The aforesaid corporate act was ratified by the Parent Company's stockholders on January 5, 2016. On the same date, the Parent Company's BOD and stockholders approved the creation and issuance of 200,000,000 non-voting Preferred Shares with P100 par value.

On March 28, 2016, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of Subscriptions to Preferred Shares amounting to P10 billion cumulative, non-voting, non-participating, redeemable at the option of the Parent Company, convertible at the ratio of 1 preferred share to 1 common share, perpetual Preferred Shares at an offer price of P100 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On April 14, 2016, the Parent Company has secured approval from the SEC to issue Preferred Shares following the successful offer and distribution of subscriptions to 100,000,000 preferred shares amounting to P10,000,000,000.

#### Retained Earnings

On June 25, 2015, the BOD declared cash dividends of P0.05 per share equivalent to P111.49 million to common stockholders of record as at July 13, 2015 and were paid on July 27, 2015.

On June 23, 2016, the BOD declared regular cash dividends of P1.619 per share and special cash dividends of P0.0867 per share, amounting to P170.57 million to preferred stockholders of record as at July 8, 2016 and were paid on July 16, 2016.

On September 20, 2016, the BOD declared cash dividends of P1.6199 per share equivalent to P161.95 million to preferred stockholders of record as at October 4, 2016 and were paid on October 14, 2016.

On December 8, 2016, the BOD declared cash dividends of P1.61945 per share equivalent to P161.95 million to preferred stockholders of record as at January 4, 2017 and were paid on January 14, 2017.

On March 21, 2017, the BOD declared cash dividends of P1.61945 per share equivalent to P161.95 million to preferred stockholders of record as at April 4, 2017 and were paid on April 17, 2017. On June 21, 2017, the BOD declared cash dividends of P1.61945 per share equivalent to P161.95 million to preferred stockholders of record as at July 6, 2017 and were paid on July 14, 2017.

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## **27. Financial Risk and Capital Management Objectives and Policies**

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund its respective operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial assets include cash and cash equivalents, receivables, due from related parties and refundable deposits. These financial assets are used to fund the Group's operations and capital expenditures.

#### Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Group's cash and cash equivalents, receivables, due from related parties and refundable deposits. The objective is to reduce the risk of loss through default by counterparties.

In respect of installments contracts receivable, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated by post-dated checks. Exposure to bad debts is not significant as titles to real estate properties are not transferred to the buyers until full payment has been made. There are no large concentrations of credit risk given the Group's diverse customer base.

Credit risk arising from rent receivable is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	<b>Note</b>	<b>2017</b>	2016
Cash and cash equivalents*	6	<b>P920,876,961</b>	P5,385,185,368
Receivables**	7	<b>2,793,826,195</b>	2,355,570,800
Due from related parties	21	<b>101,808,489</b>	101,808,489
Refundable deposits***	9, 13	<b>121,849,511</b>	93,917,546
		<b>P3,938,361,156</b>	P7,936,482,203

\*Excluding "Cash on hand" account.

\*\* This includes both current and noncurrent portions of the account.

\*\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The following is the aging analysis per class of financial assets that are past due but not impaired as at December 31:

	2017	Note	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
				1 to 30 Days	31 to 60 Days	More than 60 Days		
Receivables*	7		P2,573,686,206	P85,070,915	P60,441,513	P73,528,987	P1,098,574	p2,793,826,195
Due from related parties	21		101,808,489	-	-	-	-	101,808,489
Refundable deposits**	9, 13		121,849,511	-	-	-	-	121,849,511
			<b>P2,797,344,206</b>	<b>P85,070,915</b>	<b>P60,441,513</b>	<b>P73,528,987</b>	<b>P1,098,574</b>	<b>P3,017,484,195</b>

\* Including current and noncurrent portions.

\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

	2016	Note	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
				1 to 30 Days	31 to 60 Days	More than 60 Days		
Receivables*	7		P2,157,912,172	P5,382,847	P24,793,057	P166,384,150	P1,098,574	P2,355,570,800
Due from related parties	21		101,808,489	-	-	-	-	101,808,489
Refundable deposits**	9, 13		93,917,546	-	-	-	-	93,917,546
			<b>P2,353,638,207</b>	<b>P5,382,847</b>	<b>P24,793,057</b>	<b>P166,384,150</b>	<b>P1,098,574</b>	<b>P2,551,296,835</b>

\* Including current and noncurrent portions.

\*\* This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The following is the credit quality of the Group's financial assets:

	2017	Note	Medium Grade			Total
			High Grade	Medium Grade	Low Grade	
Cash and cash equivalents*	6		<b>P920,876,961</b>	P -	P -	<b>P920,876,961</b>
Receivables**	7		<b>2,658,757,122u</b>	<b>60,441,513</b>	<b>74,627,561</b>	<b>2,793,826,195</b>
Due from related parties	21		<b>101,808,489</b>	-	-	<b>101,808,489</b>
Refundable deposits***	9, 13		<b>121,849,511</b>	-	-	<b>121,849,511u</b>
			<b>P3,803,292,083</b>	<b>P60,441,513</b>	<b>P74,627,561</b>	<b>P3,938,361,156</b>

\*Excluding "Cash on hand" account.

\*\*This includes both current and noncurrent portions of the account.

\*\*\*This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

	2016	Note	Medium Grade			Total
			High Grade	Medium Grade	Low Grade	
Cash and cash equivalents*	6		P5,385,185,368	P -	P -	P5,385,185,368
Receivables**	7		2,163,295,019	24,793,057	167,482,724	2,355,570,800
Due from related parties	21		101,808,489	-	-	101,808,489
Refundable deposits***	9, 14		93,917,546	-	-	93,917,546
			<b>P7,744,206,422</b>	<b>P24,793,057</b>	<b>P167,482,724</b>	<b>P7,936,482,203</b>

\*Excluding "Cash on hand" account.

\*\*This includes both current and noncurrent portions of the account.

\*\*\*This is presented as part of "Prepaid expenses and other current assets - net" and "Other noncurrent assets" accounts.

