

# STA. LUCIA LAND INC.

**Sta. Lucia Land, Inc.**

*(incorporated in the Republic of the Philippines)*

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

**₱2,000,000,000.00**

**[•] p.a. Series A Bonds Due 2018**

**[•] p.a. Series B Bonds Due 2021**

**Offer Price: 100% of Face Value**

***Issue Manager, Lead Underwriter and Bookrunner***



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

**The date of this Preliminary Prospectus is July 9, 2015**

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PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE.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

Sta. Lucia Land, Inc.  
Penthouse, Bldg. 3, Sta. Lucia East Grand Mall  
Marcos Highway corner Imelda Avenue  
Cainta, Rizal  
Corporate Website: <http://www.stalucialand.com.ph>

This Prospectus relates to the public offering (the "Offer") by Sta. Lucia Land, Inc. ("SLI", the "Company", or the "Issuer") of Unsecured Fixed-Rate Peso Bonds with an aggregate principal amount up to of ₱3,000,000,000.00, with an oversubscription option of up to ₱2,000,000,000.00 (the "Bonds"). The Offer comprises the following series of the Bonds: (i) [●] % p.a. three-year fixed-rate bonds due 2018 ("Series A Bonds"), and (ii) [●] % p.a. five-year and three-months fixed-rate bonds due 2021 ("Series B Bonds"), all of which shall be issued by the Company simultaneously on [●] 2015 (the "Issue Date") pursuant to the terms and conditions of the Bonds.

Interest on the Bonds shall be payable quarterly in arrears starting on [●] 2015 for the first Interest Payment Date and on [●], [●], [●] and [●] each year for each subsequent Interest Payment Date at which the Bonds are outstanding or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day.

The Bonds shall be repaid at par (or 100% of face value), plus any outstanding interest, on the relevant maturity date of each series or on [●] 2018 for the Series A Bonds, on [●] 2021 for the Series B Bonds, unless the Company exercises its early redemption option for the Series A or Series B Bonds on the Early Redemption Option dates according to the conditions therefor (see "Description of the Bonds" – "Redemption and Purchase").

The Bonds have been rated by the Philippines Rating Services Corporation ("PhilRatings") on [●], [●], 2015.

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

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

SLI expects to raise gross proceeds amounting to ₱3,000,000,000.00, and up to a maximum of ₱5,000,000,000.00, if the oversubscription option is fully exercised. Without exercising such oversubscription option, the net proceeds are estimated to be approximately [₱2,934,580,594], after deducting fees, commissions, and expenses relating to the issuance of the Bonds. If the oversubscription option is fully exercised, the net proceeds are estimated to be approximately [₱4,896,862,874], after deducting fees, commissions, and expenses relating to the issuance of the Bonds. Proceeds of the Offer shall be used to refinance existing debt obligations of the Issuer and its Subsidiaries, including obligations due to the Lead Underwriter, which is discussed further in the section entitled "Use of Proceeds" on page [38] of this Prospectus. The Lead Underwriters shall receive a fee of up to [●%] on the final aggregate nominal principal amount of the Bonds issued.

On [●], [●], 2015, the Company filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of up to ₱3,000,000,000.00 with an oversubscription option of up to ₱2,000,000,000.00, constituting the Bonds.

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

Holders of the Bonds shall not be entitled to any dividends from the Issuer, the Bonds being a debt issue. Nevertheless, SLI's dividend policy is discussed further in the section "Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters" on page [102] of this Prospectus.

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

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

Neither the delivery of this Prospectus nor any sale made pursuant to the Offering shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Issue Manager, Lead Underwriter and Bookrunner does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.


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

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

No dealer, salesman or other person has been authorized by SLI or the Lead Underwriter to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by SLI or the Lead Underwriter. Further, The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippines laws, rules and regulations that may be different from those of certain other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

SLI is organized under the laws of the Philippines with principal office address at the Penthouse, Bldg. 3, Sta. Lucia East Grand Mall, Marcos Highway cor. Imelda Avenue, Cainta, Rizal, Philippines with telephone number: (+632) 6817332. The Company has been listed on The Philippine Stock Exchange, Inc. ("PSE") since 2007 under ticker symbol "SLI." Its corporate website is <http://www.stalucialand.com.ph>. The information in the website is not incorporated by reference into this Prospectus.

**STA. LUCIA LAND, INC.**

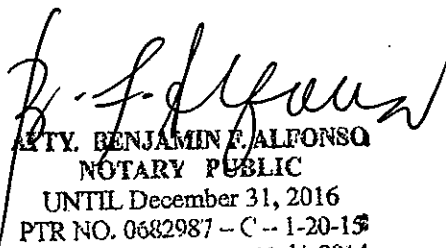
  
Exequiel D. Robles  
President and Director

REPUBLIC OF THE PHILIPPINES)  
CANTON, RIZAL ) S.S.

Before me, a notary public for and in the city named above, personally appeared Exequiel D. Robles, with Passport No. EB8128155 issued at Manila on May 16, 2013, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this 08 JUL 2015 day of July 2015 at Canton, Rizal.

Doc No. 46  
Page No. 13  
Book No. 13  
Series of 2015. 2/A

  
BENJAMINE ALFONSO  
NOTARY PUBLIC  
UNTIL December 31, 2016  
PTR NO. 0682987 - C - 1-20-15  
IBP NO. 975600 - 12-11-2014  
ROLL NO. 13296  
ADM. MATTER NO. N.P -144 (2015 - 2016)  
TIN NO. 177967619  
MCLE EXEMPTED  
QUEZON CITY

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## FORWARD-LOOKING STATEMENTS

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

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

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies, the environment in which the Company will operate in the future and current expectations and projections about future events and financial trends affecting its business. Words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees" or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe SLI's objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company's ability to successfully manage its in-house financing activities
- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to successfully manage aggressive growth;
- changes in the Philippine property market and the demand for the Company's housing and land developments;
- the Company's ability to maintain its reputation for on-time project completion;
- any future political instability in the Philippines;
- the condition of and changes in the Philippine, Asian or global economies;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- changes to the laws, including tax laws, regulations, policies and licenses applicable to or affecting the Company; and
- competition in the Philippine property industry.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Lead Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based. The Company does not intend to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise, unless material within the purview of the Securities Regulation Code ("SRC") and other applicable laws, the mandate of which is to enforce investor protection. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Investors should not place undue reliance on any forward-looking information.

The Issue Manager, Lead Underwriter and Bookrunner does not take any responsibility for, or give any representation, warranty or undertaking in relation to, any such forward-looking statements.



## GLOSSARY OF TERMS

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

Applicant	A person, whether natural or juridical, who seeks to purchase the Bonds
Application to Purchase	The documents to be executed and/or submitted by any Person or entity qualified to become a Bondholder offering to purchase the Bonds.
ASEAN	Association of Southeast Asian Nations
Banking Day or Business Day	A day on which commercial banks are open for business in Makati City, Metro Manila and Cainta, Rizal
Beneficial Owner	<p>Any person (and “Beneficial Ownership” shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that a person shall be deemed to have an indirect beneficial ownership interest in any security which is held by:</p> <ol style="list-style-type: none"><li>i. members of his immediate family sharing the same household;</li><li>ii. a partnership in which he is a general partner;</li><li>iii. a corporation of which he is a controlling shareholder; or</li><li>iv. subject to any contract, arrangement or understanding, which gives him voting power investment or power with respect to such securities; provided, however, that the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:<ol style="list-style-type: none"><li>a. A broker dealer;</li><li>b. An investment house registered under the Investment Houses Law;</li><li>c. A bank authorized to operate as such by the BSP;</li><li>d. An insurance company subject to the supervision of the Office of the Insurance Commission;</li><li>e. An investment company registered under the Investment Company Act;</li><li>f. A pension plan subject to regulation and supervision by the Bureau of Internal Revenue and/or the Securities and Exchange Commission or relevant authority; and</li><li>g. A group in which all of the members are persons specified above</li></ol></li></ol>
BIR	The Bureau of Internal Revenue
Board of Directors or Board	Board of Directors of the Company

BOI	Board of Investments
Bonds	SEC-registered fixed-rate Peso-denominated bonds, comprising of the Series A, Series B, with an aggregate principal amount of up to P3,000,000,000.00, with an oversubscription option of up to P2,000,000,000.00, which shall be issued by SLI on the Issue Date
Bond Agreements	The Trust Agreement, the Registry and Paying Agency Agreement, the Underwriting Agreement, the Master Certificate of Indebtedness (inclusive of the Terms and Conditions) or any document, certificate or writing contemplated thereby
Bondholder	A Person whose name appears, at any time, as a holder of the Bonds in the Electronic Registry of Bondholders
BPO	Business Process Outsourcing
B.P. 220	Batas Pambansa Blg. 220, a Philippine statute regulating the standards and technical requirements for economic and socialized housing projects in urban and rural areas
Buen-Mar	Buen-Mar Realty
BSP	Bangko Sentral ng Pilipinas, the Philippine central bank
CAR	Cordillera Administrative Region
CBRE	CBRE Group, Inc.
CCCS	The Central Clearing and Central Settlement system
Closing Date	The date of delivery of the Bonds, which is expected to occur in Manila on [●] or such other date as the Issue Manager and Lead Underwriter and the Company shall agree in writing
Common Shares	The common shares of the Company with par value P 1.00 per share
Condotel	A condominium project that is operated as a hotel
Constitution	The 1987 Philippine Constitution
Corporate Reorganization	A series of transactions between the SLI Majority Shareholders and the Company whereby, among other things, the SLI Majority Shareholders acquired an 88.2% ownership interest in the Company, the Company increased its authorized capital stock, changed its primary purpose and principal place of business, and the Subsidiaries were reorganized under the Company; see “Business – History and Corporate Reorganization – Corporate Reorganization”
Corporation Code	Batas Pambansa Blg. 68, otherwise known as “The Corporation Code of the Philippines.”
CRC	Center for Research and Communication of the University of Asia and the Pacific, a private academic institution that conducts economic and social research

Debt-to-Equity Ratio	Is computed as total Financial Indebtedness divided by total equity
Deed of Assignment	Deed of Assignment of shares of stock executed and disclosed on July 8, 2014, by and between SLRDI and the Company to settle the advances of SLRDI to SLI as of March 31, 2014 amounting to P1,801,107,601. Under the Deed of Assignment, SLRDI will transfer 3,000,000,000 SLI shares to the Company as full payment for the P1,801,107,601 advances, subject to the availability of Unrestricted Retained Earnings in the books of the Company. SLRDI has already transferred 2,250,000,000 SLI shares to the Company of this 3,000,000,000 SLI shares.
DENR	Department of Environment and Natural Resources
ECC	Environmental Compliance Certificate
Electronic Registry of Bondholders	The electronic registry book of the Registrar and Paying Agent containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon.
GDP	Gross Domestic Product
GRDP	Gross Regional Domestic Product
GFA	Gross floor area
Government	The Government of the Republic of the Philippines
Gross Margin	The Company's gross income divided by sales as described in the Consolidated Financial Statements included in this Prospectus
Group	SLRDI and SLI, together with SLI's subsidiaries
GSIS	Government Service Insurance System
h.a.	Hectares
House of Representatives	The House of Representatives of the Philippines, one of the two branches of the Congress
HLURB	Housing and Land Use Regulatory Board
HUDCC	Housing and Urban Development and Coordinating Council
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
Interest Payment Date	[•], [•], [•] and [•] of each year, for as long as the Bonds remain outstanding
Interest Rate	[•]% p.a. for the Series A Bonds [•] % p.a. for the Series B Bonds

Issue Date	[•] 2015 or such date on which the Bonds shall be issued by SLI to the Bondholders
Issue Manager, Lead Underwriter and Bookrunner	China Banking Corporation
IRO	Investor Relations Officer
IRRs	Implementing Rules and Regulations of the SRC, as amended
JV	Joint Venture
Km	Kilometer
Lien	any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or any of its affiliates' obligations
LGU	Local Government Unit
Maceda Law	Republic Act No. 6552, or An Act to Provide Protection to Buyers of Real Estate on Installment Payments
Majority Bondholders	The Bondholder or Bondholders who hold, represent or account for more than 50% of the aggregate outstanding principal amount of the Bonds, provided that, in respect of any matter pertaining to the interest rate or tenor of the Bonds and affecting only either the holders of the Series A Bonds or the holders of the Series B Bonds, exclusively, only the concerned Bondholders will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution.
Master Certificate of Indebtedness	The certificates to be issued by SLI and delivered to the Trustee representing each of the Series A and Series B Bonds and evidencing and covering the aggregate principal amount of the Bonds issued on Issue Date
Maturity Date	[•] 2018 for the Series A Bonds [•] 2021 for the Series B Bonds
Metro Manila	the metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Paranaque, Pasay, Pasig, Pateros, Quezon, Valenzuela, Taguig and San Juan, which together comprise the "National Capital Region" and are commonly referred to as "Metro Manila"
MPO	Minimum public ownership
MRB	Medium-rise building, a walk-up building generally four to five stories or an elevator-equipped building of eight to 12 stories
NCR	National Capital Region
Net Income Margin	The Company's net income divided by sales as described in the consolidated financial statements included in this Prospectus
NHMFC	National Home Mortgage Finance Corporation

NSCB	The Philippine National Statistical Coordination Bureau
Offer	The offer and sale of up to [x] Series A due 2018 and [x] Series B Bonds due 2021
Offer Period	The period when the Bonds are offered for sale, distribution, and issuance by the Issuer to the Bondholders commencing at 9:00 a.m. on [•] 2015 and ending at 12:00 p.m. on [•] 2015, or such other dates as may be determined by the Issuer and the Issue Manager
Offer Price	P[•], the price per Bond at which the Bonds are to be purchased pursuant to the Offer
OFWs	Overseas Filipino workers
Pag-IBIG or HDMF	The Home Development Mutual Fund, also known as the Pag-IBIG Fund, the primary government housing financial assistance program in the Philippines, with a statutory mandate to provide Government assistance for the housing requirements of its members and allot not less than 70% of its available funding for deployment of housing loans to its qualified buyers
Paying Agent	PDTC, as Paying Agent of the Bonds, and includes its successor entity, or any other party appointed by the Issuer from time to time as such, which shall perform the functions and duties of the paying agent pursuant to the Registry and Paying Agency Agreement, including, the receipt of funds from SLI for payment of principal, interest and other amounts due on the Bonds and the remittance of the funds to the Bondholders based on the records shown in the Electronic Registry of Bondholders
PCD	The Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC
Person	Individuals, juridical persons such as corporation, partnership, joint venture, unincorporated association, trust or other juridical entities, or any governmental authority
PDEX	Philippine Dealing & Exchange Corp.
PDS	The Philippine Dealing System
PDTC	The Philippine Depository and Trust Corporation, the central securities depository of, among others, securities listed and traded on the PSE
PDTC Rules	SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time
Pesos, Philippine Pesos, Php, and Philippine currency	The lawful currency of the Philippines
PFRS	Philippine Financial Reporting Standards

Philippines	Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
R.A.	Republic Act
Registrar	PDTC, as the Registrar of the Bonds and includes its successor entity, or any other party appointed by the Issuer from time to time as such, which shall perform the functions and duties of the paying agent pursuant to the Registry and Paying Agency Agreement, including maintaining the Electronic Registry of Bondholders
Registry and Paying Agency Agreement	Means the registry and paying agency agreement in the agreed form dated on or about [*] between the Issuer and the Registrar and Paying Agent, as may be amended or supplemented from time to time
REM	Real estate mortgage
SCCP	The Securities Clearing Corporation of the Philippines
SEC	The Securities and Exchange Commission
SHDA	Subdivision and Housing Developers Association, the largest industry organization of subdivision and housing developers in the Philippines with over 200 members
SHDA/CRC Report	“The Housing Industry Road Map of the Philippines: 2012-2030,” a publicly available report prepared by the SHDA in partnership with the CRC
SEC Permit to Sell	Permit to Sell Securities issued by the SEC in connection with the Offer
Security Interest	Any mortgage, pledge, lien or encumbrance constituted on any of the Issuer’s properties
Series A Bonds	Bonds which shall have a term of three years from the Issue Date
Series B Bonds	Bonds which shall have a term of five years and three months from the Issue Date
SLECC	Sta. Lucia East Commercial Corporation
SLEGM or Sta. Lucia Mall	Sta. Lucia East Grand Mall
SLHI or Sta. Lucia Homes	Sta. Lucia Homes, Inc.
SLI or the Company or the Issuer	Sta. Lucia Land, Inc.
SLRDI or Selling Shareholder	Sta. Lucia Realty & Development, Inc.

SME	Small and Medium-Sized Enterprises
Socialized Housing	Housing and land units priced up to Php450,000.00 as categorized by the SHDA and HUDCC
sq.m.	Square meters
Subsidiary/ies	With respect to the Company, Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc.
SRC	Securities Regulation Code of the Philippines (RA 8799) and its implementing rules, as amended
SSS	Social Security System
Stock Transfer Agent	Professional Stock Transfer, Inc.
SVI	Santalucia Ventures, Inc.
Tax Code	National Internal Revenue Code of 1997 of the Philippines (R.A. No. 9337) and its implementing rules, as amended
Taxes	Any present or future taxes, including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof, including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, taxes on the overall income of the underwriters or of the Bondholders (which for the avoidance of doubt includes any creditable withholding tax), value added tax, and taxes on any gains realized from the sale of the Bonds
Tax Exempt/Treaty Documents	Collectively, (i) a BIR-certified true copy of the current and valid tax exemption certificate, ruling or opinion issued by the BIR addressed to the relevant Applicant or Bondholder confirming its exemption, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto; (ii) a duly notarized undertaking, in the prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably required by the Issuer and/or the Registrar and Paying Agent or under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty

relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010; including any clarification, supplement or amendment thereto

Terms and Conditions	Terms and conditions of the issuance of the Bonds as appended to the Master Certificate of Indebtedness and set forth in the Trust Agreement
Trust Agreement	Means the Trust Agreement in the agreed form dated on or about [•] between the Issuer and the Trustee, as may be amended or supplemented from time to time
Trustee	China Banking Corporation – Trust Group, the entity appointed by the Issuer which will act as the legal title holder of the Bonds and shall monitor compliance and observance of all covenants of and performance by the Issuer of its obligations under the Bonds and enforce all possible remedies pursuant to such mandate.
Underwriting Agreement	Means the Issue Management and Underwriting Agreement in the agreed form dated on or about [•] between the Issuer and the Issue Manager, Lead Underwriter and Bookrunner, as may be amended or supplemented from time to time
VAT	Value Added Tax
ZRHI	Zipporah Realty Holdings, Inc.