The Group assessed the credit quality of unrestricted cash as high grade since this is deposited with reputable banks with low probability of insolvency.

Receivables assessed as high grade pertains to receivable from buyer that had no default in payment; medium grade pertains to receivable from buyer who has history of being 31 to 60 days past due; and low grade pertains to receivable from buyer who has history of being over 60 days past due. Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. The Group performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness. The Group will assess the collectibility of its receivables and provide a corresponding allowance provision once the account is considered impaired.

The credit risk for due from related parties and refundable deposits is considered negligible since these accounts are still collectible based on the assessment of debtor's ability to pay and collection agreement.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

As at December 31, 2017						
Note	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years	
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	14	P2,156,452,548	P2,156,452,548	P2,156,452,548	P -	P -
Due to related parties	21	1,070,868,754	1,070,868,754	1,070,868,754	-	-
Dividends payable		161,945,000	161,945,000	161,945,000	-	-
Notes payable**	15	19,750,458,908	24,554,563,299	5,867,233,489	16,061,485,627	2,625,844,183
Bonds payable	15	5,220,831,408	8,475,763,710	317,400,526	1,270,481,329	6,887,881,855
Other noncurrent liabilities***	17	939,529,014	939,529,014	589,192,969	118,426,688	231,909,357

\* Excluding statutory obligations and unearned rent income account.

\*\* This includes both current and noncurrent portions of the account.

As at December 31, 2016						
Note	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years	
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	14	P2,583,597,037	P2,583,597,037	P2,583,597,037	P -	P -
Notes payable**	15	528,694,491	528,694,491	528,694,491	-	-
Due to related parties	21	161,945,000	161,945,000	161,945,000	-	-
Other noncurrent liabilities***	17	18,513,841,835	19,648,589,515	3,525,683,666	9,161,455,485	6,961,450,364

\* Excluding statutory obligations unearned rent income account.

\*\* This includes both current and noncurrent portions of the account.

### Interest Rate Risk

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group has short-term and long-term bank borrowings with fixed interest rates. Therefore, the Group is not subject to the effect of changes in interest rates.

### Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### *Cash and Cash Equivalents/Due from Related Parties/Accounts Payable and Other Current Liabilities/Due to Related Parties*

The carrying amounts of cash and cash equivalents, due from related parties, refundable deposits, accounts payable and other current liabilities, short-term notes payable and due to related parties approximate their fair values due to the relatively short-term nature of these financial instruments.

### *Receivables*

The fair values of installment contract receivable and receivables from leasehold rights' buyers from are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The fair value of other receivables is approximately equal to their carrying amounts due to the short-term nature of the financial assets.

### *Refundable Deposits/Payable to RCBC/Security Deposits*

Refundable deposits, payable to RCBC and security deposits are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

### *Short-term Notes Payable/Long-term Notes Payable/Bonds Payable*

The fair value of the interest-bearing fixed-rate short-term and long-term debts is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as of reporting date.

### Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2016 and 2015. The Group is not subject to externally-imposed capital requirements.

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## **28. Business Combinations**

### *2016 Acquisition: HOA*

On August 11, 2016, as amended on October 10, 2016, the Parent Company entered into a Share Purchase Agreement (SPA) with III, CCBHI and SRDC (collectively known as the "shareholders") for the sale and purchase of shareholders' shares of HOA. Closing date of the agreement is October 12, 2016. Details of the shares acquired by the Parent Company are as follows:

	Number of Shares	Percentage Interest	Par Value
III	40,000	40%	P40,000,000
CCBHI	15,000	15%	15,000,000
SRDC	15,000	15%	15,000,000
	70,000	70%	P70,000,000

Total consideration price are as follows:

	Cash Consideration	Fair Value of Shares to be Issued
III	P -	P429,944,449
CCBHI	178,321,500	-
SRDC	178,321,500	-
	P356,643,000	P429,944,449

The market value of the common shares at the date of the amended agreement, October 12, 2016, is P55.30.

Based on the SPA, the purchase price, payable to III in common shares of DD is computed at a 5% premium over the weighted average of the closing prices of DD's shares of stock for a period of 30 trading days ending the day prior to the closing date ("weighted average price per share").

Thus the weighted average price per share to be used in computing for the number of shares to be issued is P61.1625, pending approval by SEC as at December 31, 2016.

SPA provides that the Parent Company shall enjoy all the rights, privileges and benefits, and have all the corresponding obligations, of a shareholder owning 70% of the outstanding capital stock of HOA, including board representation as at execution of the agreement or cut-off date.

The acquisition gave the Parent Company 70% ownership and control, based on PFRS 3, *Business Combination*, of HOA effective October 12, 2016. For convenience purposes, the Group used September 30, 2016 as the cut-off date in determining the net assets of HOA.

HOA, a company incorporated in the Philippines, is a hospitality firm primarily engaged in the ownership, operations and development of hotel projects. HOA will serve as the Group's hospitality arm. The investment in HOA will allow the Group to benefit from the booming tourism prospects for the Philippines in the years to come, as well as to fully optimize the use and value of its string of prime properties in various strategic areas around the country.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary values of the identifiable net assets of HOA are as follows:

	September 30, 2016
<b>Assets</b>	
Cash	P76,088,634
Receivables	371,339,995
Inventories	144,833,616
Other current assets	167,349,682
Property and equipment – net	1,013,582,059
Investment property	72,385,000
Deposit for land acquisition	158,184,085
Deferred tax assets	1,570,798
Other noncurrent assets	57,420,891
	2,062,754,760
<b>Liabilities</b>	
Accounts payable and other current liabilities	175,485,280
Customers' deposits	174,696,990
Notes payable	797,985,033
Deferred tax liabilities	50,058,560
	1,198,225,863
<b>Net assets acquired</b>	<b>864,528,897</b>
Acquisition cost	786,587,449
Non-controlling interest	77,941,448
	864,528,897
<b>Excess of acquisition cost over net assets acquired</b>	<b>P -</b>

From October 13 to December 31, 2016, the Group's share in HOA's revenues and net loss amounted to P79.50 million and P113.65 million, respectively. If the combination had taken place at the beginning of 2016, the Group's share in HOA's total revenues and net loss would have been P211.06 million and P79.55 million, respectively.

**DOUBLEDRAGON PROPERTIES CORP.**  
**Loans and Receivables**  
**As of June 30, 2017**

	Total	Neither past due nor impaired	Past due but not impaired			
			1 - 90 days	91 - 180 days	181 - 360 days	> 360 days
<b>Loans and receivables</b>	<b>3,050,040,013</b>	<b>2,573,686,206</b>	<b>186,991,790</b>	<b>147,718,382</b>	<b>57,072,992</b>	<b>84,570,643</b>

Comparative

**DOUBLEDRAGON PROPERTIES CORP.**  
(Formerly Injap Land Corporation)  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the periods ended June 30, 2017 and 2016

	2017	2016	2017	2016
	For the quarter ended	For the quarter ended	For the six months ended	For the six months ended
<b>REVENUES</b>				
Real estate sales	356,783,282	290,788,785	756,804,929	531,516,644
Leasehold rights' sales	-	3,126,785	24,082,143	7,110,714
Rental income	163,885,970	46,819,505	268,426,481	92,437,755
Hotel revenues	115,232,935	-	204,875,641	-
Interest income	317,903,400	24,029,484	327,156,353	25,056,634
Other income from forfeiture	3,456,616	4,361,907	5,478,052	2,378,314
Others	24,088,856	28,376,454	43,493,849	47,331,101
	<b>981,351,059</b>	<b>397,502,920</b>	<b>1,630,317,448</b>	<b>705,831,162</b>
<b>COST AND EXPENSES</b>				
Cost of real estate sales	148,621,791	145,412,593	314,291,766	261,861,891
Cost of leasehold rights	-	516,706	4,133,652	1,167,622
Cost of hotel operations	46,748,626	-	109,673,455	-
Selling and marketing expenses	7,247,977	26,218,048	57,547,012	50,021,941
General and administrative expenses	195,796,674	100,534,887	357,695,257	170,446,676
Interest expense	351,002,289	20,616,667	366,812,086	48,749,496
	<b>749,417,357</b>	<b>293,298,901</b>	<b>1,210,153,228</b>	<b>532,247,626</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>231,933,702</b>	<b>104,204,019</b>	<b>420,164,220</b>	<b>173,583,536</b>
<b>INCOME TAX EXPENSE</b>	<b>21,198,543</b>	<b>3,660,346</b>	<b>43,763,678</b>	<b>29,380,479</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>210,735,159</b>	<b>100,543,671</b>	<b>376,400,542</b>	<b>144,203,057</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	175,319,026	92,517,115	324,731,380	131,549,553
Non-controlling interest	35,416,133	8,026,556	51,669,162	12,653,504
	<b>210,735,159</b>	<b>100,543,671</b>	<b>376,400,542</b>	<b>144,203,057</b>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### June 30, 2017 versus June 30, 2016 Results of Operations

DOUBLEDRAGON PROPERTIES CORP.

(Formerly Injap Land Corporation)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended June 30, 2017 and June 30, 2016

	2017	2016	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2017	2016
<b>REVENUES</b>						
Real estate sales	356,783,282	290,788,785	65,994,497	22.7%	36.4%	73.2%
Leasehold rights' sales	-	3,126,785	(3,126,785)	-100.0%	0.0%	0.8%
Rental income	163,885,970	46,819,505	117,066,465	250.0%	16.7%	11.8%
Hotel revenues	115,232,935	-	115,232,935	100.0%	11.7%	0.0%
Interest income	317,903,400	24,029,484	293,873,916	1223.0%	32.4%	6.0%
Other income from forfeiture	3,456,616	4,361,907	(905,291)	-20.8%	0.4%	1.1%
Others	24,088,856	28,376,454	(4,287,598)	-15.1%	2.5%	7.1%
	<b>981,351,059</b>	<b>397,502,920</b>	<b>583,848,139</b>	<b>146.9%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST AND EXPENSES</b>						
Cost of real estate sales	148,621,791	145,412,593	3,209,198	2.2%	15.1%	36.6%
Cost of leasehold rights	-	516,706	(516,706)	-100.0%	0.0%	0.1%
Cost of hotel operations	46,748,626	-	46,748,626	100.0%	4.8%	0.0%
Selling and marketing expenses	7,247,977	26,218,048	(18,970,071)	-72.4%	0.7%	6.6%
General and administrative expenses	195,796,674	100,534,887	95,261,787	94.8%	20.0%	25.3%
Interest expense	351,002,289	20,616,667	330,385,622	1602.5%	35.8%	5.2%
	<b>749,417,357</b>	<b>293,298,901</b>	<b>456,118,456</b>	<b>155.5%</b>	<b>76.4%</b>	<b>73.8%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>231,933,702</b>	<b>104,204,019</b>	<b>127,729,683</b>	<b>122.6%</b>	<b>23.6%</b>	<b>26.2%</b>
<b>INCOME TAX EXPENSE</b>	<b>21,198,543</b>	<b>3,660,346</b>	<b>17,538,197</b>	<b>479.1%</b>	<b>2.2%</b>	<b>0.9%</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>210,735,159</b>	<b>100,543,671</b>	<b>110,191,488</b>	<b>109.6%</b>	<b>21.5%</b>	<b>25.3%</b>
<b>Attributable to:</b>						
Equity holders of the Parent Company	175,319,026	92,517,115	82,801,911	89.5%	17.9%	23.3%
Non-controlling interest	35,416,133	8,026,556	27,389,577	341.2%	3.6%	2.0%
	<b>210,735,159</b>	<b>100,543,671</b>	<b>110,191,488</b>	<b>109.6%</b>	<b>21.5%</b>	<b>25.3%</b>

### Revenues

Total Revenues of DoubleDragon Property Corp. ("The Company") rose 131% for the six months ended June 30, 2017 to P1,630.0 million vs. P705.8 million during the same period last year. Bulk of the revenues are still coming from the Company's interim residential projects, W.H. Taft Residences and The SkySuites Tower with real estate sales showing 42.4% growth year-on-year for the six months ended June 30, 2017. Rental revenues grew 190.4% to P268.4 million from P92.4 million in the same period last year. A new revenue source in the form of P204.9 million of Hotel Revenues contributed significantly to the 1H 2017 consolidated revenues of the Company, brought in by the Company's new subsidiary – Hotel of Asia. Furthermore, a P302.1 million increase (+1205.6%) in Interest Income from P25.1 million to P327.1 million accounted for 20% of the consolidated revenues for the first half of 2017.