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



## SUMMARY

*This summary highlights certain information contained elsewhere in this Prospectus. This summary should be read in conjunction with and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus. This summary does not purport to contain all of the information that a prospective investor should consider before investing. Each Prospective investor should read the entire Prospectus carefully, including the section entitled "Risk Factors and Other Considerations" for a discussion of certain factors to be considered when investing in the Offer Shares and the Company's financial statements and the related notes contained in this Prospectus ("Summary of Financial Information").*

### OVERVIEW

*The Group is one of the largest real estate developers in the country in terms of land area developed. Through its nationwide distribution channels, the Group has built a track record in the area of horizontal residential developments, particularly gated subdivisions. The Group has also expanded into vertical developments, housing construction, marketing, and mall operations.*

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

*More than four decades later, having successfully developed namesake subdivisions in Pasig City and various municipalities in the Rizal province, the Group has expanded its presence into new markets while strengthening its hold on existing markets. Most of the Group's projects are residential subdivisions, where they offer lot owners an area where they can build a home, nurture a family and have a lifestyle of their own. Most of the subdivisions built by the Company include community and sports facilities such as a clubhouse, swimming pool, basketball court, landscaped gardens and a children's playground and, in addition to basic amenities, concrete roads, adequate water and electrical power. In larger communities, the Group's developments may include tennis courts, water slides, bowling facilities, and man-made lakes.*

*In 1996, the Group started its first residential and golf course development in the country, The Orchard, which has two golf courses designed by Gary Player and Arnold Palmer, respectively, well regarded professional golfers. The Orchard was the first world class golf course development in the Philippines with a fully integrated golf and residential community. Since then, the Group has constructed over thirteen (13) world-class golf courses, currently the highest number for any developer in the country. Aside from residential projects and golf courses, the Group has also developed a 10.5 h.a. mall complex in Rizal, the Sta. Lucia East Grand Mall ("SLEGM"), and select resorts and hotels which are all complementary to existing residential projects.*

### COMPETITIVE STRENGTHS

*The Company's competitive strengths include the following:*

- *Established track record in successfully developing and selling prime real estate properties*
- *Established nationwide strategic footprint with presence in emerging cities*
- *Positioned to take advantage of the buoyant Philippine economy and growing residential housing demand*
- *Joint Venture business model as an asset-light strategy for rapid expansion*

- *Diversified product portfolio*

*Please refer to "Competitive Strengths" on page [69] of this Prospectus for a more detailed discussion.*

#### **BUSINESS STRATEGIES**

*The Company's business strategies include the following:*

- *Continue joint venture business model*
- *Selectively expand the Company's own landbank in emerging cities to supplement JV landbank*
- *Diversify into residential house construction business*
- *Improve recurring lease income*
- *Continue to expand domestic and international marketing channels*

*Please refer to "Business Strategies" on page [72] of this Prospectus for a more detailed discussion.*

#### **INVESTMENT CONSIDERATIONS AND RISK FACTORS**

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

##### *Risks Related to the Company and the Industry*

- *A significant portion of the demand for the Company's products is from OFWs, expatriate Filipinos and their families, which exposes the Company to risks relating to the performance of the economies of the countries where these potential customers are based.*
- *The interests of JV partners for the Company's land development projects may differ from the Company's and they may take actions that may adversely affect the Company.*
- *The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.*
- *The Company is subject to significant competition in connection with their real estate development and leasing business.*
- *The Company faces certain risks related to the cancellation of sales involving its residential lot projects and leasing business and if the Company were to experience a material number of sales cancellations, the Company's historical revenues would be overstated.*
- *Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.*
- *Titles over land owned by the Company may be contested by third parties.*
- *The Company faces risks relating to its residential lot only property development business, including risks relating to project cost and completion.*
- *The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.*
- *Independent contractors may not always be available, and once hired by the Company, may not be able to meet the Company's quality standards or may not complete projects on time and within budget.*

- *The Company operates in a highly-regulated environment and it is affected by the development and application of regulations in the Philippines.*
- *Environmental laws applicable to the Company's projects could have a material adverse effect on its business, financial condition or results of operations.*
- *A new accounting interpretation on the recognition of revenue for real estate before construction completion, specifically, the Philippine Interpretation International Financial Reporting Interpretations Committee ("IFRIC") No. 15, Agreements for the Construction of Real Estate, if implemented, will change the Company's revenue recognition practices as well as those of other real estate companies.*
- *The Company is majority controlled by SLRDI and indirectly by the Robles and Santos families, and interests of SLRDI and the Robles and Santos families may differ significantly from the interests of the Company's other shareholders.*
- *The Company has a number of related-party transactions with affiliated companies.*
- *The Company may be unable to attract and retain skilled professionals*
- *The Company is dependent on brokers to sell its subdivision lots and condominium units.*
- *A domestic asset price bubble could adversely affect the Company's business.*

#### **RISKS RELATING TO THE PHILIPPINES**

- *A slowdown in the Philippines' economic growth could adversely affect the Company.*
- *Any political instability in the Philippines may adversely affect the Company.*
- *Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.*
- *Terrorist activities in the Philippines could destabilize the country, adversely affecting its businesses.*
- *The sovereign credit ratings of the Philippines may adversely affect the Company.*
- *Foreign exchange regulations in the Philippines may limit the Company's access to foreign currency for service of foreign-currency denominated debts.*
- *Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.*

#### **RISKS RELATING TO THE BONDS**

- *The market price of securities can and does fluctuate. The relative volatility and illiquidity of the Philippine securities market may substantially limit investors' ability to sell the Bonds at a suitable price or at a time they desire.*
- *Future sales of the Bonds in the public market could adversely affect the prevailing market price of the Bonds.*

## SUMMARY OF THE OFFER

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.*

<b><i>Issuer</i></b>	Sta. Lucia Land, Inc., a corporation organized under Philippine law with the trading symbol of "SLI".
<b><i>Issue</i></b>	Peso-Denominated Fixed-Rate Bonds constituting direct, unconditional, unsecured, and general obligations of the Issuer.
<b><i>Issue Manager, Lead Underwriter and Bookrunner</i></b>	China Banking Corporation
<b><i>Trustee</i></b>	China Banking Corporation
<b><i>Issue Amount</i></b>	Up to ₱3,000,000,000.00 with an overallotment of up to ₱2,000,000,000.00
<b><i>Use of Proceeds</i></b>	The net use of proceeds of the Issue are intended to be used by SLI to fully refinance existing secured loans, for capital expenditure requirements, and/or general corporate purposes.
<b><i>Issue Price</i></b>	100% of Face Value
<b><i>Form and Denomination of the Bonds</i></b>	The Bonds shall be issued in scripless form in denominations of ₱50,000.00 each, as a minimum and in multiples of ₱10,000.00 thereafter.
<b><i>Offer Period</i></b>	The Offer shall commence at 9:00 am on [Date] and end at 12:00 p.m. on [Date], or on such other date as the Issuer and the Underwriters may agree upon.
<b><i>Issue Date</i></b>	[Date] or such other date as may be agreed by the Issuer and the Underwriters
<b><i>Maturity Date</i></b>	Series A: Three (3) years from Issue Date Series B: Five (5) years and three (3) months from Issue Date
<b><i>Interest Rate</i></b>	Series A: Fixed interest rate of [•]% per annum Series B: Fixed interest rate of [•]% per annum
<b><i>Interest Payment Date</i></b>	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on [Date] and [Date], or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on [Date], until and including the relevant Maturity Date (each, an "Interest Payment Date").

***Call Option and Call Dates***

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds before the Maturity Date on any one of the anniversary dates indicated below (the "Call Option Dates"), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Series A

Call Option Dates	Call Option Price
On the 6 <sup>th</sup> month of the 2 <sup>nd</sup> year from the Issue Date	101.00%

Series B

Call Option Dates	Call Option Price
On the 6 <sup>th</sup> month of the 3 <sup>rd</sup> year from Issue Date	102.00%
On the 4 <sup>th</sup> year from Issue Date	101.00%

The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to exercise its Call Option on the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds at the Call Option Date stated in such notice. The amount payable to the Bondholders in respect of any such early redemption shall be calculated as the sum of (i) the relevant Call Option Price applied to the principal amount of the then outstanding Bonds being redeemed and (ii) all accrued interest on the Bonds as at the relevant Call Option Date.

***Redemption for Taxation Reasons***

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.

***Final Redemption***

Except when a Call Option is exercised, the Bonds will be redeemed at par or 100% face value on the relevant Maturity Date.

***Negative Pledge***

The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.

***Purchase and Cancellation***

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

***Status of the Bonds***

The Bonds shall constitute the direct, unconditional, and unsecured

obligations of the Issuer and shall at all times rank *paripassu* and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.

**Rating** The Bonds are rated [•] by Philippine Rating Services Corp.

**Governing Law** Philippine Law

#### **PARTIES TO THE TRANSACTION**

<b>Issuer</b>	Sta. Lucia Land, Inc.
<b>Joint Issue Manager, Bookrunner, Lead Underwriter</b>	China Banking Corporation
<b>Trustee</b>	China Banking Corporation – Trust Group
<b>Registrar and Paying Agent</b>	Philippine Depository and Trust Corporation
<b>Counsel to the Issuer</b>	Martinez Vergara Gonzalez & Serrano Law
<b>Counsel to the Issue Manager, Lead Underwriter and Bookrunner</b>	Romulo Mabanta Buenaventura Sayoc and De Los Angeles
<b>Independent Auditor</b>	SyCipGorresVelayo & Co. (“SGV & Co.”)
<b>Property Consultant</b>	CB Richard Ellis Philippines

## SUMMARY FINANCIAL AND OPERATING INFORMATION

The summary financial information as of and for the years ended December 31, 2014, 2013 and 2012 set forth below have been derived from the audited consolidated financial statements audited by SyCipGorresVelayo & Co. (SGV & Co.) in accordance with Philippine Standards on Auditing and included elsewhere in this Prospectus. Unless otherwise stated, the Company has presented its consolidated financial results for the annual periods in accordance with Philippine Financial Reporting Standards, and has presented its consolidated financial results for the interim periods in accordance with Philippine Accounting Standard 34, Interim Financial Reporting. The information is not necessarily indicative of the results of the future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the SEC Form 17-A and the relevant consolidated financial statements of Sta. Lucia Land, Inc., including the notes thereto, included in this Prospectus.

The following table summarizes the financial highlights of SLI's consolidated financial performance:

### Consolidated Statements of Income

In ₱ millions	Six Months Ended June 30		Years Ended December 31		
	2015 (Unaudited)	2014 (Unaudited)	2014	2013 (Audited)	2012
<b>REVENUE</b>					
Real estate sales		1,099.3	1,445.4	801.2	1,298.7
Rental income		262.7	504.3	355.1	385.8
Interest income		45.4	83.4	88.8	65.5
Commission income		—	73.2	19.0	—
Construction income		—	28.0	—	—
Dividend income		—	5.7	5.5	5.9
Others		54.1	156.3	57.2	36.9
		1,461.5	2,296.3	1,326.9	1,792.8
<b>COSTS AND EXPENSES</b>					
Costs of real estate		381.4	761.5	420.5	802.4
Costs of rental income		—	248.8	108.1	108.1
Costs of construction		—	19.0	—	—
		381.4	1,029.3	528.6	910.5
Depreciation and amortization		87.0	3.6	4.5	2.5
Interest expenses		104.2	113.4	102.6	95.3
Commissions		157.3	199.6	85.4	138.5
Advertising		22.5	34.6	56.8	53.9
Taxes, licenses and fees		44.8	46.4	46.0	58.0
Salaries and wages		21.8	41.4	29.4	18.2
Professional fees		6.4	11.0	9.7	17.8
Representation		4.4	7.5	6.3	6.8
Repairs and maintenance		1.4	1.8	3.3	3.7
Utilities		2.8	3.9	2.7	5.2
Provision for doubtful accounts		—	—	0.3	0.2
Miscellaneous		11.9	20.1	16.8	14.1
		464.5	483.3	363.6	414.2
<b>INCOME BEFORE INCOME TAX</b>		615.7	783.7	434.7	468.1
<b>PROVISION FOR INCOME TAX</b>		189.3	235.0	134.7	156.9
<b>NET INCOME</b>		426.3	548.7	300.0	311.2
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		(37.6)	(0.9)	2.4	208.3
<b>TOTAL COMPREHENSIVE INCOME</b>		388.8	547.9	302.4	519.5
<b>Basic/Diluted Earnings per Share</b>	<b>0.050</b>	<b>0.050</b>	<b>0.073</b>	<b>0.028</b>	<b>0.029</b>

\*Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### Consolidated Statements of Financial Position

In ₪ millions	June 30	December 31		
	2015 (Unaudited)	2014	2013 (Audited)	2012
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		116.1	30.5	65.1
Receivables		2,086.6	945.0	1,043.6
Real estate inventories		7,967.3	8,111.1	7,663.9
Deposit on land rights		–	1,358.7	1,358.7
Other current assets		1,610.7	963.1	580.8
<b>Total Current Assets</b>		<b>11,780.7</b>	<b>11,408.3</b>	<b>10,712.1</b>
<b>Noncurrent Assets</b>				
Noncurrent installment contracts receivables		510.1	589.2	423.9
Investment properties		4,760.3	4,416.4	4,351.6
Property and equipment		38.6	23.7	9.5
Available-for-sale financial assets		729.9	730.6	728.0
Other noncurrent assets		18.6	16.8	10.9
<b>Total Noncurrent Assets</b>		<b>6,057.7</b>	<b>5,776.7</b>	<b>5,524.0</b>
<b>TOTAL ASSETS</b>		<b>17,838.4</b>	<b>17,185.0</b>	<b>16,236.1</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts and other payables		1,693.9	1,431.7	1,399.5
Loans payable		3,198.1	2,673.2	2,550.3
Customers' deposits		743.8	673.3	281.8
Income tax payable		29.0	21.3	–
<b>Total Current Liabilities</b>		<b>5,664.9</b>	<b>4,799.4</b>	<b>4,231.6</b>
<b>Noncurrent Liabilities</b>				
Pension liabilities		2.0	1.0	0.5
Deferred tax liabilities - net		439.2	300.2	222.1
<b>Total Noncurrent Liabilities</b>		<b>441.2</b>	<b>301.2</b>	<b>222.6</b>
<b>Total Liabilities</b>		<b>6,106.1</b>	<b>5,100.6</b>	<b>4,454.1</b>
<b>Equity</b>				
Capital Stock		10,796.5	10,796.5	10,796.5
Additional paid-in capital		192.1	192.1	192.1
Retained earnings		1,237.8	689.0	389.0
Unrealized gain on fair value of available-for-sale financial assets		406.6	407.2	404.7
Remeasurement losses on pension		(0.5)	(0.3)	(0.2)
Treasury shares		(900.0)	–	–
<b>Total Equity</b>		<b>11,732.3</b>	<b>12,084.4</b>	<b>11,781.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,838.4</b>	<b>17,185.0</b>	<b>16,236.1</b>

### Consolidated Statements of Cash Flows

In ₪ Millions	Six Months Ended		Years Ended December 31		
	June 30		2014	2013 Audited	2012
	2015 (Unaudited)	2014 (Unaudited)			
Net cash flows from (used in) operating activities		(19.9)	45.2	13.7	(282.8)
Net cash flows used in investing activities		(14.9)	(475.1)	(186.6)	(198.1)
Net cash flows from financing activities		74.1	515.5	138.4	447.0
Cash at beginning of year		116.1	30.5	65.1	99.0
Cash at end of period		69.8	116.1	30.5	65.1



## Key Performance Indicators

The following table summarizes SLI's Performance Indicators and Financial Soundness Indicators for the six months ended June 30, 2015 and for the years ended December 31, 2014, 2013 and 2012:

	June 30	Year Ended December 31		
	2015 (Unaudited)	2014	2013 Audited	2012
Current Ratio		2.08	2.38	2.53
Debt to Equity		0.27	0.22	0.22
Interest Coverage Ratio		691.34%	423.79%	491.13%
Return on Asset		3.08%	1.75%	1.92%
Return on Equity		4.68%	2.48%	2.64%

*Notes:*

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

## RISK FACTORS

*An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of any security. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost.*

*The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Business," particularly under "Competitive Strengths" "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry," and "Board of Directors and Senior Management—Corporate Governance" of this Prospectus. This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Bonds. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Bonds and the Company from the SEC. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.*

### RISKS RELATING TO THE COMPANY'S BUSINESS

Demand for, and prevailing prices of, subdivision lots and high rise condominium units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines, the overall employment levels in the Philippines, the amount of remittances received from overseas Filipino workers ("OFWs"), and the purchasing power of Filipinos. Demand for the Company's subdivision lots and high rise condominium units are also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions. The Philippine real estate market is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation.

The demand for the Company's projects from OFWs and their families may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and their purchasing power. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for their requirements.

The Company's principal business is the development and sale of subdivision lots, and leasing of investment properties in the Philippines. There are risks that some projects may not attract sufficient demand from prospective buyers and tenants thereby affecting anticipated sales and rental income. Stringent government requirements for approvals and permits may take a substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in government priorities, and other unforeseen problems or circumstances. Further, the failure by the Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Company's cost of sales is affected by volatility in the supply and price of construction materials such as steel and cement. While the Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel and cement are high or when there are shortages in supply, the contractors the Company hires for construction or development work may be

compelled to raise their contract prices. As a result, rising costs for any construction materials will impact the Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Company's real estate sales.

The Company is exposed to risks associated with the operation of its acquired investment properties, the development of its retail leasing business and the integration of such investment properties with its core land development business. The performance of these investment properties could be affected by a number of factors, including:

- the national and international economic climate;
- changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
- the inability to collect rent due to bankruptcy of tenants or otherwise;
- competition for tenants;
- changes in market rental rates;
- trends in the Philippine retail industry;
- the need to periodically renovate, repair and re-let space and the costs thereof;
- the quality and strategy of management; and,
- the Company's ability to provide adequate maintenance and insurance.

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

The Company is reliant on OFWs, expatriate Filipinos, and their families who live in the Philippines to generate a significant portion of the demand for its subdivision lots and high rise condominium units, particularly for its affordable and middle-income projects. A number of factors could lead to, among other effects, reduced remittances from OFWs, a reduction in the number of OFWs or a reduction in the purchasing power of expatriate Filipinos and their families. These include:

- a downturn in the economic performance of the countries and regions where a significant number of these remitters are located, such as Italy, the United Kingdom, Spain, Singapore, the Middle East, and the United States;
- a change in government regulations that currently exempt the income of OFWs from taxation in the Philippines;
- the imposition of restrictions by the Government on the deployment of OFWs to particular countries or regions, such as the Middle East; and
- restrictions imposed by other countries on the entry or the continued employment of foreign workers.

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

To mitigate the risk of a downturn in the demand from its dependency on OFWs and their families, the Company has appointed SVI and five other brokers whose clientele not only includes OFWs and their families but BPO employees, SME owners and other corporate and government employees as well. Four of these brokers work exclusively for the Group. Aside from domestic sales presence, SVI and certain brokers have an international presence.

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

The Company has entered into JV agreements with landowners as part of its overall land acquisition strategy and intends to continue to do so. Under the terms of its JV agreements, the Company takes responsibility for project development and project sales, while its JV partner typically supplies the project land. A JV involves special risks where the JV partner may have economic or business interests or goals inconsistent with or different from those of the Company's. The JV partner may take actions contrary to the Company's instructions or requests, or be in direct opposition to the Company's policies or objectives with respect to the real estate investments, or the JV partner may not meet its obligations under the JV arrangement. Disputes between the Company and its JV partner could arise after significant capital investments in a project have been made, which could result in the loss of some or all of the

Company's investment in the project. The Company's reliance on its JV arrangements could therefore have a material adverse effect on the Company's results of operations and financial condition.

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

**The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.**

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

The Company believes that the impact of defaults is minimized during such period of financing as ownership over these properties remain with the Company and the Company is still in the possession of the title until the payments are substantially completed. Furthermore, the Company is primarily selling lots only and is able to resell the lots through its marketing companies.

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

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

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

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

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

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

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

- The Company is subject to R.A. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. This right shall be exercised by the buyer only once in each year of the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two

years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

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

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

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

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

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

- In connection with the Company's real estate development business, higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Insofar as the Company's core land development business is concerned, because the Company believes that a substantial portion of its customers procure financing (either from banks or using the Company's in-house financing program) to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.
- If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.
- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits and loans to collateral value ratio limits, both of which are imposed by the BSP on bank lending. If the Company were to reach the single borrower limit with respect to any bank, the Company may have difficulty obtaining financing with reasonable rates of interest from other banks. If the BSP also lowers the cap on real estate loans, of which currently is at 60% of the collateral value of a property, the amount of capital accessible to the Company would be limited.

To manage interest rate risk, the Company's long-term loans are a combination of floating-rate and fixed-rate loans. In the last Monetary Board policy meeting of the BSP on June 25, 2015, the BSP maintained the key policy rates at four percent for the overnight borrowing or reverse repurchase facility and six percent for the overnight lending or repurchase facility previously set on December 11, 2014. Prior to December 2014, the BSP raised its benchmark interest rates by 25 basis points in July 31, 2014 following earlier adjustments on the reserve requirements for banks and on the interest rate for its Special Deposit Account. BSP may continue its tightening bias for its monetary policy in the near future which may, in turn, negatively affect the financing costs for both the Company and its customers.

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

The Company must continuously seek JV partners and/or acquire land for its own account in order to replenish and expand its land inventory. The risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land and subdivision lots can fluctuate significantly as a result of changing market conditions. The Company cannot assure investors that the measures it employs to manage land inventory risks will be successful. In the event of significant changes in economic, political, security or market conditions, the Company may have to sell subdivision lots at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its Statement of Financial Position, as well as reduce the amount of property available for sale. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company takes steps to ensure that JV agreements and land purchases are on reasonable terms, and at locations that are marketable for short and long-term projects.

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

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. Although the Company conducts extensive title searches before it acquires any parcel of land, from time to time the Company has had to defend itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company. Although historically these claims have not had a material adverse effect on the Company and its business, in the event a greater number of similar third-party claims are brought against the Company in the future or any such claims involves land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending the Company against such claims. In addition, if any such claims are successful, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could have a material adverse effect on the Company's business, financial condition and results of operations, as well as on its business reputation. To mitigate the risk of land titles being contested by third parties, the Company conducts thorough title tracing and verifies the titles and ownerships of the properties the Company purchases.

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

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

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

The Company cannot provide any assurance that such events will not occur in a manner that would materially and adversely affect its results of operations or financial condition.

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

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

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

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

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

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

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

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

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

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

- the suitability of the site;
- road access;

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

All subdivision development plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company, its subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked.

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

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

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

Republic Act No. 7279 ("RA 7279"), otherwise known as the Urban Development and Housing Act, as amended, further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. To comply with this requirement, a developer may also invest in socialized housing bonds approved by the HLURB or such other options as provided in the law and applicable regulations. These options include the development of a new settlement, slum upgrading, participation in a community mortgage program, the undertaking a joint-venture projects and the building of a large socialized housing project to build a credit balance.

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



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

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

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

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

In general, developers of real estate projects are required to submit project descriptions to regional offices of the Department of Environment and Natural Resources ("DENR"). For environmentally sensitive projects or at the discretion of the regional office of the DENR, a detailed Environmental Impact Assessment may be required and the developer will be required to obtain an Environmental Compliance Certificate ("ECC") to certify that the project will not have an unacceptable environmental impact. There can be no assurance that current or future environmental laws and regulations applicable to the Company will not increase the costs of conducting its business above currently projected levels or require future capital expenditures. In addition, if a violation of an ECC occurs or if environmental hazards on land where the Company's projects are located cause damage or injury to buyers or any third party, the Company may be required to pay a fine, to incur costs in order to cure the violation and to compensate its buyers and any affected third parties. The Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations.

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

**A new accounting interpretation on the recognition of revenue for real estate before construction completion, specifically, the Philippine Interpretation International Financial Reporting Interpretations Committee ("IFRIC") No. 15, Agreements for the Construction of Real Estate, if implemented, will change the Company's revenue recognition practices as well as those of other real estate companies.**

Under current Philippine Accounting Standards ("PAS"), real estate companies are allowed to recognize revenue from the sale of real estate units before construction is complete based on the percentage of completion method, which allows recognition of revenue as construction progresses by reference to the stage of completion of the project and the payments that have been received from buyers.

A 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 are 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.

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

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

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

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

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

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

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

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

Dealings with the Company's parent company and affiliates are made at terms and prices agreed upon by the respective parties. Major decisions are subject to Board approval which includes independent directors, and the Company has a manual on corporate governance which it adheres to.

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

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

To mitigate the risk of the Company being unable to attract and retain skilled professionals, the Company provides professional training programs to enable its employees to serve its customers better, increase productivity and improve their skills. The Company also provides competitive compensation and benefit packages.

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

Aside from SVI, the marketing and advertising arm of the Company, the Company relies on affiliated and third-party brokers to market and sell its subdivision lots and condominium units to potential customers inside and outside of the Philippines. These brokers may also act as brokers for other developers in the same markets in which the Company

operates, and there can be no assurance that they will not favor the interests of their other clients over the interests of the Company, or otherwise act in the Company's best interests. There is competition for the services of third-party brokers in the Philippines, and many of the Company's competitors either use the same brokers as the Company or attempt to recruit brokers away from the Company. If a large number of these third-party brokers were to terminate or breach their brokerage agreements, the Company would be required to seek other external brokers, and there can be no assurance that the Company could do so quickly or in sufficient numbers. This could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

The Company provides one of the highest commission schemes in the industry. In addition, the Company offers certain incentives based on sales targets such as domestic and international all-expense paid trips.

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

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

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 6.8% in 2012, 7.2% in 2013 and 6.1% in 2014, and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

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

The Company believes that should the country experience such an asset price bubble, impact on the Company will be relatively mitigated since most of its properties are located in the province and historically, the impact of a asset price bubble is most concentrated in the central business districts in Metro Manila.

**The Company may, from time to time, be involved in legal and other proceedings arising out of its operations.**

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

**RISKS RELATING TO THE PHILIPPINES**

**Any political instability in the Philippines may adversely affect the Company.**

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

On December 12, 2011, the House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines. The impeachment complaint accused Corona of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. The trial of Chief Justice Corona began in January 2012 and ended in May 2012, with Corona found guilty with respect to his failure to disclose to the public his statement of assets, liabilities, and net worth, and was impeached. In July 2013, a major Philippine newspaper exposed a scam relating to

the diversion and misuse of the Priority Assistance Development Fund by some members of Congress through pseudo-development organizations headed by Janet Lim Napoles. As a result of this exposé, a number of investigations, including one in the Senate, have been launched to determine the extent of the diversion of the Priority Assistance Development Fund and the Government officials and the private individuals responsible for the misappropriation of public funds. On September 16, 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel.

At present, Vice President Jejomar Binay has been indicted by the Ombudsman and is the subject of a Senate Blue Ribbon investigation for graft and corruption in relation to certain transactions he authorized while he was Mayor of Makati City, the country's most affluent city. Certain banks accounts in the names of the Vice President, his relatives, and associates have been frozen by the Court of Appeals pursuant to a request by the Anti-Money Laundering Council.

No assurance can be given that the political environment in the Philippines will remain stable and any political instability in the future could reduce consumer demand, or result in inconsistent or sudden changes in regulations and policies that affect the Company's business operations, which could have an adverse effect on the results of operations and the financial condition of the Company.

**Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Company's business and financial condition.**

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. Moreover, isolated bombings and have taken place in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

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

On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On December 16, 2011, five AFP soldiers were killed in a clash with New People's Army members. In August 2013, a series of bombings occurred in the cities of Cagayan de Oro and Cotabato City, as well as other areas in Maguindanao and North Cotabato provinces, all located in Mindanao, and in September 2013, armed clashes took place between the MNLF and the AFP in Zamboanga City in Mindanao, with a number of civilians being held hostage. On January 25, 2015, 44 members of the Special Action Force ("SAF") of the Philippine National Police ("PNP") were killed in a clash between the SAF and the MILF and Bangsamoro Islamic Freedom Fighters ("BIFF").

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Company's business and materially and adversely affect its financial conditions, results of operations and prospects.

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Chinese vessels have also recently confronted Philippine

vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. There has been an escalation in China's activities in the contested areas, including land reclamation/horizontal development and vertical infrastructure development. Recent talks between the Government of the Philippines and the United States of America about increased American military presence in the country, particularly through possible American forays into and use of Philippine military installations, may further increase tensions.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan JamalulKiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered LahadDatu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since March 1, 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

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

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition and results of operations.

#### **Investors may face difficulties enforcing judgments against the Company.**

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

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

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

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

#### **The occurrence of natural catastrophes could adversely affect the Company's business, financial condition or results of operations.**

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes, that may materially disrupt and adversely affect the Company's business

operations. In particular, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent the Company from completing construction of its projects in a timely manner or at all. Moreover, such natural catastrophes could increase the costs of operating the Company's business. There can be no assurance that the Company is fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

## **RISKS RELATING TO THE BONDS**

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

Subject to limitations set forth in this Prospectus, the Company will be permitted to incur additional indebtedness in the future. The degree to which the Company will be leveraged in the future, on a consolidated basis, could have important consequences for the Bondholders, including, but not limited to:

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

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

**The Company is subject to restrictive debt covenants that may limit the Company's ability to finance the Company's future operations and capital needs and to pursue business opportunities and activities.**

The terms of the Bond as detailed in this Prospectus may, among other things, restrict the Company's ability to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- prepay or redeem subordinated debt or equity;
- make certain investments and capital expenditures;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities; and
- consolidate or merge with other entities.

In addition, certain of the Company's other indebtedness provide for restrictions and limitations on the Company's ability to pay dividends or make other distributions on the occurrence of certain events.

All of these limitations will be subject to significant exceptions and qualifications. See "Description of the Bonds". These covenants could limit the Company's ability to finance its future operations and capital needs and their ability to pursue business opportunities and activities that may be in the Company's interest.

The Company has constantly taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, the Company shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

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

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

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

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

As of December 31, 2014 the Company's consolidated indebtedness is Php8,833.9 million of which ₱8,809.9 million is evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of SLI.

**The Bonds may not be a suitable investment for all investors.**

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Bonds and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- understand and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**Secondary trading of the Bonds are subject to various market factors including changes in interest rates prevailing in the market**

The Company plans to list the Bonds in the PDEX to provide price transparency and liquidity to the Bondholders. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of the Bonds will be sustained throughout its life. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. As with other fixed income securities, the Bonds could trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Company's operations, and the overall market for debt securities, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment.

**Retention of Ratings Risk**

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

## PHILIPPINE TAXATION

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

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

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

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

### TAXATION OF INTEREST

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

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

### TAX-EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may avail of such exemption by submitting Tax Exempt/Treaty Documents to the Lead Underwriter during the Offer Period (together with their completed Application to Purchase) who shall then forward the same to the Registrar and Paying Agent at least [three (3)] Business Days prior to an Interest Payment Date when such tax exemption is requested to be applied. Subject to acceptance and determination by the Issuer of such Tax Exempt/Treaty Documents as being sufficient in form and substance, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges. Notwithstanding the submission of documentary proof of the tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is



taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that such Bondholder is taxable and proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period during which such transfer occurred. Transfers taking place in the Electronic Registry of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEX.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents, specified under the Section entitled "Payment of Additional Amounts; Taxation," within three days of such transfer.

### **VALUE-ADDED TAX**

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

### **GROSS RECEIPTS TAX**

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

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

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

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

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

### **DOCUMENTARY STAMP TAX**

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

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

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

### **TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS**

#### **Income Tax**

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

Under the Tax Code, any gain realized from the sale, exchange or retirement of securities, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such securities, debentures or other certificates of indebtedness) shall be excluded from gross income. As the Series B Bonds have maturities of more than five years, any gains realized by a holder on the trading of such Bonds shall not be subject to income tax.

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

Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty, subject to the filing of a tax treaty relief application with the Philippine Bureau of Internal Revenue, or if they are sold outside the Philippines.

#### **Estate and Donor's Tax**

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

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

## USE OF PROCEEDS

The Company expects that the net proceeds of the Offering shall amount to approximately [P 2,934,580,594] based on a P 3 billion issue, after upfront fees, commissions, and expenses. If the Company fully exercises the oversubscription option, net proceeds would approximately amount to [P 4,896,862,874] after fees, commissions, and expenses.

The net proceeds from the Offering are detailed as follows:

For a ₱ 3,000,000,000.00 issuance:

Estimated gross proceeds from the sale of the Bonds		[₱ 3,000,000,000]
Less: Estimated upfront expenses		
Documentary Stamp Tax	[₱ 15,000,000]	
SEC Registration		
SEC Registration Fee and SEC Legal Research and Publication Fee	[1,442,825]	
Underwriting and Other Professional Fees	[48,176,581]	
Listing Fees	[200,000]	
Printing Fees	[300,000]	
Out-of-Pocket Expenses	[300,000]	
Total Estimated Upfront Expenses		[₱ 65,419,406]
Estimated net proceeds for a PHP3 Billion issuance		[₱ 2,934,580,594]
Recurring Annual Fees		
Ratings Agency Annual Fee	[₱ 336,000]	
Trustee Fee	[360,000]	
PDTC Maintenance Fee	[300,000]	
PDTC Paying Agency Fee	[200,000]	
Total Recurring Annual Fees		[₱ 1,196,000]

For a ₱ 5,000,000,000.00 issuance:

Estimated gross proceeds from the sale of the Bonds		[₱ 5,000,000,000]
Less: Estimated upfront expenses		
Documentary Stamp Tax	[₱ 25,000,000]	
SEC Registration		
SEC Registration Fee and SEC Legal Research and Publication Fee	[1,942,825]	
Underwriting and Other Professional Fees	[75,394,301]	
Listing Fees	[200,000]	
Printing Fees	[300,000]	
Out-of-Pocket Expenses	[300,000]	
Total Estimated Upfront Expenses		[₱ 103,137,126]
Estimated net proceeds for a PHP5 Billion issuance		[₱ 4,896,862,874]
Recurring Annual Fees		
Ratings Agency Annual Fee	[₱ 504,000]	
Trustee Fee	[360,000]	
PDTC Maintenance Fee	[360,000]	
PDTC Paying Agency Fee	[200,000]	
Total Recurring Annual Fees		[₱ 1,424,000]

The Company intends to use the net proceeds from the Bonds to fully refinance existing secured loans, for capital expenditures and general corporate purposes. Further details on the use of proceeds are set forth below:

**Php3 Billion**

Use of Proceeds	%	Budgeted Amount	Timing of Disbursement
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		(₱ millions)	
Refinancing of existing secured loans		[2,935]	2015
<b>Total</b>			

Php5 Billion

Use of Proceeds	%	Budgeted Amount (₱ millions)	Timing of Disbursement
Refinancing of existing secured loans		[2,935]	2015
Capital expenditures for land banking and ongoing projects		[1,700]	2015 to 2016
General corporate purposes		[262]	2015 to 2016
<b>Total</b>			

Php2.935 billion of the net proceeds from the Offering shall be used by the Company to refinance its existing debt obligations. As of June 30, 2015, outstanding debt amounted to Php3.013 billion from various major local banks which carried interest rates between [4.75]% to [6.0]% per annum and with maturities from [2015] to [2018]. Refer to the table below for an enumeration of the loans to be refinanced.

Lending Institution	Balance as of June 30, 2015 (₱ millions)	Maturity Dates
BDO	1,150.9	Nov 13, 2016-Sep 26, 2018
Chinabank	1,289.0	Dec 18, 2015-May 30, 2016
RCBC	323.4	Aug 29 - Dec 17, 2015
AUB	250.0	Aug 29 - Sep 11, 2015
<b>TOTAL</b>	<b>3,013.4</b>	

The Company expects to use a portion of the net proceeds to partially fund its land acquisition in key areas. The targeted strategic landbank acquisition areas per region are as follows:

Target Land Bank per City	Region	Land Area (in h.a.)
Quezon City	NCR	40.0
Rizal	4A	18.1
Batangas	4A	98.0
Laguna	4A	10.7
Iloilo	6	33.2
Davao	11	23.0
<b>TOTAL</b>		<b>223.0</b>

Estimated amount for landbank acquisition is P 2.877 Billion.

The remaining portion of the net proceeds will be used by the Company to partially fund general corporate purposes, including but not limited to working capital and investment activities.

The Company is in discussions with various parties regarding its target land acquisitions and the development of new JV projects. In the event of an exercise of the Oversubscription Option, the additional proceeds will be used by the Company for its remaining land acquisition targets and the rest of its ongoing projects.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds from the Bonds based on the Company's current plans and expenditures. The actual amount and timing of

disbursement of the net proceeds from the Bonds for the use stated above will depend on various factors. Once the Company receives the net proceeds from the Bonds, it shall apply the same as discussed above, but to the extent that such net proceeds from the Bonds are not immediately applied to the above purpose, the Company will invest the net proceeds in interest-bearing short term demand deposits and/or money market instruments. Aside from issue management, underwriting and selling fees, the Issue Manager and Lead Underwriter will not receive any of the net proceeds from the Offer.

No material amount of proceeds is to be used to finance the acquisition of other businesses.

No material amount of proceeds is to be used to acquire assets outside the ordinary course of business.

No amount will be on lent to a subsidiary company of the Company.

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

In the event of any deviation or adjustment in the planned use of proceeds the Company shall inform the SEC and the Bondholders at least 30 days prior to the implementation of such deviation or adjustment.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, shareholders' equity and capitalization as of June 30, 2015, and as adjusted to reflect:

- (i) the sale of the Bonds, assuming no exercise of the Oversubscription Option. The interest rate of the Bonds will be determined through a book building process and discussions between the Company and Issue Manager, Lead Underwriter and Bookrunner. The actual fees and other expenses of the Offer may vary from the estimated amounts. The estimated amounts used to determine the estimated net proceeds are presented in this Offering Circular for convenience only; and

The table should be read in conjunction with the Company's consolidated financial statements and the notes thereto, included in this Offering Circular. Other than as described below, there has been no material change in the Company's capitalization since June 30, 2015.