The Company saw continuous improvement in gross margins with 1H17 at 57% vs. 51% in the same period last year.

DoubleDragon Properties Corp. ("DD" or the "Company") recognized consolidated revenues for the three months ended June 30, 2017, an increase of 146.9% to P981.3 million from P397.5 million recognized in the same period last year. Of the P981.0 million consolidated revenues, P356.8 million are from Real Estate Sales.

Rental revenues increased by 250% for the three months ended June 30, 2017 vs. the same period last year and by 190.4% for the first half of 2017 vs. the same period last year as the notable transition into the recurring revenue business model starts to take place. As of June 30, 2017, the Company has seventeen (17) operational CityMalls averaging 96% leased with more opening in the coming months. As more CityMalls are set to open this year, DoubleDragon expects to see sustained momentum in the growth in rental revenues.

### **Cost and Expenses**

Cost of real estate sales amounting to P148.6 million increased by P3.2 million (2.2%) for the three months ended June 30, 2017. Total gross profit margin improved to 59% in Q2 2017 versus 50% in the same period last year. Selling expenses of P7.2 million decreased by P18.7 million from P26.2 million from the same period last year. General and administrative expenses of P195.8 million increased by P61.0 million due to the increase in personnel cost, business taxes, depreciation and leases.

### **Net Income**

The Company's consolidated net income of P210.7 million grew by P110.2 million, up by 109.6% for the three months ended June 30, 2017 from P100.5 million posted for the same period in the previous year due to improved gross profit margins. Moreover, income from rental for Q2 2017 has increased by 250% from Q2 2016 marking the Company's transition into the recurring revenue model.

## June 30, 2017 versus December 31, 2016 Statements of Financial Position

**DOUBLEDRAGON PROPERTIES CORP.**  
(Formerly Injap Land Corporation)  
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited	Horizontal Analysis		Vertical Analysis	
	June 30, 2017	December 31, 2016	Increase (Decrease)		2017	2016
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	927,045,928	5,466,874,377	(4,539,828,449)	-83.0%	1.8%	11.0%
Receivables	2,093,316,398	1,712,247,793	381,068,605	22.3%	4.1%	3.5%
Inventories	3,398,525,537	3,186,344,243	212,181,294	6.7%	6.7%	6.4%
Leasehold rights	-	-	-	0.0%	0.0%	0.0%
Due from related parties	101,808,489	101,808,489	-	0.0%	0.2%	0.2%
Prepaid expenses and other current assets - net	3,441,776,073	3,251,281,534	190,494,539	5.9%	6.8%	6.6%
<b>Total Current Assets</b>	<b>9,962,472,425</b>	<b>13,718,556,436</b>	<b>(3,756,084,011)</b>	<b>-27.4%</b>	<b>19.7%</b>	<b>27.7%</b>
<b>Noncurrent Assets</b>						
Receivables - net of current portion	956,723,615	643,323,007	313,400,608	48.7%	1.9%	1.3%
Property and equipment - net	1,478,577,689	1,459,841,829	18,735,860	1.3%	2.9%	2.9%
Goodwill and intangible assets	159,648,852	170,035,031	(10,386,179)	-6.1%	0.3%	0.3%
Investment property	36,056,922,921	32,535,137,136	3,521,785,785	10.8%	71.3%	65.7%
Deferred tax assets	129,515,677	15,519,784	113,995,893	734.5%	0.3%	0.0%
Other noncurrent assets	1,798,587,953	1,001,210,584	797,377,369	79.6%	3.6%	2.0%
<b>Total Noncurrent Assets</b>	<b>40,579,976,707</b>	<b>35,825,067,371</b>	<b>4,754,909,336</b>	<b>13.3%</b>	<b>80.3%</b>	<b>72.3%</b>
	<b>50,542,449,132</b>	<b>49,543,623,807</b>	<b>998,825,325</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	2,192,545,843	2,639,958,858	(447,413,015)	-16.9%	4.3%	5.3%
Short-term notes payable	4,792,708,418	3,486,004,312	1,306,704,106	37.5%	9.5%	7.0%
Due to related parties	729,305,852	1,081,038,940	(351,733,088)	-32.5%	1.4%	2.2%
Current portion of customers' deposits	148,579,236	219,924,165	(71,344,929)	-32.4%	0.3%	0.4%
Dividends payable	161,945,000	161,945,000	-	0.0%	0.3%	0.3%
Income tax payable	19,430,530	1,128,130	18,302,400	1622.4%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>8,044,514,879</b>	<b>7,589,999,405</b>	<b>454,515,474</b>	<b>6.0%</b>	<b>15.9%</b>	<b>15.3%</b>
<b>Noncurrent Liabilities</b>						
Long-term notes payable - net of issue cost	14,957,750,490	15,027,837,523	(70,087,033)	-0.5%	29.6%	30.3%
Bonds payable - net of issue cost	5,220,831,408	5,217,658,399	3,173,009	0.1%	10.3%	10.5%
Deferred tax liability	1,080,001,255	898,715,869	181,285,386	20.2%	2.1%	1.8%
Retirement benefits liability	5,864,403	6,121,432	(257,029)	-4.2%	0.0%	0.0%
Customers' deposits - net of current portion	-	-	-	0.0%	0.0%	0.0%
Other noncurrent payable	982,027,593	844,155,052	137,872,541	16.3%	1.9%	1.7%
<b>Total Noncurrent Liabilities</b>	<b>22,246,475,149</b>	<b>21,994,488,275</b>	<b>251,986,874</b>	<b>1.1%</b>	<b>44.0%</b>	<b>44.4%</b>
<b>Total Liabilities</b>	<b>30,290,990,028</b>	<b>29,584,487,680</b>	<b>706,502,348</b>	<b>2.4%</b>	<b>59.9%</b>	<b>59.7%</b>
<b>Equity</b>						
<b>Equity Attributable to Equity Holders of the Parent Company</b>						
Capital stock	222,973,000	222,973,000	-	0.0%	0.4%	0.5%
Preferred Shares	10,000,000,000	10,000,000,000	-	0.0%	19.8%	20.2%
Additional paid-in capital	1,358,237,357	1,358,237,357	-	0.0%	2.7%	2.7%
Retained earnings	1,574,575,507	1,574,129,905	445,602	0.0%	3.1%	3.2%
Retirement benefits liability	(2,602,254)	(2,602,254)	-	0.0%	0.0%	0.0%
	<b>13,153,183,610</b>	<b>13,152,738,008</b>	<b>445,602</b>	<b>0.0%</b>	<b>26.0%</b>	<b>26.5%</b>
<b>Non-controlling Interest</b>	<b>7,098,275,494</b>	<b>6,806,398,119</b>	<b>291,877,375</b>	<b>4.3%</b>	<b>14.0%</b>	<b>13.7%</b>
<b>Total Equity</b>	<b>20,251,459,104</b>	<b>19,959,136,127</b>	<b>292,322,977</b>	<b>1.5%</b>	<b>40.1%</b>	<b>40.3%</b>
<b>Total Liabilities and Equity</b>	<b>50,542,449,132</b>	<b>49,543,623,807</b>	<b>998,825,325</b>	<b>2.0%</b>	<b>100.0%</b>	<b>100.0%</b>