In Phpmillions	Actual as of June 30, 2015	As adjusted after giving effect to the Offer	As adjusted after giving effect to the Offer and the Agreement
	(unaudited)		
<b>Total debt<sup>(1)</sup></b>			
<b>Equity:</b>			
Capital stock			
Additional paid-in capital			
Equity reserve			
Retained earnings			
<b>Total equity</b>			
<b>Total capitalization</b>			

Notes:

- (1) Interest-bearing loans and borrowings (current and non-current).

## **DETERMINATION OF THE OFFER PRICE**

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

## PLAN OF DISTRIBUTION

### THE OFFER

On [•][•], 2015, the Company filed a Registration Statement with the SEC, in connection with the offer and sale to the public of the Bonds with an aggregate principal amount of up to ₱3,000,000,000.00, with an oversubscription option of up to ₱2,000,000,000.00. In the event the oversubscription option is not exercised, it shall be deemed cancelled. The Bonds will be issued by the Company pursuant to the Terms and Conditions of the Bond on the Issue Date.

The SEC is expected to issue an order rendering the Registration Statement effective and corresponding permit to offer securities for sale covering the Offering.

The Company plans to issue the Bonds on a lump-sum basis through its designated Lead Underwriter.

### UNDERWRITING OBLIGATIONS OF THE LEAD UNDERWRITER

China Banking Corporation (shall be referred to as "Lead Underwriter") pursuant to an Issue Management and Underwriting Agreement executed on [•], 2015, have agreed to act as the Lead Underwriter for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have committed to underwrite Three Billion Pesos (₱3,000,000,000.00) on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

China Banking Corporation is the Issue Manager, Lead Underwriter and Bookrunner for this transaction.

The Lead Underwriter is China Banking Corporation, which is a lender of the loans that will be repaid with the net proceeds of this Offer.

The Lead Underwriter will receive a fee of up to [•] on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions.

There is no arrangement for the Lead Underwriter to return to the Company any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Bonds being made to the Company.

The Lead Underwriter is duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Lead Underwriter may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or other members of the Company of which it forms a part.

The Lead Underwriter has no direct relations with the Company in terms of ownership by either of their respective major stockholder/s.

The Lead Underwriter does not have the right to designate or nominate a member of the Board of the Company.

### SALE AND DISTRIBUTION

- (a) The distribution and sale of the Bonds shall be undertaken by the Lead Underwriter who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Lead Underwriter from purchasing the Bonds for their own respective accounts.
- (b) There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference.



## **DESIGNATED SHARES AND ALLOCATIONS**

The Lead Underwriter may take on any portion of the Issue, as determined by the Company, but no obligation to do so over the amount set out on the previous page.

## **TERM OF APPOINTMENT**

The engagements of the Lead Underwriter, as well as the Issue Manager and Bookrunners shall subsist so long as the SEC Permit to Sell remains valid, unless otherwise terminated by the Company, the Issue Manager and Bookrunner or the Lead Underwriter.

## **MANNER OF DISTRIBUTION**

The Lead Underwriter shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Bonds shall be solicited, with the primary sale of Bonds to be effected only through the Lead Underwriter.

## **OFFER PERIOD**

The Offer Period shall commence at 9 a.m. of [●] and end at 12 noon of [●].

## **APPLICATION TO PURCHASE**

Applicants may purchase the Bonds during the Offer Period by submitting to any of the Lead Underwriter a properly completed Application to Purchase, together with two (2) duly accomplished signature cards containing specimen signatures of the applicant, (validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies), in case of Corporate applicants), any other documents as may be reasonably required by the Registrar in implementation of its internal policies regarding "knowing your customer" and anti-money laundering and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a certified true copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, amended Articles of Incorporation, amended By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a valid identification documents bearing a recent photo, and which is not expired of any one of the following government issued identification cards ("ID"): tax identification number ("TIN"), passport/driver's license/postal ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following Tax Exempt/Treaty Documents to the Registrar, subject to acceptance by the Company as being sufficient in form and substance: (i) a BIR-certified true copy of the current and valid tax exemption certificate, ruling or opinion issued by the BIR addressed to the applicant confirming the exemption, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto; (ii) a duly notarized undertaking, in the prescribed form, executed by (ii a) the Corporate Secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account or (ii b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting the applicant's tax exempt status, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required by the Issuer and/or the Registrar and Paying Agent or under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010, including any clarification, supplement or amendment thereto provided further, that

all sums payable by the applicant to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the applicant claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Lead Underwriter prior to the end of the Offer Period. Acceptance by the Issue Manager, Lead Underwriter and Bookrunner of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Company. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

#### **MINIMUM PURCHASE**

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum principal amount shall be in integral multiples of ₱10,000.00.

#### **ALLOTMENT OF THE BONDS**

If the Bonds are insufficient to satisfy all Applications to Purchase, the Company and the Issue Manager, Lead Underwriter and Bookrunner reserve the right to allocate the Bonds in a manner they deem appropriate.

#### **ACCEPTANCE OF APPLICATIONS**

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

#### **REFUNDS**

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest to such applicant through the Lead Underwriter from whom such application to purchase the Bonds was made.

#### **PAYMENTS**

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

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

#### **UNCLAIMED PAYMENTS**

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

#### **PURCHASE AND CANCELLATION**

The Company may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

#### **SECONDARY MARKET**

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

#### **REGISTRY OF BONDHOLDERS**

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

Legal title to the Bonds shall be shown in the Electronic Registry of Bondholders to be maintained by the Registrar. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Company will cause the Electronic Registry of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Electronic Registry of Bondholders.

## DESCRIPTION OF THE BONDS

*The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in this Prospectus, the Bond Agreements and other agreements relevant to the Offer. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds.*

The issuance of the Bonds in an aggregate principal amount of up to ₱3,000,000,000.00 with an oversubscription option of up to ₱2,000,000,000.00, for public distribution and sale in the Philippines was authorized by a resolution of the Board of Directors of the Company on [●][●], 2015. The Bonds are comprised of [●]% per annum Series A Bonds, and [●] per annum Series B Bonds. The Bonds will be issued by the Company pursuant to the Terms and Conditions of the Bonds on the Issue Date.

A Trust Agreement in relation to the Bonds was executed on [●], 2015 and entered into between the Company and [China Banking Corporation – Trust Group], as trustee, (the “Trustee”, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement). The description of the Terms and Conditions of the Bonds set out below is only a summary and is subject to the detailed provisions of the Trust Agreement.

A Registry and Paying Agency Agreement in relation to the Bonds was executed on [●], 2015 and entered into between the Company and [●] as Registrar and Paying Agent. [The Registrar and Paying Agent has no interest in or relation with the Company, which may conflict with its role as Paying Agent and as Registrar for the Offer. The Company has no ability to control or direct the affairs of the Registrar and Paying Agent.]

The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of ₱50,000.00 and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

The Bonds will be repaid at par or 100% of Face Value on the respective Maturity Dates of the Series A and Series B Bonds, unless the Company exercises its early redemption option according to the conditions therefor. See “*Description of the Bonds — Redemption and Purchase*”.

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

### 1. Form, Denomination and Title

#### (a) Form and Denomination

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

#### (b) Title

Legal title to the Bonds shall be shown in the Electronic Registry of Bondholders maintained by the Registrar pursuant to the Registry and Paying Agency Agreement. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders no later than [●] Business Days following the Issue Date. The Bondholders shall have [●] days from the date indicated in the registry confirmation to request the Registrar for amendment, correction or completion of the relevant information in the Electronic Registry of Bondholders. The Bondholders shall, within such period, request the Registrar, through the Lead Underwriter from whom the Bonds were purchased, to amend the entries in the Registry by issuing an Affidavit of Correction duly endorsed by the Issue Manager and Bookrunner and Lead Underwriter. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the Electronic Registry of Bondholders maintained by the Registrar. Settlement with respect to such transfer or change of title to the Bonds, including the settlement of

any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) *Bond Rating*

The bonds have been rated [●] by PhilRatings.

2. **Transfer of Bonds**

(a) *Electronic Registry of Bondholders*

The Company shall cause the Registry of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds shall be entered in the Electronic Registry of Bondholders, subject to the Registry and Paying Agency Agreement. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Company), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Electronic Registry of Bondholders (at the cost of the Company). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any and all requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder.

(b) *Transfers; Tax Status*

Except as provided herein and in the section on "*Interest Payment Dates*", Bondholders may transfer their Bonds at any time, whether the tax status of the transferor and the transferee are the same or different. Before the Bonds are listed in PDEX, should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt Bondholders trading with non-tax exempt Bondholders shall be treated as non-tax exempt Bondholders for the interest period within which such transfer occurred. After the Bonds are listed in PDEX, transfers taking place in the Electronic Registry of Bondholders shall be allowed between non-tax exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified below under "*Payment of Additional Amounts; Taxation*", before such transfer, and such tax-exempt status shall be accepted and approved by the Company, acting through the Trustee. The determination and resolution of any tax-related issues including the tax status of the Bondholders shall be determined solely by SLI.

(c) *Secondary Trading of the Bonds*

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

3. **Ranking**

The Bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of the Company and shall rank *paripassu* and ratably without any preference or priority amongst themselves and at least *paripassu* with all other present and future unsecured and unsubordinated obligations of the Company, other than obligations preferred by the law.

4. **Interest**

(a) *Interest Payment Dates*

*Series A Bonds*

The Series A Bonds bear interest on its principal amount from and including Issue Date and up to and including the Series A Bonds Maturity Date at the rate of [●]% p.a., payable quarterly in arrears, commencing on [●], 2015, for the first Interest Payment Date and [●], [●],[●] and [●] of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series A Bonds shall fall on the Maturity Date or [●], 2018 or three (3) years from the Issue Date.

#### Series B Bonds

The Series B Bonds bear interest on its principal amount from and including Issue Date and up to and including the Series B Bonds Maturity Date at the rate of [●]% p.a., payable quarterly in arrears, commencing on [●], 2015, for the first Interest Payment Date and [●], [●],[●] and [●] of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series B Bonds shall fall on the Maturity Date or [●], 2021 or five (5) years and three (3) months from the Issue Date.

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

#### (b) *Interest Accrual*

Each Bond shall accrue and bear interest from the Issue Date up to and including the relevant Maturity Dates or any relevant Early Redemption Option Dates or date of early redemption other than an Early Redemption Option Date, as discussed in the section on "Redemption and Purchase", below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see the section on "Penalty Interest" below) shall apply.

#### (c) *Determination of Interest Amount*

The interest shall be calculated on the basis of a 30/360-day basis, consisting of 12 months of 30 days each; provided, however, in the case of an incomplete month, due to reasons such as, but not limited to, trades in the secondary market or early redemption and purchase, interest shall be calculated on the basis of the number of days elapsed on the basis of a month of 30 days.

### 5. **Redemption and Purchase**

#### (a) *Optional Redemption*

Prior to relevant Maturity Dates, the Company has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Series A or Series B Bonds on Early Redemption Option Dates (as defined herein) or the immediately succeeding Banking Day if such date is not a Banking Day, beginning on (i) **For the Series A Bonds:** the sixth (6<sup>th</sup>) month after the second (2<sup>nd</sup>) anniversary of Issue Date; and (ii) **For the Series B Bonds:** the sixth (6<sup>th</sup>) month after the third (3<sup>rd</sup>) anniversary of Issue Date and the fourth (4<sup>th</sup>) anniversary of the Issue Date (each such dates an "Early Redemption Option Date" and collectively, the "Early Redemption Option Dates").

The amount payable to the Bondholders in respect of the exercise of the Early Redemption Option shall be calculated based on the principal amount of the Bonds being redeemed as the sum of the: (i) accrued interest computed up to the relevant Early Redemption Option Date, and (ii) the product of the principal amount and the applicable Early Redemption Option Price (except in case of Redemption for Tax Reasons and Change in Law or Circumstance, as discussed in Section 5 (c) and (d) below) as set forth in the following schedule:

Series A

Call Option Dates	Call Option Price
On the 6 <sup>th</sup> month of the 2 <sup>nd</sup> year from the Issue Date	101.00%

Series B

Call Option Dates	Call Option Price
On the 6 <sup>th</sup> month of the 3 <sup>rd</sup> year from Issue Date	102.00%
On the 4 <sup>th</sup> year from Issue Date	101.00%

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

(b) *Final Redemption*

Unless previously redeemed or purchased and cancelled, the Bonds shall be redeemed at par or 100% of their face value on their respective Maturity Dates, being [●], 2018 or three (3) years after the Issue Date for the Series A Bonds, [●] and/or 2021 and five (5) years and three months after the Issue Date for the Series B Bonds. If the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Company through the Paying Agent, without adjustment in computation as to the amount of interest payable, on the succeeding Business Day.

(c) *Redemption for Tax Reasons*

If payments under the Bonds become subject to additional or increased taxes or are or become subject to taxes and at rates of such taxes other than that prevailing on the Issue Date as a result of certain changes in the law, rule or regulation, or in the interpretation or administration thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Company, the Company may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 days nor less than 30 days' notice to the Trustee and the Registrar and Paying Agent) at par plus accrued interest computed up to the Interest Payment Date when the Bonds shall be redeemed. Any such redemption made shall not be subject to any penalty.

(d) *Change in Law or Circumstance*

The Company may redeem the Bonds in whole, but not in part, in the event that there shall occur at any time after the Issue Date changes in law or circumstances (each a "Change of Law"). If any provision of the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Company to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents.

Each of the following events shall be considered as a Change of Law as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds.

- i. Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Company to comply with its obligations under the Trust Agreement or the Bonds shall be modified in a manner which shall materially and adversely affect the ability of the Company to comply with such obligations, or shall be withdrawn or withheld.
- ii. Any concession, permit, right or privilege required for the conduct of the business and operations of the Company shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented due to a change in law, in such manner as to materially and adversely affect the financial condition or operations of the Company; and

- iii. In the event that there shall hereafter occur at any time during the term of the Bonds, any change in applicable law or in the interpretation or administration thereof which shall increase the cost of the Company to maintain the Bonds, require any reserve or special deposit against the Bonds or increase any other cost of complying with applicable law, or condition with respect to maintaining the Bonds, the result of any of the foregoing, as reasonably determined by the Company (subject to verification by the Trustee) is to increase the cost to the Company of maintaining the Bonds.

Upon the occurrence of any of the foregoing events and the Company invoking the provisions of this Condition 5(d), the Company shall provide the Trustee an opinion of legal counsel confirming the occurrence of any of the foregoing and the consequences thereof as consistent herewith, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon the Trustee, upon notice to the Company, shall declare the principal of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without any pre-payment penalty, notwithstanding anything in the Trust Agreement or in the Bonds to the contrary.

(e) *Purchase and Cancellation*

The Company may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase the Bonds pro-rata from all Bondholders and the Bondholders shall not be obliged to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

**6. Payments**

The principal of, interest on and all other amounts payable on the Bonds shall be paid by the Company to the Bondholders through the Paying Agent pursuant to the Registry and Paying Agency Agreement. On each Payment Date, on the basis of the payment report submitted by the Registrar to the Company, the Company shall transfer to the Paying Agent for deposit into the Payment Account such amount as may be required for the purpose of the payments due on the relevant Payment Date. Pursuant to PDTC Rules, the Paying Agent shall pay, or cause to be paid, on behalf of the Company on each Payment Date the total amounts due in respect of the Bonds by crediting, net of taxes and fees, the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. The Paying Agent shall generate and send to each Bondholder a credit advice of payments credited to their account.

The Company will ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Company or the Paying Agent may only terminate the appointment of the Paying Agent, as provided in the Registry and Paying Agency Agreement.

**7. Payment of Additional Amounts - Taxation**

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

- (a) Income tax on any gain by a holder of the Bonds realized from the sale, exchange or retirement of the said Bonds.
- (b) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the Tax Exempt/Treaty Documents provided further, that all sums payable by the Company to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;
- (c) Gross Receipts Tax under Section 121 of the Tax Code;



- (d) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding (including, for the avoidance of doubt, creditable withholding taxes, where applicable); and
- (e) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

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

## 8. Maintenance of Financial Ratios

Until redemption or payment in full of the aggregate outstanding principal amount of the Bonds and unless the Majority Bondholders shall otherwise consent in writing, the Company shall maintain the following financial ratios at all times:

- (a) A maximum Debt-to-Equity Ratio of 1.50:1.00.
- (b) A minimum Current Ratio of 1.00:1.00.
- (c) A minimum Debt Service Coverage Ratio of [•]

There are no other financial ratios that the Company is required to comply with in relation to this issuance.

For purposes of computing the above ratios, the following terms shall have the meanings set forth herein:

Debt-to-Equity Ratio is computed as total Financial Indebtedness divided by Total Equity.

Financial Indebtedness means with respect to the Issuer and its Subsidiaries: (a) all financial obligations or other obligations of the Issuer and its Subsidiaries for borrowed money evidenced by a promissory note or other instrument or for the deferred purchase price of property (excluding suppliers' credit) or services; (b) all financial obligations or other obligations of any other corporation, person or other entity, the payment or collection of which the Issuer and its Subsidiaries has guaranteed (except by reason of endorsement for collection in the ordinary course of business) or otherwise, including, without limitation, liability by way of agreement to purchase, to provide funds for payment, or to supply funds to such person or entity; (c) all financial obligations or other obligations of any other corporation, person or other entity for borrowed money evidenced by a promissory note or other instrument or for the deferred purchase price of property or services secured by (or for which the holder of such financial obligations has an existing right, contingent or otherwise to be secured) any Lien upon or in property (including without limitation, accounts receivables and contract rights) owned by the Issuer or any of its Subsidiaries, whether or not the Issuer or any of its Subsidiaries has assumed or become liable for the payment of such financial obligation or obligations; (d) all financial obligations arising from any currency swap, or interest rate swap, cap or dollar arrangement or any other derivative instrument; and (e) capitalized lease obligations of the Issuer and its Subsidiaries.

Total Equity means the total stockholders' equity of the Issuer as recognized and measured in its consolidated financial statements in conformity with PFRS.

Current Ratio means the ratio of current assets to current liabilities.

Debt Service Coverage Ratio means the ratio of EBITDA to total Debt Service by reference to the immediately preceding twelve (12) months of the period in review.

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

## 9. Negative Pledge

So long as any Bond remains outstanding:

- (a) the Company will not create or permit to subsist any Lien upon the whole or any part of its assets or

revenues present or future to secure any Debt or any guarantee of or indemnity in respect of any Debt;

- (b) the Company shall procure that its Subsidiaries will not create or permit to subsist any Lien upon the whole or any part of any Subsidiary's undertaking, assets or revenues present or future to secure any Debt or any guarantee of or indemnity in respect of any Debt unless, at the same time or prior thereto, the Company's obligations under the Bonds and the Trust Agreement, (a) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by the Majority Bondholders; and provided that this paragraph shall not apply to the following (each a "Permitted Lien" and together, the "Permitted Liens"):
- (i) Liens for taxes, assessments or governmental charges or levies, including custom duties, which are being contested in good faith;
  - (ii) Liens arising by operation of law (including, for the avoidance of doubt, any preference or priority under Article 2244, paragraph 14(a) of the Civil Code of the Philippines existing prior to the date of the Trust Agreement) on any property or asset of the Company or any of the Subsidiaries, including, without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman or other similar liens arising in the ordinary course of business or arising out of pledges or deposits under workers' compensation laws, unemployment, insurance and other social security laws;
  - (iii) Liens incurred or deposits made in the ordinary course of business to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations or regulatory requirements, performance or return of money bonds, surety or appeal bonds, bonds for release of attachment, stay of execution or injunction, bids, tenders, leases, government contracts and similar obligations) and deposits for the payment of rent;
  - (iv) Liens created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which the Company has established adequate reserves on its books in accordance with PAS/PFRS;
  - (v) Liens arising from leases or subleases granted to others, easements, building and zoning restrictions, rights-of-way and similar charges or encumbrances on real property imposed by applicable Law or arising in the ordinary course of business that are not incurred in connection with the incurrence of a Debt and that do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Company or any of the Subsidiaries;
  - (vi) Liens incidental to the normal conduct of the business of the Company or any of the Subsidiaries or ownership of its properties and which are not incurred in connection with the incurrence of a Debt and which do not in the aggregate materially impair the use of such property in the operation of the business of the Company or any of the Subsidiaries or the value of such property for the purpose of such business;
  - (vii) Liens upon tangible personal property acquired in the ordinary course of business after the date hereof (by purchase or otherwise) granted by the Company or any of the Subsidiaries to (i) the vendor, supplier, any of their affiliates or lessor of such property,
  - (viii) Liens arising from financial lease, hire purchase, conditional sale arrangements or other agreements for the acquisition of assets entered into in the ordinary course of business on deferred payment terms to the extent relating only to the assets which are subject of those arrangements, subject to such financial leases, hire purchase, conditional sale agreements or other agreements for the acquisition of such assets on deferred payment terms;
  - (ix) Liens arising over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; (ii) the payment of the cost and expenses for the

development of such asset pursuant to any development made or being made by the Company or any of the Subsidiaries in the ordinary course of business; (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset; or (iv) the rediscounting of receivables of the Company or any of the Subsidiaries;

- (x) Liens established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets;
- (xi) Rights of set-off arising in the ordinary course of business between the Company or any of the Subsidiaries and its suppliers, clients or customers;
- (xii) Netting or set-off arrangement entered into by the Company or any of the Subsidiaries in the ordinary course of business of its banking arrangements for the purpose of netting debt and credit balances;
- (xiii) Title transfer or retention of title arrangement entered into by the Company or any of the Subsidiaries in the ordinary course of business;
- (xiv) Liens in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other judicial entities, which secure a preferential financing obtained by the Company or any of the Subsidiaries under a governmental program, such preferential financing being conditioned upon the creation of a security;
- (xv) The assignment, transfer, conveyance, or delivery (whether in the concept of a sale or other disposition, as a security or in respect of a contract to sell financing facility) of the right of the Company or any of the Subsidiaries to receive any of its income or revenues from receivables arising out of the sale of property held for sale by the Company or any of the Subsidiaries in the ordinary course of business ("Project Receivables"), the Project Receivables or any document evidencing and/or supporting such right or the Project Receivables (which, for the avoidance of doubt, includes, without limit, postdated checks, promissory notes, contracts to sell, certificates of title, tax declarations and other documents of title relating to such contracts to sell);
- (xvi) Any Lien to be constituted on the assets of the Company and/or any of the Subsidiaries after the date of the Trust Agreement, which is disclosed in writing by the Company and/or any of the Subsidiaries to the Trustee prior to the execution of the Trust Agreement;
- (xvii) Liens existing as of the date of this Prospectus which is disclosed in writing by the Company or any of the Subsidiaries in its financial statements; and
- (xviii) Liens created with the prior written consent of the Majority Bondholders

## 10. Events of Default

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

### (a) *Payment Default*

The Company fails to pay any of the principal, interest and fees or any other sum payable by the Company under the Bonds, as and when due and payable at the place and in the currency in which it is expressed to be payable, except that the late payment of principal, interest and fees or any other sum payable by the Company under the Bonds arising solely due to a technical reason not attributable to the fault or negligence of the Company affecting the transfer of funds despite timely instruction

having given by the Company shall not result in an Event of Default, provided that such non-payment or late payment due to technical reason shall be remedied within three (3) days.

(b) *Representation Default*

Any representation or warranty made or repeated by the Company in any of the Bonds is incorrect or misleading in any material respect when made or deemed to have been made or repeated, and the same is not cured within a period of 14 Business Days (or such longer period as the Majority Bondholders shall approve) after written notice of such failure given by the Trustee is received by the Company.

(c) *Closure Default*

The Company voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except when due to fortuitous events or force majeure.

(d) *Other Provisions Default*

The Company fails to perform or comply with any provision, term, condition, obligation or covenant found in the Bond Agreements which would materially and adversely affect the ability of the Company to meet its obligations under the Bond Agreements and such failure is not remediable or, if remediable, shall continue to be unremedied during the applicable grace period or, in the absence of such grace period, within a period of 45 days after written notice of such failure given by the Trustee is received by the Company.

(e) *Cross Default*

The Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other obligation, or commits a breach or violates any material term or condition of any contract executed by the Company with any bank, financial institution or other person, corporation or entity for borrowed money which constitutes an event of default under said contract, which breach violation, if remediable, is not remedied by the Company within fifteen (15) Business Days from receipt of notice by the Trustee to the Company, or which violation is otherwise not contested by the Company, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Company of its obligations under the Trust Agreement and the Bonds.

(f) *Inability to Pay Debts; Bankruptcy Default*

The Company becomes insolvent or is unable to pay its Debts when due or commits or suffers any act of bankruptcy, which term shall include: (i) the filing of a petition, by or against the Company, in any bankruptcy, insolvency, administration, suspension of payment, rehabilitation, reorganization (other than a labor or management reorganization), winding-up, dissolution, moratorium or liquidation proceeding of the Company, or any other proceeding analogous in purpose and effect, unless for such petition filed against the Company, it is contested in good faith by the Company in appropriate proceedings or otherwise dismissed by the relevant court within 60 days from the filing of such petition; (ii) the making of a general assignment by the Company for the benefit of its creditors; (iii) the admission in writing by the Company, through its President, Chief Executive Officer, Chief Operating Officer or Chief Finance Officer, of its general inability to pay its Debts; (iv) the entry of any order of judgment of any competent court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Company or approving any reorganization, winding-up or liquidation of the Company, unless withdrawn or revoked by the appropriate court, tribunal or administrative agency or body within sixty (60) days from entry of such order of judgment; (v) the lawful appointment of a receiver or trustee to take possession of a substantial portion of the properties of the Company, unless contested in good faith by the Company in appropriate proceedings; or (vi) the taking of any corporate action by the Company to authorize any of the foregoing, unless withdrawn or rescinded within sixty (60) days from the taking of such action.

(g) *Expropriation*

Any act or deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, acquisition, seizure, sequestration or condemnation of or with respect to all or a material part of the business and operations of the Company, or all or substantially all of the property or assets of the Company, shall be undertaken or instituted by any Governmental Authority, unless such act, deed or proceeding is otherwise contested in good faith by the Company in an appropriate proceeding.

(h) *Judgment Default*

A final and executory judgment, decree or order for the payment of money, damages, fine or penalty in excess of [P●] or its equivalent in any other currency is entered against the Company and (i) the Company has failed to demonstrate to the reasonable satisfaction of the Majority Bondholders within thirty (30) days of the judgment, decree or order being entered that it is reasonably certain that the judgment, decree or order will be satisfied, discharged or stayed within forty five (45) days of the judgment, decree or order being entered, or (ii) the said final judgment, decree or order is not paid, discharged, stayed or fully bonded within forty five (45) days after the date when payment of such judgment, decree or order is due.

(i) *Attachment*

An attachment or garnishment of or levy upon any of the properties of the Company is made which materially and adversely affects the ability of the Company to pay its obligations under the Bonds and is not discharged or stayed within forty five (45) days (or such longer period as the Company satisfies the Majority Bondholders is appropriate under the circumstances) of having been so imposed.

(j) *License Default*

Any governmental consent, license, approval, authorization, permit, right, privilege, declaration filing or registration which is granted or required in connection with the Bond Agreements or the Bonds expires or is terminated, revoked or modified in any manner unacceptable to the Trustee and the result thereof is to make the Company unable to discharge its obligations.

(k) *Material Adverse Change*

There has been, in the reasonable determination of the Trustee, a material change in the financial condition of the Company which will materially and adversely affect the Company's ability to perform its obligations under the Bonds and the Bond Agreements.

(l) *Contest*

The Company (acting through its President, Chief Executive Officer, Chief Operating Officer or Chief Finance Officer) shall contest in writing the validity or enforceability of the Bonds or shall deny in writing the general liability of the Company under the Bonds.

The Company shall promptly deliver to the Trustee a written notice of any Event of Default upon the Company becoming aware of such Event of Default. The Trustee shall notify the Bondholders of the receipt of any such certificate or notice.

The Trustee may call for and rely on a resolution of the Majority Bondholders to determine whether an Event of Default is capable or incapable of remedy and/or an event may adversely and materially affect the performance by the Company of its obligations under the Trust Agreement and the Bonds.

## 11. **Consequences of Default**

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge, of the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice.

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Agreement and in these Terms and Conditions, the Trustee may

on its own, or upon the written direction of the Majority Bondholders, by notice in writing deliver to the Company, with a copy furnished to the Paying Agent, Receiving Agent, and Registrar, declare the Issuer in default ("Declaration of Default") and declare the principal of the Bonds then outstanding, including all accrued interest and other charges thereon, if any, to be immediately due and payable, with a copy to the Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon the Issuer shall make all payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

All the unpaid obligations under the Bonds, including accrued Interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable according to this section, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company.

The provisions of this section, however, are subject to the condition that the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul any Declaration of Default made by the Trustee upon such terms, conditions and agreements, if any, as they may determine; *provided*, that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto; provided, however, that this right of the Majority Bondholders to rescind and annual any Declaration of Default shall not apply to the Events of Default that cannot be waived by Majority Bondholders as described in Sections 10 (a), (b), (c), (d), (e) and (f) above. Any such rescission and annulment of a Declaration of Default shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of the Bonds, or of any bond issued in lieu thereof or in exchange therefor.

#### **12. Notice of Default**

The Trustee shall, within ten Business Days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, [in the case of Payment Default under Section 10(a) above and] as provided in the Trust Agreement, the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in the Philippines for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification to the Trustee.

#### **13. Penalty Interest**

In case any amount payable by the Company under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, the Company shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 12% p.a. (the "Penalty Interest") from the time the amount falls due until it is fully paid.

#### **14. Payment in the Event of Default**

The Company covenants that upon the occurrence of any Event of Default, the Company shall pay to the Bondholders, through the Paying Agent, and *provided* that there has been a Declaration of Default and acceleration of payment pursuant to Section 11 the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, where applicable.

#### **15. Application of Payments**

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the pro-rata payment to the Trustee, the Paying Agent and the Registrar, of the reasonable and documented costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable and documented expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second*, to the payment of the Penalty Interest, in the order of the maturity of such interest; *third*, to the payment of all outstanding interest; *fourth* to the payment of the

principal amount of the Bonds then due and payable; and *fifth*, the remainder, if any shall be paid to the Company, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

**16. Prescription**

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

**17. Remedies**

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

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

**18. Ability to File Suit**

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

**19. Waiver of Default by the Bondholders**

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default, except the Events of Default specified in Sections 10 (a), (b), (c), (d), (e) and (f) above. In case of any such waiver, written notice of which shall be given to the Company by the Trustee, the Company, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

**20. Trustee; Notices**

(a) *Notice to the Trustee*

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

To the Trustee: [●]  
Attention: [●]  
Subject: SLI Holdings, Inc. Fixed Rate Bonds  
Address: [●]  
Facsimile: [●]  
Email Address: [●]@[●]

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

(b) *Notice to the Bondholders*

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

(c) *Binding and Conclusive Nature*

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

**21. Duties and Responsibilities of the Trustee**

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Company with all its representations and warranties, and the observance by the Company of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with respect to any matters that must be taken up with the Company.
- (b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. The Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.
- (c) None of the provisions contained in the Trust Agreement or Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

**22. Resignation and Change of Trustee**

The Trustee may at any time resign by giving 90 days prior written notice to the Company and to the Bondholders of such resignation.

Upon receiving such notice of resignation of the Trustee, the Company shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which



instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six (6) months (the "*bona fide* Bondholder") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

A successor trustee should possess all the qualifications required under pertinent laws and shall be bound by the terms of the Trust Agreement as stipulated in Section 23 hereof; otherwise, the incumbent trustee shall continue to act as such.

In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Company may within 30 days from such time remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee. If the Company fails to remove the Trustee concerned and appoint a successor trustee, any *bona fide* Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.

The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee with the consent of the Company, by the delivery to the Trustee so removed, to the successor trustee and to the Company of the required evidence of the action in that regard taken by the Majority Bondholders. Such removal shall take effect thirty (30) days from receipt of such notice by the Trustee.

Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Company.

### **23. Successor Trustee**

Any successor trustee appointed shall execute, acknowledge and deliver to the Company and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Company or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

Upon acceptance of the appointment by a successor trustee, the Company shall cause the Registrar to notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Company fails to cause the Registrar to notify the Bondholders within ten (10) days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Company.

### **24. Reports to the Bondholders**

- (a) The Trustee shall submit to the Bondholders on or before [\*] of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
  - (i) The property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

- (ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.
- (b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent of the aggregate outstanding principal amount of the Bonds at such time.

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

- (i) Trust Agreement
- (ii) Registry and Paying Agency Agreement
- (iii) Articles of Incorporation and By-Laws of the Company
- (iv) Registration Statement of the Company with respect to the Bonds

## 25. Meetings of the Bondholders

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

### (a) *Notice of Meetings*

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

### (b) *Failure of the Trustee to Call a Meeting*

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

### (c) *Quorum*

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

### (d) *Procedure for Meetings*

The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Company or by the Bondholders, in which case the Company or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

Any meeting of the Bondholders duly called may be adjourned from time to time for a period or periods not to exceed in the aggregate of one year from the date for which the meeting shall originally have been called and the meeting so adjourned may be held upon written agreement by the Company and the Bondholders on another date without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every ₱10,000.00 interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representatives of the Company and its legal counsel.

(f) *Voting Requirement*

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement (please refer to the preceding discussion in the section on "*Quorum*"). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as provided in the Trust Agreement shall be binding upon all the Bondholders and the Company as if the votes were unanimous.

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

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

**26. Amendments**

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

The Company and the Trustee may amend or supplement the Terms and Conditions of the Bonds and the Bond Agreements without notice to every Bondholder but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, any such amendment or supplement may not:

- (a) reduce the percentage amount of Bonds outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on any Bond;
- (c) reduce the principal of or extend the Maturity Date of any Bond;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bond holdings on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Bond holdings;
- (e) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;
- (f) make any Bond payable in money other than that stated in the Bond;

- (g) subordinate the Bonds to any other obligation of the Company;
- (h) release any security interest that may have been granted in favor of the Bondholders;
- (i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or
- (j) make any change or waiver of this Condition.

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

Any consent given pursuant to this Section shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

**27. Evidence Supporting the Action of the Bondholders**

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

**28. Non-Reliance**

Each Bondholder represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Company on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to the Trustee's performance of its obligations under the Trust Agreement, except those arising from the Trustee's gross negligence or wilful misconduct.

**29. Waiver of Preference or Priority**

Each Bondholder waives its right to the benefit of any preference or priority over the Bonds accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines. This waiver shall be automatically revoked (or deemed not given) in the event that any other Debt of the Company and any of its Subsidiaries has a priority or preference under Article 2244(14) which is not otherwise waived by the party to which priority or preference has been granted and such priority or preference is invoked against the Bonds.

**30. Governing Law**

The Bond Agreements are governed by and shall be construed in accordance with Philippine law. Unless otherwise stipulated in the other Bond Agreements, venue of any and all actions arising from or in connection with the issuance of the Bonds shall be brought before the proper courts of Makati City to the exclusion of all other courts.

## **INTEREST OF NAMED EXPERTS**

### **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Bonds which are subject of this Offer shall be passed upon by Romulo Mabanta Buenaventura Sayoc and de los Angeles ("Romulo") for the Issue Manager, Lead Underwriter and Bookrunner and by Martinez Vergara Gonzalez and Serrano ("MVGS") for the Company. Romulo and MVGS have no direct or indirect interest in SLI. Romulo and MVGS may, from time to time, be engaged by SLI to advise in its transactions and perform legal services on the same basis that Romulo and MVGS provide such services to its other clients.

### **INDEPENDENT AUDITORS**

SGV & Co., independent auditors, audited the Company's financial statements for the years ended of December 31, 2014, December 31, 2013, and December 31, 2012 included in this Prospectus. There has neither been a termination nor change in the said appointment.