For the first six months of 2017, the Company's properties held for lease, classified as investment properties, increased by P3.5 billion or 10.8% for the first six months of 2017 to end at P36.1 billion as of June 30, 2017. Total landbank of the Company currently stands at 77 hectares, which once fully developed, is expected to contribute close to 700,000 square meters of leasable space. DoubleDragon is focusing on the buildup of recurring revenue firmly grounded on a portfolio of appreciating real estate assets acquired at un-stretched prices.

### Current Assets

Cash amounting to P927.0 million as of June 30, 2017 decreased by P4.5 billion from P5.5 billion as of December 31, 2016. The decrease in cash is attributable to the full blast construction of CityMalls as well as the Company's on-going vertical projects.

Receivables amounting to P2.1 billion as of June 30, 2017 increased by P381.1 million (22.3%) from P1.7 billion as of December 31, 2016 due to incremental sales from the Company's ongoing interim residential projects.

Real estate inventories amounting to P3.4 billion as of June 30, 2017 increased by P212.2 million from P3.2 billion on December 31, 2016.

Prepaid expenses and other current assets amounting to P3.4 billion as of June 30, 2017 increased by P190.5 million (6%) from P3.2 billion on December 31, 2016. This account includes input taxes on expenditures related to construction and property development and creditable withholding taxes.

### **Noncurrent Assets**

Noncurrent installment contracts receivable amounting to P956.7 million as of June 30, 2017 increased by P313.4 million from December 31, 2016. Noncurrent installment contracts represent the portion of receivables from the sale of units from vertical and horizontal projects collectible in two to three years' time.

Property and equipment amounting to P1.48 billion as of June 30, 2017 increased slightly by P18.7 million from P1.46 billion as of December 31, 2016.

Goodwill and Intangible assets amounting to P159.6 million as of June 30, 2017 decreased by P10.3 million from P170.0 million as of December 31, 2016 due to amortization made during the first six months of the year.

Investment property amounting to P36.0 billion as of June 30, 2017 increased by P3.5 billion (10.8%) from P32.5 billion as of December 31, 2016 as the Company continues to secure prime commercial property across provincial cities in the Philippines for its CityMall expansion. Full swing construction of the Company's two Metro Manila office Projects DD-Meridian Park and Jollibee Plaza are also contributing to the increase in the Company's Investment Properties.

### **Current Liabilities**

Accounts payable and other liabilities amounting to P2.2 billion as of June 30, 2017 decreased by P447.4 million (-16.9%) from P2.6 billion as of December 31, 2016. The bulk of the Accounts Payable is attributable to Trade Payables arising from services provided by the contractors and subcontractors for actual progress billings related to existing and new developmental projects.

Short-term notes payable amounting to P4.8 billion as of June 30, 2017 increased by P1.3 billion from P3.5 billion as of December 31, 2016. The Company obtained additional short-term loans from various financial institutions. The proceeds from these borrowings were used by the Company for general corporate purposes.

Customers' deposits amounting to P148.6 million as of June 30, 2017 decreased by P71.3 million from P219.9 million as of December 31, 2016.

### **Noncurrent Liabilities**

Long-term notes payable amounting to P14.9 billion as of June 30, 2017, 0.5% decrease from P15.0 billion as of December 31, 2016. The unsecured long-term loans are used by the Company to partly finance its capital expenditures, primarily for the development of DD Meridian Park, The SkySuites Tower, CityMalls and for general corporate purposes.

### **Equity**

Equity amounting to P13.1 billion as of June 30, 2017 due to consolidated net income recorded for the first six months of 2017, net of dividends on preferred shares.