## DESCRIPTION OF THE BUSINESS

### OVERVIEW

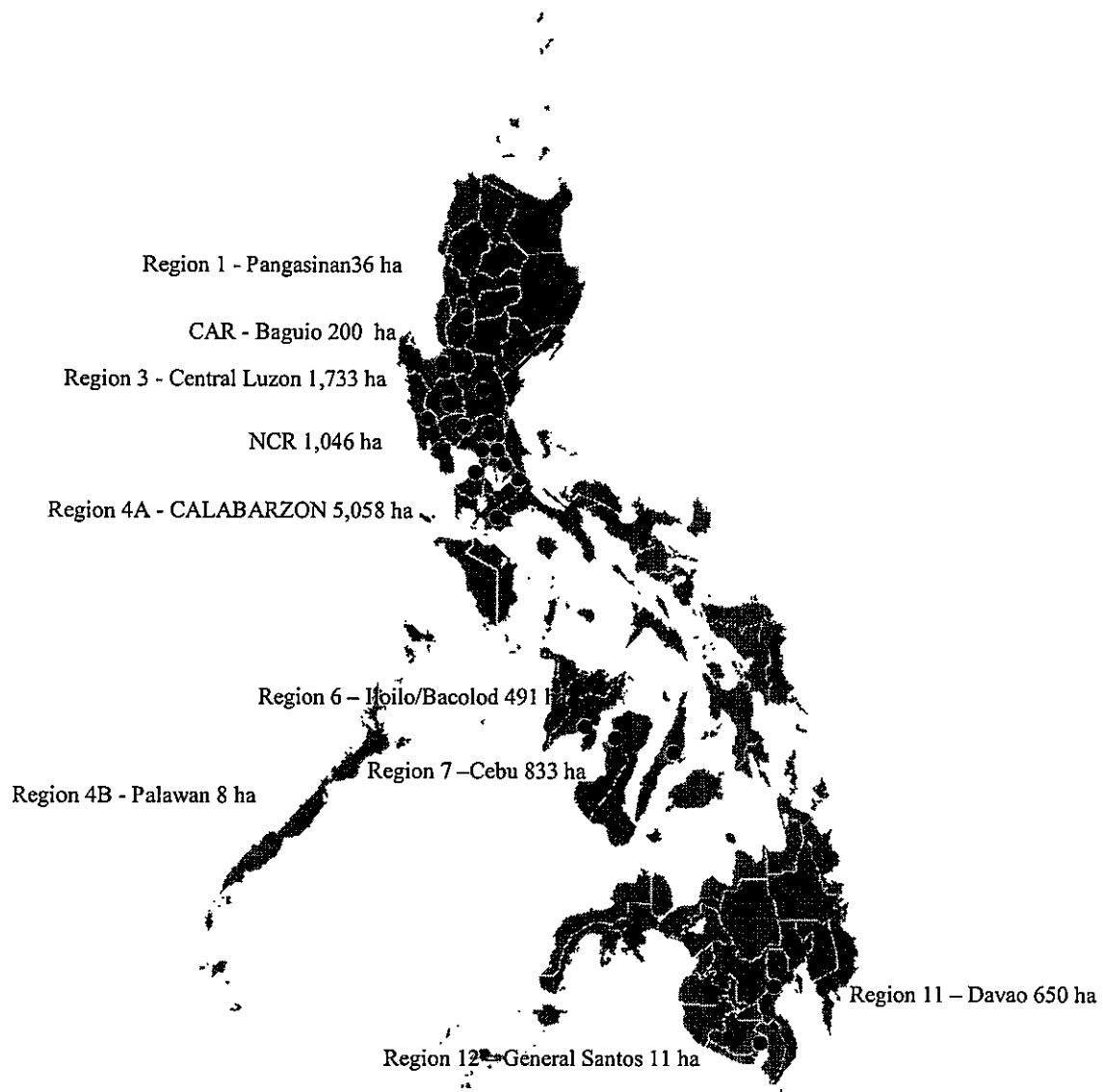
The Group is one of the largest real estate developers in the country in terms of land area developed. Through its nationwide distribution channels, the Group has built a track record in the area of horizontal residential developments, particularly gated subdivisions. The Group has also expanded into vertical developments, housing construction, marketing, and mall operations.

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

More than four decades later, having successfully developed namesake subdivisions in Pasig City and various municipalities in the Rizal province, the Group has expanded its presence in new markets while strengthening its hold of existing markets. Most of the Group's projects are residential subdivisions, where they offer lot owners an area where they can build a home, nurture a family and have a lifestyle of their own. Most of the subdivisions built by the Company include community and sports facilities such as a clubhouse, swimming pool, basketball court, landscaped gardens and a children's playground and, in addition to basic amenities, concrete roads, adequate water and electrical power. In larger communities, the Group's developments may include tennis courts, water slides, bowling, and man-made lakes.

In 1996, the Group started its first residential and golf course development in the country, The Orchard, which has two golf courses designed by Gary Player and Arnold Palmer, respectively, well regarded professional golfers. The Orchard was the first world class golf course development in the Philippines with a fully integrated golf and residential community. Since then, the Group has constructed over 13 world-class golf courses, currently the highest number for any developer in the country. Aside from residential projects and golf courses, the Group has also developed a 10.5 h.a. mall complex in Rizal, the Sta. Lucia East Grand Mall (SLEGM), and select resorts and hotels which are all complementary to existing residential projects.

Below is the list of projects of the Group where Sta. Lucia has developed over 10,000 hectares across the country. The following are the top 10 projects of the Group: Eagle Ridge Cavite 800 ha, Alta Vista Cebu 400 ha, Lakewood City Cabanatuan 400 ha, Colinas Verdes Bulacan 300 ha, Beverly Place Pampanga 300 ha, Palo Alto Rizal 200 ha, Pinewoods Baguio 200 ha, Greenmeadows Iloilo 172 ha, Royale Tagaytay 165 ha and South Pacific Davao 145 ha.



**SLI Completed Horizontal Projects**

	<b>Project Name</b>	<b>Land Area (h.a.)</b>
1	Bauan Grand Villas	46.69
2	Greenland Antipolo	3.34
3	GreenmeadowsTarlac	24.66
4	Luxurre Residences	10.25
5	Sugarland Estates	15.46
6	Villa Chiara	5.16
	<b>Total</b>	<b>105.56</b>

**SLI Completed Vertical Projects**

	<b>Project Name</b>	<b>Land Area (h.a.)</b>	<b>Floor Area (sq.m.)</b>
1	East Bel-Air 1	1.7	5,928.0

2	La Breza Tower	0.2	23,217.2
3	La Mirada Tower	0.9	16,321.6
4	SplendidoTaal Tower 1	0.2	16,959.0
	<b>Total</b>	<b>2.8</b>	<b>62,425.8</b>

### SLI Ongoing Horizontal Projects

#	Project Name	Land Area (h.a.)
1	Altea Davao	32.4
2	Colinas Verdes Ph 3, 3A, 3B	48.4
3	Costa Del Sol Iloilo	4.3
4	Almeria VerdaDagupan	7.7
5	El Pueblo Verde	14.8
6	GlenroseTaytay Ph.2B	2.4
7	Green Peak Heights Ph. 1/2	29
8	Greenland Cainta Ph. 4C2	0.6
9	Greenland Cainta Ph. 4J1	0.7
10	Greenland Cainta Ph.3B	4.5
11	Greenland Cainta Ph.9C	1.2
12	Greenland Newtown Ph.2B	3.5
13	Greenland Newtown Ph.2C	3
14	Greenmeadows Iloilo Ph 1 and 1A	81
15	Greenmeadows Ph.2 at the Orchard	12.1
16	Greenwoods Executive Ph.2A1	0.9
17	Greenwoods Executive Ph.2K1	2.1
18	Greenwoods Executive Ph.6 Sec.9-10	1.6
19	Greenwoods Executive Ph.9F	1.1
20	Greenwoods North Ph.2	3.7
21	Greenwoods North Ph.3	9.9
22	Greenwoods South Ph.6 Hampton Place	7.2
23	La Huerta	50
24	Mesilo Residences	30.6
25	Nottingham Villas	1.6
26	Green Peak Heights Palawan	8.1
27	Palo Alto Ph. 2	24.7
28	Ponte Verde Davao	13.8
29	Soto Grande Ph.2	1.5
30	Soto Grande Ph.3	2.5
31	South Grove Davao	16.2
32	Summer Hills Ph.4	4.1



33	Valle Verde Davao	10.4
34	Woodside Garden Ville Ph.2C	7.3
	<b>Total</b>	<b>442.9</b>

#### SLI Ongoing Vertical Projects

#	Project Name	Land Area (h.a.)	Floor Area (sq.m.)
1	Arterra	0.7	22,102.4
2	Neopolitan Condominium 1	1.2	8,944.3
3	SplendidoTaal Tower 2	0.1	16,631.2
4	Sta. Lucia Residenze - Monte Carlo (Tower 1)	0.1	16,631.2
5	Stradella (formerly East Bel-Air 2)	0.1	5,928.2
	<b>Total</b>	<b>2.2</b>	<b>70,237.3</b>

Over its 40 year history, the Group has developed a reputation as an exemplary developer of prime properties. This led to several JVs with corporations owned by prominent families such as the Lorenzos, Alcantaras and Aranetas.

In 2007, SLRDI acquired a controlling interest in Zipporah Realty Holdings, Inc. ("ZRHI") via a backdoor listing and acquired an additional 76.3% stake through a subscription of new shares in ZRHI in exchange for real properties of SLRDI. The new shares came from an increase in authorized capital stock in ZRHI approved in 2007, bringing up the Group's ownership in ZRHI to 97.22% from 20.92%. ZRHI was incorporated in the Philippines and registered with the Philippine SEC as Zipporah Mining and Industrial Corporation on December 6, 1996 to engage in mining. On August 14, 1996, the Company's Articles of Incorporation was amended (a) changing the corporate name to Zipporah Realty Holdings, Inc.; and, (b) transposing the original primary purpose to secondary purpose from being a mining firm to a real estate company, the primary purpose of which is to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop and hold for investment or otherwise, real estate of all kinds, improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. The Company's name was then changed in 2007 to its current name, Sta. Lucia Land, Inc. The Company is listed on the PSE under the ticker "SLP". As of December 31, 2014, the Company is 87.2% owned by SLRDI.

In 2013, the Company decided to establish two (2) wholly-owned subsidiaries, Sta. Lucia Homes, Inc. and Santalucia Ventures, Inc., to handle housing construction and the marketing, operation and development of the Company's projects, respectively.

The Company's Chief Executive Officer and Chairman provide over-all strategic, business and operational leadership. They are supported by the Executive and Management Committee that is focused on fulfilling the visions and goals set by the two. A team of experienced, competent and knowledgeable officers head the Company's various departments. The Company's growth over the years is driven by the dedication, hard work and belief of its Board of Directors, senior management and employees in Filipino family values.

The Company generated revenues of ₱1.46 billion and ₱919 million for the nine months ended September 30, 2014 and 2013, respectively, based on its consolidated unaudited financial statements. Revenues were ₱1.33 billion, ₱1.79 billion, and ₱1.44 billion in 2013, 2012, and 2011, respectively, based on consolidated audited financial statements. This resulted in a net income of ₱426 million and ₱201 million, for the nine months ended September 30, 2014 and 2013, respectively, based on unaudited figures. Net income for the years ended 2013, 2012, and 2011 were ₱300 million, ₱311 million, and ₱359 million respectively.

## **COMPETITIVE STRENGTHS**

### ***Established track record in successfully developing and marketing prime real estate properties***

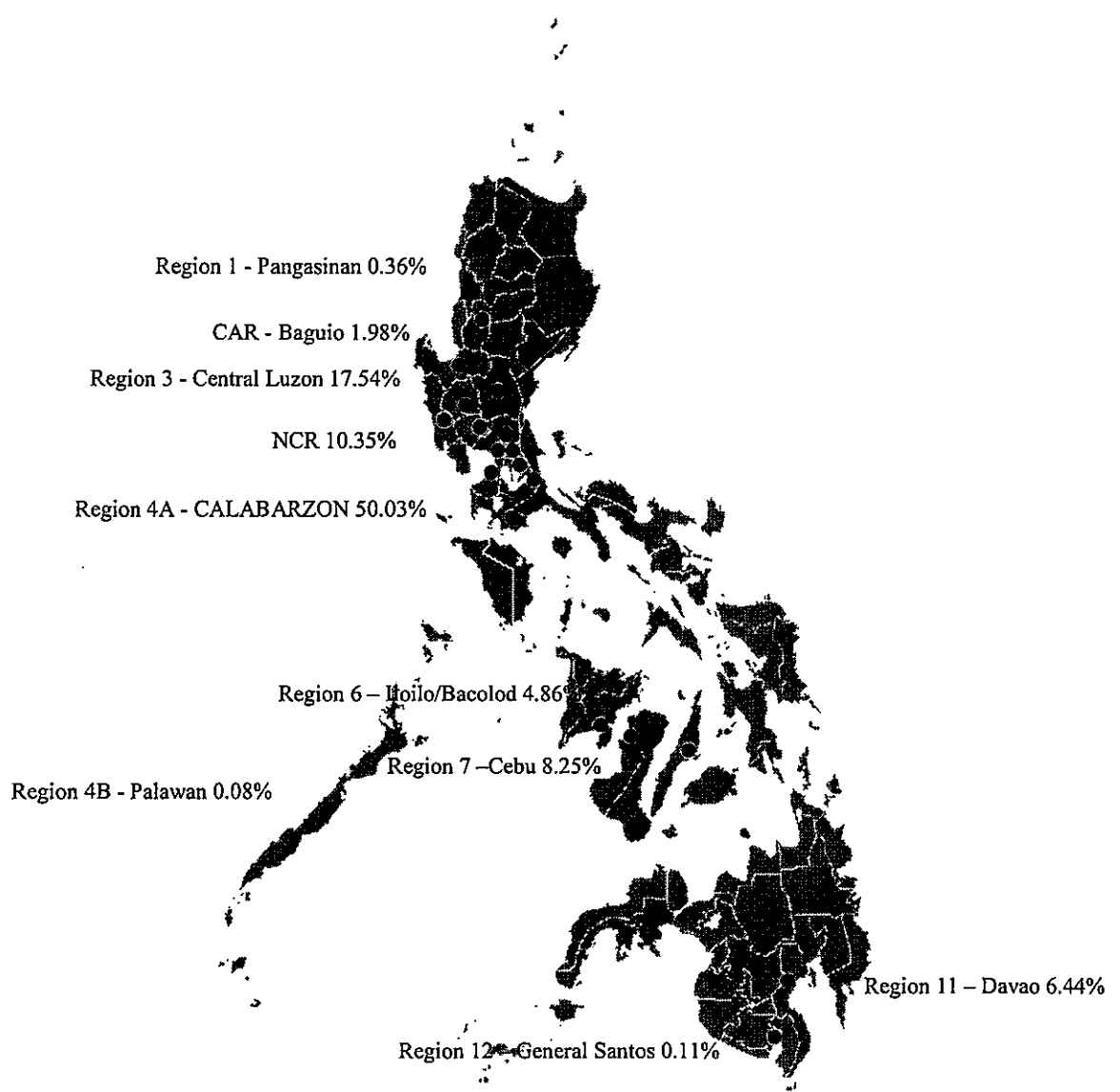
As one of the pioneers in the real estate industry, the Group has established a reputable and recognized brand name nationwide with a 40-year track record in real estate development in key cities and provinces with over 220 completed projects. Since the Group's establishment in 1972, it has developed approximately 10,000 h.a. of land, sold approximately 120,000 lots, built 2,600 houses, and developed over 13 golf courses. The Group prides itself as being one of the first real estate developers to introduce gated subdivisions and malls in select cities. It was one of the first developers of gated subdivisions in several major cities such as Davao and Cebu. The Group was also the first developer to build a mall in Cainta, Rizal.

The Group has the distinction of having developed the most number of golf courses in the country including the 800 hectare Eagle Ridge Golf & Country Club, the country's largest golf complex with four world class championship courses and the Orchard Golf and Country Club, which was the venue of the Johnnie Walker Classic 1995. It has also received various awards for product excellence and innovation, having won the Gold Award for the Reader's Digest Trusted Award for six consecutive years in 2006 to 2011. It was also a finalist in the Ernst & Young Entrepreneur of the Year 2007.

The Group believes that the track record, reputation and network it has established through its 42-year history will contribute to its ability to optimize operational efficiency, pursue expansion projects, and select new projects.

### ***Established nationwide strategic footprint with presence in emerging cities***

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



The Group has developed over 10,111 h.a., around 8,124 h.a. in Luzon, 1,325 h.a. in Visayas, and 661 h.a. in Mindanao. The developments are located in prime areas strategically selected by the Group. In Luzon, majority of the Group's developments are in Regions 4A, NCR, and the Cordillera Administrative Region. In the Visayas and Mindanao regions, the Group's projects are concentrated in Regions 6, 7, 11, and 12. According to the Philippine Statistics Authority, NCR had the 2<sup>nd</sup> highest Gross Regional Domestic Product ("GRDP") 2012-2013 growth rate in the Philippines at 9.1%. On the other hand, Region 4A, 7, 11, and 12 are part of the top eight regions when ranked according to 2012-2013 GRDP growth rates; these regions grew from 2012 to 2013 by 6.7%, 7.4%, 6.8%, and 8.4% respectively. The other top eight regions in terms of 2012-2013 GRDP growth rates are regions 1, 5, and 13.

The locations of the Company's projects are also where majority of total OFWs originated in 2013. The Philippine Statistics Authority estimates that Region 4A comprised 18.4%, the highest among all regions, of the total OFWs whose departure occurred within the last 5 years. Meanwhile, Regions 3, NCR, 6, 1, 2, 7, and 12 capture 13.9%, 12.8%, 9.4%, 8.2%, 6.6%, 6.5%, and 4.1% of the total number of OFWs with departures within the last 5 years, respectively.

In order to take advantage of the opportunities in these emerging cities, the Company ensures wide geographic presence through its extensive sales network. The Company operates through six marketing companies, four of which work exclusively with the Group. These marketing companies employ a sales force of over 120,000 covering both domestic and international sales.

#### ***Positioned to take advantage of the buoyant Philippine economy and growing residential housing demand***

The Company believes that with its nationwide project portfolio, it is well positioned to take advantage of the strong demand in the Philippine residential housing market. The Company also believes that the horizontal residential housing and medium rise housing market is expected to continue to be strong in the medium term given favorable economic conditions and market demographics of the country.

According to the World Bank, the Philippines experienced a population growth rate of 1.7% from 2012 to 2013, the third highest population growth rate for the same period among Southeast Asian countries next to Laos and Cambodia. Consistent with this relatively high growth rate is a GDP growth from 2013 to 2014 of 6.1% according to the Philippine Statistics Authority. In addition, based on estimates by the Housing and Urban Development and Coordinating Council, there will be an average housing backlog of around 700,000 per year from the years 2011 to 2017.

In addition, based on data from the CBRE, the Company believes that the demographics of its target market present a viable opportunity for growth. Remittances from OFWs grew at a compound annual growth rate of 8.15%% from 2005 to 2014. The World Bank estimates that 60% of OFW remittances are being invested into real estate projects across the Philippines.

#### ***Joint Venture business model as an asset-light strategy for rapid expansion***

The Company believes that the JV business model it has employed allows for rapid expansion. Under the JV business model, the Company enters into JV agreements with various landowners and other companies, with interests in these joint ventures ranging from 32% to 80% depending on the value of the land or investment against estimated development costs. These JV agreements entered into by the Company relate to the development and sale of subdivision land and condominium projects, with allocations to the joint venture partner of certain specified lots or units or proceeds from the sales of the units based on pre-agreed distribution ratio. The Company's joint venture arrangements typically require the JV partner to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, while various cost-sharing structures are in place. In some agreements, the Company nets the incurred marketing and advertising costs from the gross sale of real estate products sold. The Company then recognizes revenues based on the netted amount depending on its prorated ownership of the JV Project. The Company however shoulders all of the costs to develop the land. There are also cases where the Company nets all incurred marketing, advertising, and development costs from the gross sale of real estate products sold, after which the remaining income is shared between the Company and the JV partner.

The JV business model has allowed the Company to start real estate development projects without need for the initial capital outlay to acquire and consolidate sizeable land areas for subdivision development. This business model has allowed the Company to use its cash flows more efficiently and to share the risk with its partners. This track record of successful JV arrangements is expected by the Company to attract new prospective JV partners.