## Key Performance Indicators of the Company

	<b>Audited 2016</b>	<b>Unaudited 30-June-17</b>
Current Ratio	1.81	1.24
Asset to Equity	2.48	2.50
Debt to Equity Ratios		
On Gross Basis	1.19x	1.23x
On Net Basis	0.92x	1.19x
Return on Equity	13.57%	1.33%
Net Income to Revenue	29.07%	17.87%
Revenue Growth	92.42%	146.88%
Net Income Growth	92.90%	89.50%
EBITDA	PhP2,267,868,733	PhP768,810,531
Solvency Ratio	0.0508x	0.50705x
Debt Service Coverage Ratio	1.86	N/A
Acid Test Ratio	0.95	0.38
Interest Coverage Ratio	2.13	1.39

*(In compliance with SRC Rule 68, as amended on October 2011)*

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio 
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$
2. Asset to Equity Ratio 
$$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$$
3. Debt to Equity Ratio (Gross Basis) 
$$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$$
4. Debt to Equity Ratio (Net Basis) 
$$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt less Cash and Cash Equivalent}}{\text{Total Equity}}$$
5. Return on Equity 
$$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$$
6. Net Income to Revenue (Net Profit Margin) 
$$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$$
7. Revenue Growth 
$$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$$

8. Net Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$
11. Debt Service Coverage Ratio	$\frac{\text{Income from Operations} + \text{Depreciation and Amortization} + \text{Interest Expense (EBITDA)}}{\text{Interest Paid} + \text{Principal Repayments}}$
12. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$
13. Interest Coverage Ratio	$\frac{\text{Earnings before interest and taxes}}{\text{Interest Paid}}$

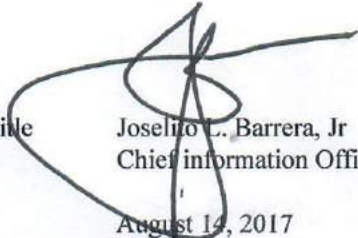
**PART II--OTHER INFORMATION**

**N/A**

**SIGNATURES**


Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **DOUBLEDRAGON PROPERTIES CORP.**

Signature and Title  Joselito C. Barrera, Jr  
Chief Information Officer/ Head, Legal Department

Date August 14, 2017

Principal Financial/Accounting Officer/Controller : Gerda C. Galloniga

Signature and Title  Gerda C. Galloniga  
Head, Accounting

Date August 14, 2017



R.G. Manabat & Co.  
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Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
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## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders  
DoubleDragon Properties Corp.  
DD Meridian Park Bay Area  
Corner Macapagal Avenue and EDSA Extension Boulevard  
Brgy 76 Zone 10, San Rafael, Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of DoubleDragon Properties Corp. and Subsidiaries (the "Group") as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated April 7, 2017.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

These supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL  
Partner  
CPA License No. 0094495  
SEC Accreditation No. 1386-A, Group A, valid until April 30, 2017  
Tax Identification No. 912-535-864  
BIR Accreditation No. 08-001987-31-2016  
Issued October 18, 2016; valid until October 17, 2019  
PTR No. 5904948MD  
Issued January 3, 2017 at Makati City

April 7, 2017  
Makati City, Metro Manila

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii) (PhP)	Valued based on market quotation at end of reporting period (iii) (PhP)	Income received and accrued (PhP)
Cash and cash equivalents	N/A	5,466,874,377	5,466,874,377	32,804,065
Receivables	N/A	2,325,009,675	2,325,009,675	-
Due from related parties	N/A	101,808,489	101,808,489	-
Refundable deposits	N/A	93,917,546	93,917,546	-

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,**  
**RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts collected (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
<i>Receivables</i>							
Injap Investments Inc. (Parent Company)	3,417,380	46,808,487	3,417,380	-	46,808,487	-	46,808,487
Daythree Realty Corporation (Related Party)	55,000,000	-	-	-	55,000,000	-	55,000,000
Galleria Zamboanga, Inc. (Related Party)	150,000	-	-	-	150,000	-	150,000
Edgar Sia (Chairman)	-	-	-	-	-	-	-
Ferdinand Sia (President)	-	-	-	-	-	-	-
Rizza Marie Joy Sia (Treasurer)	-	-	-	-	-	-	-
CityMall Commercial Centers, Inc. (Subsidiary)	50,020,623	-	50,020,623	-	-	-	-
DD HappyHomes Residential Centers Inc. (formerly Zion Land Development Ph Inc.) (Subsidiary)	143,635	-	143,635	-	-	-	-
DD-Meridian Park Development Corp. (Subsidiary)	10,487,330	-	10,487,330	-	-	-	-
DoubleDragon Property Management Corp. (formerly One Eleven Property Management Corp.) (Subsidiary)	2,398,598	-	2,398,598	-	-	-	-
Prime DDG Commercial Centers Inc. (Subsidiary)	27,560	-	27,560	-	-	-	-
DoubleDragon Sales Corp. (Subsidiary)	2,493,009	-	2,493,009	-	-	-	-
CM-Dipolog Zamboanga Inc. (Subsidiary)	350	-	350	-	-	-	-

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts eliminated (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
<i>Receivables/Advances</i>							
CityMall Commercial Centers, Inc. (Subsidiary)	2,502,373	17,165,186,964	17,167,689,336	-	17,165,186,964	-	-
DD HappyHomes Residential Centers Inc. (formerly Zion Land Development Ph Inc. ) (Subsidiary)	701	120,700,117	120,700,818	-	120,700,117	-	-
DD-Meridian Park Development Corp. (Subsidiary)	-	603	603	-	603	-	-
DoubleDragon Property Management Corp. (formerly One Eleven Property Management Corp. ) (Subsidiary)	-	36,290,234	36,290,234	-	36,290,234	-	-
Prime DDG Commercial Centers Inc. (Subsidiary)	-	-	-	-	-	-	-
DoubleDragon Sales Corp. (Subsidiary)	-	7,290,902	7,290,902	-	7,290,902	-	-
Piccadilly Circus Landing Inc. (Subsidiary)	-	127,307,083	127,307,083	-	127,307,083	-	-
Iloilo-Guimars Ferry Terminal Corp. (Subsidiary)	-	5,268,550	5,268,550	-	5,268,550	-	-
Prime DDG Commercial Centers Inc. (Subsidiary)	-	116,413	116,413	-	116,413	-	-
CM-Mandalagan Bacolod, Inc. (Subsidiary)	-	8,388	8,388	-	8,388	-	-
CM-Goldenfields Bacolod, Inc. (Subsidiary)	-	250	250	-	250	-	-
CM-Tarlac McArthur, Inc. (Subsidiary)	-	500	500	-	500	-	-
CM-Danao Cebu, Inc. (Subsidiary)	-	250	250	-	250	-	-
CM-Dipolog Zamboanga, Inc. (Subsidiary)	-	1,600	1,600	-	1,600	-	-

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Description (i)	Beginning balance  (PhP)	Additions at cost (ii)  (PhP)	Charged to cost and expenses  (PhP)	Charged to other accounts  (PhP)	Other changes additions (deductions) (iii) (PhP)	Ending balance  (PhP)
Software licenses	10,066,049	21,490,178	5,347,214	-	-	26,209,013
Goodwill	84,281,386	-	-	-	-	84,281,386
Corporate brand	-	34,647,261	3,545,220	-	-	31,102,041
Concession rights	-	28,442,591	-	-	-	28,442,591

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Title of Issue and type of obligation (i)	Amount authorized by indenture  (PhP)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii) (PhP)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii) (PhP)
Loans	2,637,000,000	2,637,000,000	-
Notes	15,400,000,000	74,000,000	15,178,000,000
Bonds	15,000,000,000	-	5,300,000,000

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name of related party (i)	Balance at beginning of period (PhP)	Balance at end of period (ii) (PhP)
Injap Investments Inc. (Parent Company)	-	133,032
Brickwall Construction and Development Corporation (Related Party)	-	798,000
Galleria Zamboanga, Inc. (Related Party)	383,281,305	383,281,305
ALN Group of Companies (Related Party)	-	9,239,154
Simon Paz (Related Party)	-	122,400,000
Hotel of Asia, Inc.		565,187,449

The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
N/A	N/A	N/A	N/A	N/A

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common shares	5,000,000,000	2,229,730,000	-	1,658,513,790	10	571,730,000
Preferred shares	10,000,000,000	10,000,000,000	-	-	0	-

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**COMPUTATION OF PUBLIC OWNERSHIP**  
**AS OF DECEMBER 31, 2016**

	Direct	Indirect	Total Direct and Indirect Shares	% to Total Issued and Outstanding Shares
<b>Number of Common Shares Issued and Outstanding</b>	2,229,730,000	-	2,229,730,000	100.00%
<b>Directors</b>				
Edgar J. Sia II	514,790	-	514,790	0.02%
Tony Tan Caktiong	1,000	-	1,000	0.00%
Ferdinand J. Sia	1,000	-	1,000	0.00%
Rizza Marie Joy J. Sia	1,000	-	1,000	0.00%
William Tan Untiong	3,501,000	-	3,501,000	0.16%
Joseph Tanbuntiong	4,001,000	-	4,001,000	0.18%
Gary P. Cheng	250,001	-	250,001	0.01%
Vicente S. Perez, Jr.	250,001	-	250,001	0.01%
<b>Subtotal</b>	<b>8,519,792</b>	<b>-</b>	<b>8,519,792</b>	<b>0.38%</b>
<b>Principal/Substantial Stockholders</b>				
Honeystar Holdings Corp.	824,996,999	-	824,996,999	37.00%
Injap Investments Inc.	824,996,999	-	824,996,999	37.00%
<b>Subtotal</b>	<b>1,649,993,998</b>	<b>-</b>	<b>1,649,993,998</b>	<b>74.00%</b>
<b>Total Shares held by Directors, Officers, Principal/Substantial Stockholders and Affiliates</b>	<b>1,658,513,790</b>	<b>-</b>	<b>1,658,513,790</b>	<b>74.38%</b>
<b>Total Number of Shares Owned by the Public</b>	<b>571,216,210</b>	<b>-</b>	<b>571,216,210</b>	<b>25.62%</b>

**DOUBLEDRAGON PROPERTIES CORP. AND SUBSIDIARIES**  
**FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS**  
**AS OF DECEMBER 31, 2016**

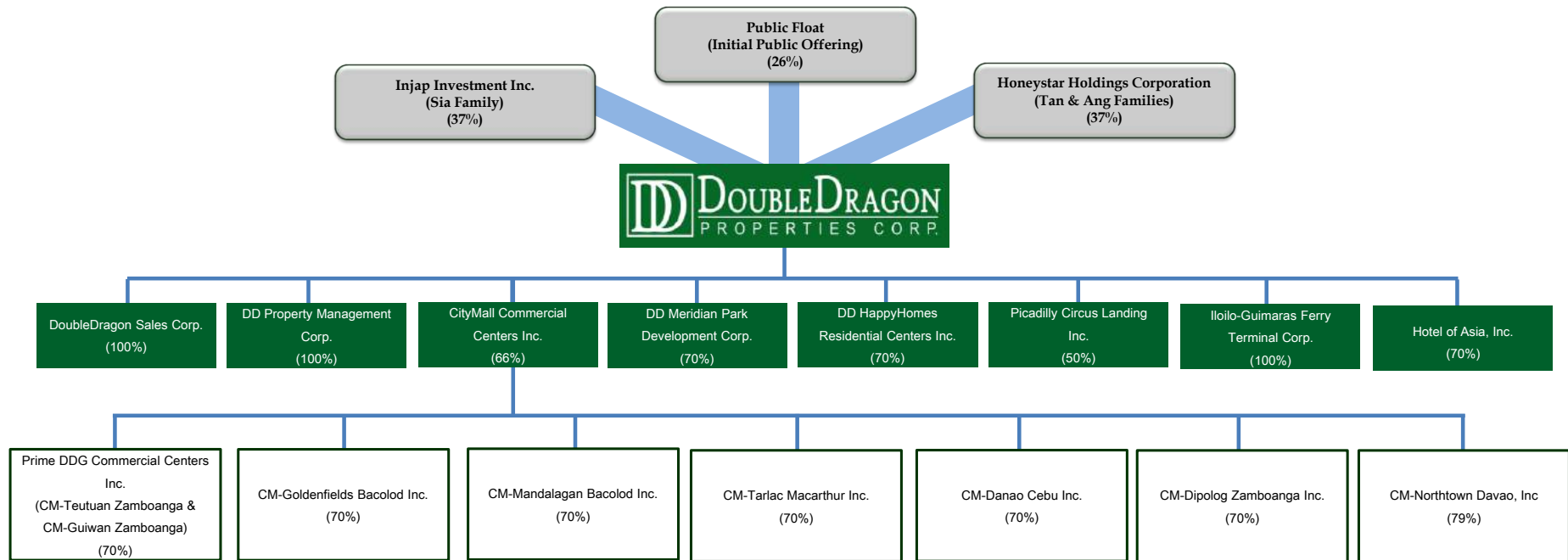
		<u>2016</u>	<u>2015</u>
1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.81	0.87
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	2.48	3.21
3. Debt to Equity Ratio (Gross Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$	1.19 x	1.78 x
4. Debt to Equity Ratio (Net Basis)	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt less Cash and Cash Equivalent}}{\text{Total Equity}}$	0.92 x	1.67 x
5. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$	13.57%	22.39%
6. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$	29.07%	29.00%
7. Revenue Growth	$\frac{\text{Total Revenue (Current Period)}}{\text{Total Revenue (Prior Period)}}$	92.42%	12.77%
8. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$ -1	92.90%	0.63%
9. EBITDA	Income from Operations + Depreciation and Amortization	Php2,268,413,185	Php1,142,957,552