Please refer to “Description of the Business – Joint Venture Business Model” of the Prospectus for more details.

### ***Diversified product portfolio***

The Group has a diversified product portfolio consisting of both horizontal and vertical residential developments, golf courses and country clubs, and malls. It is also currently venturing into the house construction business. Most of the Company’s residential projects are strategically located in close proximity to complementing commercial areas. Based on its 3<sup>rd</sup> quarter financial statements, majority of the Company’s revenues are derived from real estate sales (75%) and rental income (18%).

A bulk of real estate sales comes from the Company’s horizontal developments. The Company has also ventured into vertical projects that are located in adjacent areas targeting the same market where they have already established a competitive advantage. Aside from its residential projects and the SLEGM, the Group has also built a reputation for itself as the country’s largest golf and country club developer in the Philippines, having developed golf courses with an area totaling 1,599 h.a. and 252 holes. As the Philippine real estate market expands, the Company will continue to diversify its portfolio of projects to maximize the benefits of the market’s growth.

## **BUSINESS STRATEGIES**

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

### ***Selectively expand the Company’s own landbank in emerging cities to supplement JV landbank***

The Company’s current JV business model has enabled it to expand its national footprint faster than having accumulated the land itself. However, this business model has generally required the Company to share approximately 32% to 80% of their gross profits, the specific terms and cost-sharing of which varies according to the arrangements and to its JV partner. In order to supplement this existing capital-light JV business model while improving margins and ensuring long-term revenue streams, the Company plans to expand its own landbank by strategically identifying and acquiring land using proceeds from the Offer. The focus of the Company will be in select emerging cities of regions 4A, 6, and 11 of the country where the Group has existing successful developments. The Company intends to take advantage of its local knowledge, development expertise, track record and local connections to successfully implement its landbanking strategy.

### ***Diversify into residential house construction business***

According to an internal survey by the Company, residential units have not been constructed in more than half of the 120,000 subdivision lots that the Group has sold. The Company plans to take advantage of the significant housing backlog in the country by venturing into the construction of houses in its own property developments. In 2013, the Company established SLI whose sole purpose is to offer construction services to the Group’s previous lot buyers. Based on the Company’s existing lot buyer database, the Company believes that majority of its lot buyers have the willingness and initial capital to construct houses, but have limited familiarity with the house construction process. The Company’s construction services would provide these existing customers with a hassle-free access to contractors and all other house construction services from a

trusted developer they have previously transacted with. The Company is currently working on partnerships with consumer banks that will provide the retail mortgage financing facility for these house construction clients, thus limiting the Company's exposure to credit risk.

#### ***Improve recurring lease income***

The Company intends to restructure its current retail business model. Under the Company's current retail mall business model, it receives fixed lease income from SLECC, a related party who is presently handling management and operation of the Company's malls. All lease income from the mall tenants, as well as mall operating and administration costs, except for real property taxes and depreciation, are collected by SLECC, while a monthly rental fee is paid by SLECC to the Company equivalent to 90% of the net income collected after the deduction of expenses inclusive of real property taxes. All expenses related to the operation of the SLEGM, except for real property taxes due are paid by SLECC. Beginning October 1, 2014, all lease payments from the mall tenants are now paid to and in the name of the Company. SLECC continues to provide management and operations services for the SLEGM and receives management fees equivalent to a fixed percentage of revenues. The Company's board of directors approved the implementation of this new arrangement oneffective October 1, 2014. The Company believes that this move can be expected to improve the Company's lease revenues depending on the terms of the final operating agreement.

The Company aims to increase its recurring income by expanding its retail footprint with the use of its commercial land inventory. In majority of the Company's projects, there is an allocation for commercial space with an average size ranging from 300 to 2,000 square meters. These commercial spaces translate to a total of 323 lots with a total area of 33.93 hectares. The Company plans to increase its recurring income by offering these commercial spaces for lease. In addition to offering the Company's commercial spaces for lease, the Company is also planning the development of new commercial retail malls and exploring JVs with other real estate developers to establish mini-malls within the Company's residential projects.

Please refer to "Description of the Business - Business" of this Prospectus for a more detailed discussion on the Company's mall leasing operations.

#### ***Use fresh funds from bond offer and additional leverage to aggressively implement strategies***

The Company has funded its growth mainly through the use of internal cash and extensive use of liquidity management measures, with minimal reliance on significant long-term debt. The Company aims to use the proceeds from the Offer to implement its strategies and improve profitability. The Company intends to leverage on the bond offer to pay-off existing collateralized debt, funds for land acquisition, project development and general corporate purposes. The Company intends to take advantage of its low capital debt to equity ratio and fund further growth through financial leverage. The Company's net interest-bearing debt to total equity ratio was at 0.19, 0.22, and 0.22 for the years 2011, 2012, and 2013, respectively. This indicates a huge potential to increase the debt capitalization of the Company to fund its future growth and expansion, especially with the recent low interest rate environment in the country.

#### ***Continue to expand domestic and international marketing channels***

The Company intends to expand both its domestic and international marketing channels. Based on Company records, approximately two-thirds of its sales are to OFWs and their families. The largest markets have traditionally been the Middle East, USA, Asia and Europe. The Company plans to further develop its market channels outside the Philippines, such as in key cities in the United States and in Australia.

## **HISTORY AND MILESTONES**

The Group's early beginnings as a developer of subdivisions began in 1972 under the name Buen-Mar Realty ("Buen-Mar") established by siblings Buenaventura Robles and Marcela Robles-Santos, aided by their spouses DomingaDumandan-Robles and Atty. Felipe G. Santos. Buen-Mar gave way to the creation of

what is now prominently known as the Sta. Lucia brand – a name rooted in the family’s strong religious beliefs. Saint Lucia, also known as Lucia of Syracuse or Saint Lucy, is the patron saint of vision. The name “Lucia” is derived from the Latin word for light. Atty. Felipe Santos and 19-year old Exequiel Robles, the eldest of the Robles siblings, took over the Group and incorporated Sta. Lucia Realty & Development, Inc., a move which paved the way to the Group’s venture into full-scale horizontal land development. Exequiel D. Robles continued his father’s work in real estate as head of the Group.

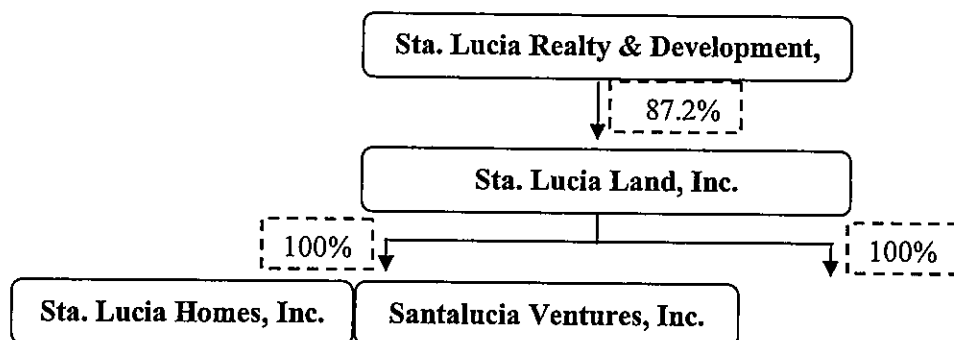
In 2007, the Company was listed in the PSE via backdoor listing. SLRDI acquired a controlling interest in Zipporah Realty Holdings, Inc. (“ZRHI”), then a holding company, by subscribing to a total of 97.22% of ZRHI’s outstanding capital stock in exchange for the assignment of certain real estate development projects of SLRDI. After the asset-for-share swap, the shareholders of ZRHI caused the amendment of its articles of incorporation to, among others, change the primary and secondary purposes and the corporate name to what is now known as Sta. Lucia Land, Inc.

From its beginnings more than 40 years ago, the Group has grown to be an established nationwide developer of gated subdivision lots catering to the middle class in emerging cities. The following are the major developments in the history of the Group:

1972	<ul style="list-style-type: none"> <li>• Buenaventura Robles and Marcela Robles- Santos established Buen-Mar Realty to develop gated subdivisions</li> </ul>
1991	<ul style="list-style-type: none"> <li>• Development of the SLEGM, the first mall in Cainta, Rizal</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Back-door listing of the Group’s assets by acquiring Zipporah Realty Holdings, Inc. and the formation of Sta. Lucia Land, Inc as the sole developer of the Group.</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Launch of the first master planned lake community in Iloilo (Greenmeadows)</li> <li>• Launch of the Company’s first high-rise project in Metro Manila called La Breza Tower</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Start of the development of the Company’s first townhouse project comprised of 7 clusters, the Nottingham Villas Townhomes. The first cluster was sold out in less than a year.</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Incorporation of SLHI and as the Company ventures into house construction and marketing services</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Opening of the Company’s expansion mall in Cainta, Rizal, the Il Centro. This expansion mall is located within the Company’s planned 5-tower project called the Sta. Lucia Residenzes. The first of the Mediterranean-inspired towers, Monte Carlo, is nearing completion.</li> </ul> <p><b>NEW PROJECTS LAUNCHED</b></p> <ul style="list-style-type: none"> <li>• Construction of “Santorini”, the 2nd of the 5 planned towers in StaluciaCenter</li> <li>• Launch of the Company’s first condotel development in Davao City, the Soto Grande Hotel Suites</li> <li>• Almeria Verde, a 77,000 sqm subdivision development in Dagupan</li> <li>• 2 hectare expansion of Vermont Park in Antipolo</li> <li>• 30 hectare subdivision development named Greenpeak Heights in Rizal</li> <li>• A 6 storey condotel called Stradella as part of the master planned East Bel-Air project in Cainta</li> <li>• A 20 storey condotel in Cebu named Arterra and</li> <li>• A 9 storey condominium in Neopolitan Fairview</li> </ul> <p><b>NEW JOINT VENTURE PROJECTS</b></p> <ul style="list-style-type: none"> <li>• Over 116 hectares in Davao covering 3 projects</li> <li>• Over 130 hectares in Ilo-ilo representing expansions in both the Centro Verde and Green Meadows projects</li> <li>• 60 hectares in Summit Point, Batangas; and</li> <li>• 7 hectares in Greenpeak Heights, Palawan</li> <li>• Land acquisitions were also made in Davao, BauanBatangas and Batangas City.</li> </ul>

## CORPORATE STRUCTURE

The following chart illustrates the Company's material shareholders and subsidiaries as of the date of this Prospectus.



### Subsidiaries

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

On January 9, 2013, the Parent Company filed an application with SEC for the incorporation of SLHI, a wholly-owned subsidiary, the primary purpose of which is to construct, develop, improve, mortgage, pledge and deal with residential structure for lot buyers of the Group. The Parent Company received an approval on February 20, 2013.

#### Santalucia Ventures, Inc. (SVI)

On January 31, 2013, the Parent Company also filed an application with SEC for the incorporation of another wholly owned subsidiary SVI, whose primary purpose is to market, operate, manage, develop, improve, dispose, mortgage, pledge and deal with residential structure for lot buyers of the Group. Such application was approved by SEC on April 5, 2013.

## BUSINESS

Since its establishment in 1972, the Group has been able to establish a track record in horizontal residential developments, where the Company has historically derived a substantial portion of its revenues. The Company has continued to expand its horizontal developments which continue to be its core business and begun to diversify into vertical developments, housing construction, and marketing services. In line with its strategy of increasing recurring income, the Company has also begun to expand its mall operations through the opening of its expansion mall in 2014 and conversion of some of its portfolio of commercial lots for sale into commercial lots for lease.

The Company conducts its business via the following main operating segments, further broken down as follows:

1. Residential Projects
  - a. Horizontal Developments
    - i. Residential Lots

These projects consist of residential lots for sale in gated subdivisions complete with facilities and amenities. The Company begins developing identified land for marketing and selling to customers. These projects involve minimal construction works. Typical features developed by



the Company for these residential communities include an entrance gate, guard house, landscaped entry statement, community clubhouse, basketball court, swimming pool, wide concrete road network, paved sidewalks with concrete curbs and gutters, centralized interrelated water system, underground drainage system, and electric system. The Company is currently developing 33 residential subdivision projects involving 10,939 units with average selling prices per unit ranging from ₱480,000 to ₱5,350,000. Required downpayments are usually 15% to 20%, payable in 6 months to 1 year.

b. Vertical Developments

i. Townhouses

Townhouse projects are comprised of residential housing units where independent and identical houses are found adjacent to each other, with a row sharing one or two house walls. These projects have higher development costs, are built on smaller land areas (6 to 7 h.a.), and are developed in phases. The next phase is only developed once the previous phase is sold out. The Company has one ongoing townhouse project, the Nottingham Villas, with 4 phases having an average price of ₱5,350,000. Downpayments of 15% to 20% are usually required, payable in 6 months up to 2 years. Balance of 80% is paid through in-house financing with interest rates ranging from 14%-16% with average term of 1 to 10 years.

ii. Condominiums

The condominium projects of the Company are located in strategic locations near existing horizontal developments. The Company has completed four (4) residential condominiums since year 2007 while it currently has one (1) ongoing condominium project, the Neopolitan Condominium, which has nine storeys and 232 units with an average selling prices ranging from ₱1,886,500 to ₱2,184,000 per condominium unit. The usual required downpayment ranges from 15% to 20%, payable in 2 to 3 years. Balance of 80% is paid through in-house financing with interest rates ranging from 14%-16% with average term of 1 to 10 years.

iii. Condotels

Condotel projects are condominium units being sold to individual buyers but are managed and operated as a hotel. There is an option for the unit owners to have their units placed under a rental program initially for 15 years where it is rented out like a typical hotel room. The Company's experienced in-house management handles all operations, maintenance, and management of the units under the rental program. Rental income from the units is shared between the Company and the unit owners, where the Company usually receives between 50% to 70% of net rental income. Average selling prices per unit range from ₱72,000 to ₱90,000 per sq.m. with required downpayments of 20%, payable in two to three years while the balance can be paid in five to ten years. In addition, under the Company's revenue sharing program, unit owners get 30 complimentary room nights per year which are transferrable across all the Company's hotels and condotels in the Philippines.

2. Commercial Properties

a. Mall

*Existing Mall*

The SLEGM is a comprehensive commercial, entertainment, and leisure facility with a full range department store, supermarket, movie theater, fast food chains, bookstore, specialty boutiques for clothing, accessories, telecommunication, and hobby stores. The SLEGM is comprised of three four-storey buildings with a GFA of 180,000 sq.m and is located at Marcos Highway cor. Felix Ave.,Cainta, Rizal. The current mall has a 115,492 sq.m. gross

leasable space of which 110,121 sq.m. or 95.35% are being leased to 453 tenants. This business serves to complement the needs of the residential communities that the Company has built in the cities of Pasig, Marikina, and in the various towns of the Rizal province.

#### *Expansion Mall*

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

#### *Principal Tenants*

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

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

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

The top 3 business activities taking up the Company's leasable area are services, leisure, and retail. In terms of contribution to rental income, retail activities contribute the majority to the Company's rental income, followed by service and food activities. The table below summarizes the breakdown of the major business activities of the SLEGM in terms of leasable area and rental contribution:

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

#### *Lease Terms*

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

#### *Management of the Mall*

Management and operation of the malls, including planning, development, tenant mix preparation,

budgeting, maintenance, engineering, security, leasing, marketing, promotions, billing, and collections were handled by Sta. Lucia East Commercial Corporation ("SLECC"), an affiliate owned by the shareholders of the Group.

Beginning October 1, 2014, all lease payments from the mall tenants are now paid to and in the name of the Company. SLECC continues to provide management and operations services for the SLEGM and will receive management fees equivalent to a fixed percentage of revenues. The Company's board of directors approved the implementation of this new arrangement effective October 1, 2014. The Company believes that this move can be expected to improve the Company's lease revenues.

#### b. Commercial Lots

A portion of the Company's revenues also come from sales of commercial lots. In 2013, the Company converted some of its commercial lots for sale into commercial lots for lease. The commercial properties of the Company are complementary to existing residential projects and are being offered to existing established retail partners. There are a total of 323 commercial lots covering 33.93 h.a. adjacent to the Company's projects nationwide. There is an allocation for an average commercial space ranging from 300 to 2,000 sq.m. in majority of the Company's projects. The Company intends to expand its retail portfolio by offering these commercial properties via 3 main options: (i) outright sale of the commercial lots, (ii) lease of the commercial lot to retailers, and (iii) building of the Company's own malls in these commercial properties and leasing it to retailers.

### 3. Services

#### a. Housing / Construction

The Company has recently ventured into housing construction services through its wholly-owned subsidiary SLHI. The Company's business model will not be "build-and-sell" but will focus more on the provision of access to and assistance in connection with general construction services to its lot buyers. SLHI began operating in 2014 in order to service the needs of lot buyers who would like to have their own house constructed on their previously bought lots but are not familiar with the process (i.e. securing permits, construction, accessing financing, etc.) and with assurance of reliability from an established brand name. The price of the house construction services range from ₱22,500 per sq.m. to ₱28,000 per sq.m. Payment terms require a 20% downpayment that is payable up to 6 months, with the balance payable up to 10 to 15 years through bank financing.

#### b. Marketing

The Company is currently conducting marketing services through its subsidiary SVI as well as through five other brokers.

#### c. In-house Financing

Around 90% of the Company's customers avail of in-house financing facilities with interest rates ranging from 14% to 16% per annum and a 20% downpayment with the balance payable from 5 to 10 years.

## PROJECTS

### Completed Projects

#### *Completed Residential Estates*

The table below summarizes the various completed residential estates projects of the Company as of December 31, 2014:

<b>Project</b>	<b>Location</b>	<b>Year Started</b>	<b>Year Completed</b>	<b>Area (h.a.)</b>
Sugarland Estates	TreceMartires, Cavite	2009	2013	15.5
Villa Chiara	Tagaytay City, Cavite	2008	2010	5.2
Greenland Antipolo	Antipolo City, Rizal	2008	2010	3.3
Bauan Grand Villas	Bauan, Batangas	2008	2011	46.7
GreenmeadowsTarlac	Paniqui, Tarlac	2009	2012	24.7
Luxurre Residences	Alfonso, Cavite	2010	2012	10.2
<b>Subtotal</b>				<b>105.6</b>

#### *(1) Sugarland Estates*

Sugarland Estates is a residential community located in TreceMartirez, Cavite surrounded by lush and verdant greenery. It covers an area of 15.5 hectares, with 7.24 hectares available for sale. The total project development cost was approximately ₱75 million. The project is comprised of a total of 556 lots of which 73% have been sold at a selling price of ₱4,000 per sq.m. since the project was launched in 2009.

#### *(2) Villa Chiara Residential Estates*

Villa Chiara, which covers an area of 5.2 h.a., is a residential estate located in Tagaytay City, Cavite. The project was launched in 2008 and all 124 units have been sold as of 2010 at an average price of ₱6,500 per sq.m. The total project development cost was approximately ₱32 million.