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
AS AT DECEMBER 31, 2016**

**DoubleDragon Properties Corp.  
DD Meridian Park Bay Area  
Corner Macapagal Avenue and EDSA Extension Boulevard  
Brgy 76 Zone 10. San Rafael, Pasay City, Metro Manila**

<b>Unappropriated Retained Earnings, beginning</b>	<b>₱824,700,391</b>
<b>Adjustments:</b> (see adjustments in previous year' reconciliation)	<b>(657,175,226)</b>
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>167,525,165</b>
<b>Add: Net income based on the face of AFS</b>	<b>₱625,473,624</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain (loss) net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain (loss)	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	<b>(290,990,860)</b>
Adjustments due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustments due to deviation from PFRS/GAAP - gain	-
Loss on fair value adjustments of investment Property (after tax)	-
<b>Net income actual/realized</b>	<b>334,482,764</b>
<b>Add (Less):</b>	
Dividend declaration for the period	<b>(332,560,000)</b>
Appropriations of Retained Earnings during the period	-
Reversal of appropriations	-
Effect of prior period adjustments	-
Treasury Shares	-
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>₱169,447,930</b>

**DoubleDragon Properties Corp.  
Conglomerate Map**



**DOUBLEDRAGON PROPERTIES CORP. AND ITS SUBSIDIARIES**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✓	
	<b>PFRS 2</b>	Share-based Payment		
Amendments to PFRS 2: Vesting Conditions and Cancellations				✓
Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions				✓
Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'				✓
Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration	✓		✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	No Adopted	No Applicable
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
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			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing Involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements	✓		
PFRS 8	Operating Segments	✓		
	Annual improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	No Adopted	No Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: 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 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts	✓		
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Pullable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	No Adopted	No Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
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	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>PAS 28 (Amended)</b>	Amendments to PAS 27: Equity Method In Separate Financial Statements			✓
	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	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	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 39</b>	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	No Adopted	No Applicable
	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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Applied	Not Applied	Not Applicable
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-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24,37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building	✓		
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs	✓		
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre- Completion Contracts		✓	

**Legend:**

**Adopted** – means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** – means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** – means the standard or interpretation is not relevant at all to the operations of the entity.

**DoubleDragon Properties Corp.**

Recently offered securities to the public (either as initial or additional offering)

**For the year 2016***(in billions)*

Type	Listing Date	Per Prospectus		Actual		Use of Proceeds	Balance as of 31 Dec 2016
		Gross Proceeds	Net Proceeds	Gross Proceeds	Net Proceeds		
Preferred Shares	July 26, 2016	P5B base offer with oversubscription of P5B	9.85	10.00	9.82	Projects > CityMall - Land Acquisition - Construction > DD- Meridian Park > Jollibee Tower > The SkySuites Tower > General corporate requirements	3.09

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 12 2017.

By:

**DOUBLED DRAGON PROPERTIES CORP.**

  
\_\_\_\_\_  
**EDGAR J. SIA II**  
Chairman and Chief Executive Officer

  
\_\_\_\_\_  
**FERDINAND J. SIA**  
President

  
\_\_\_\_\_  
**RIZZA MARIE JOY J. SIA**  
Treasurer and Chief Financial Officer


  
\_\_\_\_\_  
**WILLIAM TAN UNTIONG**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 12 2017 at MAKATI CITY affiants exhibiting to me their competent evidence of identity, to wit:

- 1) EDGAR J. SIA II with Passport No. EB8173899 issued by DFA Manila expiring on May 28, 2018
- 2) FERDINAND J. SIA with Passport No. EC1251976 issued by DFA NCR East expiring on May 28, 2019
- 3) RIZZA MARIE JOY J. SIA with Passport No. EB9154343 issued by DFA Manila expiring on September 15, 2018
- 4) WILLIAM TAN UNTIONG with Passport No. EC0232914 issued by DFA Manila expiring on February 6, 2019

Doc 710  
Page 50  
Book 2  
Series of 2017



  
**JON ANDRE C. BANDOMA**  
Notary Public for Makati City  
Until December 31, 2018  
Commission No. M-168  
Roll No. 64599  
PTR No. 5909665/01-03-17/Makati City  
IBP No. 1051720/01-04-17/Makati City  
19B Tower One, Philippine Stock Exchange Plaza  
Ayala Avenue, Makati City, 1226