#### *(3) Greenland Antipolo*

Greenland Antipolo is a residential community located in Antipolo City, Rizal. The project covers an area of 3.3 h.a. and is approximately 8 km from Metro Manila. The total project development cost was approximately ₱22 million. The project was launched in 2008 and was completed in 2010. Over 138 lots were sold at an average price of ₱5,850 per sq.m.

#### *(4) Bauan Grand Villas*

Bauan Grand Villas is a residential and commercial estate located in Batangas. It covers an area of 46.7 h.a., with 30.97 h.a. available for sale. The total project development cost approximately amounted to ₱220 million. The project is comprised of a total of 1,430 lots, of which 52% have been sold since the project was launched in 2008.

#### *(5) GreenmeadowsTarlac*

GreenmeadowsTarlac is a residential and commercial project located in Paniqui, Tarlac. It covers an area of 24.7 hectares, residential lots comprising 95% and commercial lots comprising 5%. The total project development cost was approximately ₱158 million. The project was launched in 2009 and completed in 2012. The project offered 773 residential and 44 commercial units at an average selling price of ₱4,300 per sq.m.

#### *(6) Luxurre Residences*

Luxurre Residences is a residential and commercial community located in Alfonso, Cavite. The community is designed with a clubhouse, basketball court, and swimming pool. Total project land area is 10.2 h.a. and 221 units have been sold at an average price of ₱6,700 per sq.m. The total project development cost was approximately ₱61 million. The project was launched in 2010 and completed in 2012.

### ***Completed Residential Towers***

The table below summarizes the various completed residential towers of the Company from as of December 31, 2014:

<b>Project</b>	<b>Location</b>	<b>Year Started</b>	<b>Year Completed</b>	<b>No. of Units</b>
<b><i>Residential Condominiums</i></b>				
SplendidoTaal Tower 1	Laurel, Batangas	2008	2010	142
La Breza Tower	Mother Ignacia Street, Quezon City	2008	2011	250
La Mirada Tower	Lapu-Lapu City, Cebu	2008	2010	152
East Bel-Air 1	Cainta, Rizal	2010	2014	134
<b>Subtotal</b>				<b>678</b>

#### ***(1) SplendidoTaal Tower 1***

SplendidoTaal Towers is a 4-tower project located within a 1,500 sq.m. area in Laurel, Batangas. The first tower is an 18-storey high-rise condominium project. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost approximately amounted to ₱390 million. The project was launched in 2008 and completed in 2010. The project is comprised of a total of 142 units of which 43% have been sold.

#### ***(2) La Breza Tower***

La Breza Tower is a 22-storey residential condotel located in Mother Ignacia Street, Quezon City which has 250 units available for sale. It caters to middle class employees and business owners. The total project development cost is estimated at ₱557 million. The project was launched in 2008 and was completed in 2011. The condotel units were sold at an average price of ₱90,000 per sq.m.

#### ***(3) La Mirada Tower***

La Mirada Tower is a 15-storey Spanish Mediterranean-inspired residential condominium with a beachfront view located in Lapu-Lapu City, Cebu. It occupies 8,727 sq.m. and is comprised of 152 units which were sold at an average price of ₱72,000 per sq.m. The total project development cost amounted to approximately ₱359 million.

#### ***(4) East Bel-Air 1***

East Bel-Air 1 is a residential condominium featuring American contemporary designs located in the east of Metro Manila. It covers an area of 1.7 h.a., with 134 units sold at an average price of ₱71,848 per square meter. The total project development cost was around ₱124 million. The project was launched in 2010 and completed in 2014.

### **Ongoing Projects**

### Ongoing Horizontal Developments

The table below summarizes the Company's ongoing horizontal development projects as of December 31, 2014:

Project Name	Type	Location	Land Area (sq.m.)	Saleable Area (sq.m.)	No. of Units	Ave. Selling Price/ sq.m.	% Completion
Altea Davao	R	Davao City, Davao	324,000	210,600	429	4,000	10.00%
Colinas Verde Ph.3, 3A, 3B	R	San Jose Del Monte, Bulacan	484,038	290,423	1,084	5,000	71.38%
Costa Del Sol Iloilo	R / C	Arevalo, Iloilo City	43,385	25,488	149	5,000	50.76%
Almeria VerdaDagupan	R	Dagupan City, Pangasinan	77,000	46,200	385	7,300	10.00%
El Pueblo Verde	R / C	Gerona, Tarlac	147,480	69,817	542	5,000	25.00%
GlenroseTaytay Ph.2B	R	Taytay, Rizal	24,090	14,143	94	7,000	73.91%
Green Peak Heights Ph. 1	R / C	Teresa, Rizal	157,597	97,834	736	4,050	10.00%
Green Peak Heights Ph. 2	R / C	Teresa, Rizal	123,348	81,355	617	4,050	10.00%
Greenland Cainta Ph. 4C2	R	Taytay, Rizal	5,976	3,791	9	8,100	10.00%
Greenland Cainta Ph. 4J1	R	Taytay, Rizal	6,750	5,059	16	6,000	10.00%
Greenland Cainta Ph.3B	R	Cainta, Rizal	44,545	29,081	205	8,000	10.00%
Greenland Cainta Ph.9C	R	Taytay, Rizal	11,963	7,856	58	8,000	10.00%
Greenland Newtown Ph.2B	R	San Mateo, Rizal	34,703	19,098	133	5,000	10.00%
Greenland Newtown Ph.2C	R	CALABARZON	29,950	16,974	112	5,000	11.21%
Greenmeadows Iloilo Phase 1 and 1A	R/C	Jaro, Iloilo City	810,000	486,000	621	5,000	95.28%
Greenmeadows Ph.2 at the Orchard	R	Dasmarinas, Cavite	120,756	78,263	330	5,100	22.42%
Greenwoods Executive Ph.2A1	R	Cainta, Rizal	9,007	14,361	75	14,100	65.42%
Greenwoods Executive Ph.2K1	R	Cainta, Rizal	21,096	14,361	77	10,600	66.20%
Greenwoods Executive Ph.6 Sec.9-10	R	Taytay, Rizal	15,833	10,689	63	10,000	58.78%
Greenwoods Executive Ph.9F	R	Taytay, Rizal	10,915	6,489	47	9,300	48.76%
Greenwoods North Ph.2	R	Gapan, Nueva Ecija	37,210	23,950	217	5,000	33.66%
Greenwoods North Ph.3	R	Gapan, Nueva Ecija	98,849	65,302	418	5,000	10.00%
Greenwoods South Ph.6 Hampton Place	R	Dumuclay, Batangas City	71,991	39,418	199	5,000	38.08%

La Huerta	R	Calamba, Laguna	499,996	365,768	216	3,472	76.98%
Mesilo Residences	R	Dasmariñas, Cavite	305,989	183,451	974	5,300	88.98%
Nottingham Villas Subdivision (Comm.)	C	Taytay, Rizal	16,041	4,080	330	10,000	100.00%
Green Peak Heights Palawan	R	Puerto Princesa, Palawan	81,000	48,600	324	5,000	10.00%
Palo Alto Ph. 2	R	Teresa, Rizal	247,071	168,370	895	3,800	10.00%
Ponte Verde Davao	R / C	Davao City, Davao	138,096	82,858	820	5,000	50.00%
Soto Grande Ph.2	R	Tagaytay City, Cavite	14,965	9,958	43	7,000	99.66%
Soto Grande Ph.3	R	Tagaytay City, Cavite	24,866	14,920	66	7,000	38.79%
South Grove Davao	R / C	Davao City, Davao	162,140	88,329	433	13,000	98.00%
Summerhills Ph 4	R	Antipolo, Rizal	40,668	26,256	132	5,000	75.31%
Valle Verde Davao	R / C	Davao City, Davao	103,600	62,160	509	5,000	50.00%
Woodside Garden Ville Ph.2C	R	Urdaneta, Pangasinan	72,767	46,641	347	4,000	28.51%
<b>TOTAL</b>			<b>4,417,681</b>	<b>2,757,943</b>	<b>11,705</b>		

Note:

R – Residential lots

C – Commercial lots

### Selected Ongoing Horizontal Projects

#### **(1) Colinas Verdes Ph.3, 3A, 3B**

Colinas Verde is a master-planned community located in San Jose Del Monte, Bulacan with first-class amenities such as the Colinas Verdes Country Club, which is the first country club in the area. The community is designed with a clubhouse, basketball court and swimming pool. It covers an area of 48.4 hectares, with 1,850 lots developed selling at an average price of ₱8,000 per sq.m. The total project development cost was around ₱311 million. The project was launched in 2011 and approximately 80% of construction has been completed.

#### **(2) Greenmeadows Iloilo Phase 1 and 1A**

Greenmeadows is the first master-planned lake community in Iloilo. The project features a 5-hectare man-made lake ideal for boating, fishing, kayaking, and jet ski. The Lake Victoria Paradise Island which will be located at the middle of the lake will also provide an avenue for relaxation and recreation. The project covers an area of 172.8 h.a., with 1,952 lots developed selling at an average price of P 5,275 per sq.m. The total project development cost is estimated at ₱864 million. The project was launched in 2011 and approximately 95% of construction has been completed.

#### **(3) Soto Grande Phase 2**

Soto Grande is a Spanish-Mediterranean inspired community designed both as a vacation getaway and a permanent residence in Tagaytay. The community features a clubhouse, basketball court, and swimming pool. The Company has developed 38 lots within the project's 1.5 h.a. area, which is being offered at an average price of ₱9,000 per sq.m. The total project development cost is estimated at ₱9 million. The project was launched in 2011 and approximately 99% of construction has been completed.

#### **(4) Summerhills Phase 4**

Summerhills is a residential community located in Antipolo, Rizal. The community features a clubhouse, basketball court, and swimming pool. A total of 132 lots have been developed within the project area of 4.1 hectares. The average selling price per lot is ₱5,000 per sq.m. The total project development cost was around ₱26 million. The project was launched in 2011 and approximately 75% of construction has been completed.

**(5) South Grove Davao**

South Grove is a residential community located in Davao which is 3 km from the city proper. The community is designed with a clubhouse, basketball court, and swimming pool. A total of 419 lots have been developed within the project's 16.2 h.a. land area at an average price of ₱9,750 per sq.m. The total project development cost is estimated at ₱81 million. The project was launched in 2011 and approximately 98% of construction has been completed.

**Ongoing Vertical Developments**

The table below summarizes the Company's ongoing vertical development projects as of September 30, 2014:

Project Name	Location	Land Area (sq.m.)	Floor Area (sq.m.)	Saleable Area (sq.m.)	No. of Units	Ave. Selling Price/Sq.M.	%Completed
Arterra (20 Storeys)	Lapu-Lapu City, Cebu	6,927	22,102	12,665	270	98,000	10.00%
Neopolitan Condominium 1 (9 Storeys)	Fairview, Quezon City	11,572	8,944	6,627	232	77,000	75.00%
SplendidoTaal Tower 2 (18 Storeys)	Laurel, Batangas	1,311	16,631	9,980	347	95,400	26.89%
Sta. Lucia Residence 1 - Monte Carlo (21 Storeys)	Cainta, Rizal	1,500	17,515	9,654	371	78,000	80.00%
Stradella (formerly East Bel-Air 2) 6 Storeys	Cainta, Rizal	918	5,928	4,041	143	68,000	90.00%
<b>Total</b>		<b>22,228</b>	<b>71,120</b>	<b>42,967</b>	<b>1,363</b>		<b>70%</b>

**Selected Ongoing Vertical Projects**

**(1) Arterra (20 Storeys)**

Arterra is a 20-storey residential and commercial condotel located in LapuLapu City, Cebu. The project's concept focuses on harmony with nature and is centered on elements of air and water. It covers an area of 7,000 sq.m. and will have 270 units available for sale. The total project development cost is estimated at ₱575 million and approximately 75% of construction has been completed. The project was launched in 2012 and target completion is in 2015.

**(2) Neopolitan Condominium 1 (9 Storeys)**

The Neopolitan Condominium is a 9-storey residential condominium located in Fairview, Quezon City. It is designed as a residential project at the center of buzzing city. It covers an area of 1.2 h.a. and will have 191 units available for sale. The total project development cost is estimated at ₱188 million and approximately 75% of construction has been completed. The project was launched in 2012 and target completion is in 2015.

**(3) SplendidoTaal Tower 2 (18 Storeys)**

SplendidoTaal Tower 2 is an 18-storey residential and commercial condotel within a 1,500 sq.m. area in Laurel, Batangas. The project was designed to complement the Splendido Residential and Golf Course Estate. The total project development cost is estimated at ₱432 million. The project was launched in 2012 and target completion is in 2015.



**(4) Sta. Lucia Residenze 1 - Monte Carlo (21 Storeys)**

Sta. Lucia Residenze 1 - Monte Carlo is a 20-storey residential condominium located in Cainta, Rizal. It is an Italian inspired-tower purposely outlined in equilateral shape to preserve the scenic view of the city. It is located inside the SLEGM and will have 238 units available for sale. The total project development cost is estimated at ₱350 million and approximately 75% of construction has been completed. The project was launched in 2011 and is targeted for completion by 2015.

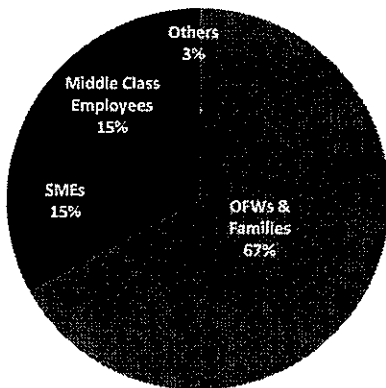
**(5) Stradella (formerly East Bel-Air 2) 6 Storeys**

Stradella is a 6-storey residential and commercial condotel located in Cainta, Rizal. The project offers convenient urban living in a suburban and elegant contemporary setting. Located within the 1 h.a. residential and commercial complex called East Bel-Air, this project has 116 units available for sale. The total project development cost is estimated at ₱124 million and approximately 90% of construction has been completed. The project was launched in 2012 and completed in 2015.

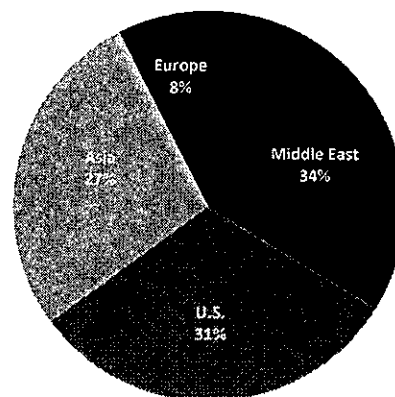
**MARKET/CLIENTS**

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

**Market Segments by Customer Profile**



**Market Segments by Continent**



**Market Segments by Customer Profile**

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

**Market Segments by Continent**

OFW revenues are distributed almost evenly between the Middle East, Asia, and the U.S. approximately 34% of total OFW revenues come from the Middle East, 31% from the U.S., 27% from Asia, and 8% come from OFWs based in Europe.

**COMPETITION**

The residential market is still a highly unserved market with the housing backlog projected to reach 5.6 million by 2030 (myproperty.ph). In this segment, the Company considers DMCI Homes, Vista Land, Filinvest Land, Inc. and SM Development Corporation as its competitors.

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

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

#### **EMPLOYEES AND LABOR**

As of December 31, 2014, the Company and its subsidiaries had a total of 59 employees, including 58 permanent full-time employees and 1 contractual employee, grouped by business segment as follows:

DIVISION	REGULAR EMPLOYEES	CONTRACTUAL EMPLOYEES
Executive Officers	8	
Sales	15	1
Finance	4	
Administration and Accounting	16	
Legal and Documentation	5	
Information Technology	5	
Project Management	5	
<b>TOTAL</b>	<b>58</b>	<b>1</b>

The Company foresees an increase in its manpower complement by three in the ensuing 12 months.

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

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

Vacation leaves, sick leaves, 13<sup>th</sup> month pay and retirement benefits are provided to employees, among others, subject to company policies and procedures. The Company does not provide any supplemental benefits or incentive arrangements with its employees.

#### **DESCRIPTION OF PROPERTIES**

Historically, the Company has been acquiring interests in lands mainly by entering into JVs to develop land with existing owners. Over the years, the Company has accumulated land interests in areas which the Company believes are prime locations throughout the entire Luzon, Visayas, and Mindanao regions. Potential land acquisitions and participation in JV projects are evaluated using certain criteria such as the

attractiveness of the acquisition cost relative to the market price, topographical feasibility of the planned development, accessibility to major infrastructure utilities and thoroughfares, and proximity to commercial areas.

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

<b>LOCATION OF RAW LAND</b>	<b>AREA IN SQ.M.</b>
Brgy. Poblacion Oriental, Consolacion Cebu	5,672.00
Brgy. Manggahan, Pasig City	5,000.00
Brgy. Manggahan, Pasig City	5,156.00
Brgy. Santolan, Pasig City	1,977.50
Brgy. Tatlonghari, Cainta Rizal	733.00
Brgy. Santolan, Pasig City	1,152.00
Brgy. Talaba, Cainta Rizal	16,519.00
Brgy. Samput, Paniqui Tarlac	18,178.00
Tanauan City, Batangas	7,374.00
Salitran, Dasmariñas Cavite	17,346.00
Imus, Cavite	34,690.00
Inosluban & Bulacnin, Municipality of Lipa, Batangas	7,895.00
San Juan, Taytay, Rizal	1,293.00
San Juan, Taytay, Rizal	893.00
San Juan, Taytay, Rizal	893.00
San Juan, Taytay, Rizal	893.00
San Juan, Taytay, Rizal	893.00
San Juan, Taytay, Rizal	893.00
San Juan, Taytay, Rizal	893.00
Brgy. Of Bulacnin and Inosluban, Municipality of Lipa	9,421.00
Apricot Street Greenwoods Executive Village, Brgy San Andres, Cainta Rizal	1,000.00
Mayamot, Antipolo City, Rizal	11,260.33
Communal Davao City	10,241.00
Communal Davao City	24,578.00
Mayamot, antipolo Rizal	1,000.00
Mayamot, antipolo Rizal	1,180.00
Dumoclay, Batangas City	32,313.00
San Pedro, Puerto Princesa	20,000.00
Brgy. Ulango, Municipality of Calamba, Province of Laguna	12,688.00

San Juan, Municipality of Taytay, Province of Rizal	6,302.00
Bolbok, Batangas City	9,315.50
Bolbok, Batangas City	3,087.00
<b>TOTAL</b>	<b>270,729.33</b>

In view of the Company's expansion plans, the Company continues to selectively explore land acquisitions, focusing on key emerging areas where the Group has successfully developed and sold projects. The following table summarizes the various sites that the Company has identified for acquisition:

Target Landbank per City	Region	Land Area (in h.a.)
Quezon City	NCR	40.0
Rizal	4A	18.1
Batangas	4A	98.0
Laguna	4A	10.7
Iloilo	6	33.2
Davao	11	23.0
<b>TOTAL</b>		<b>223.0</b>

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

#### **Leased Property**

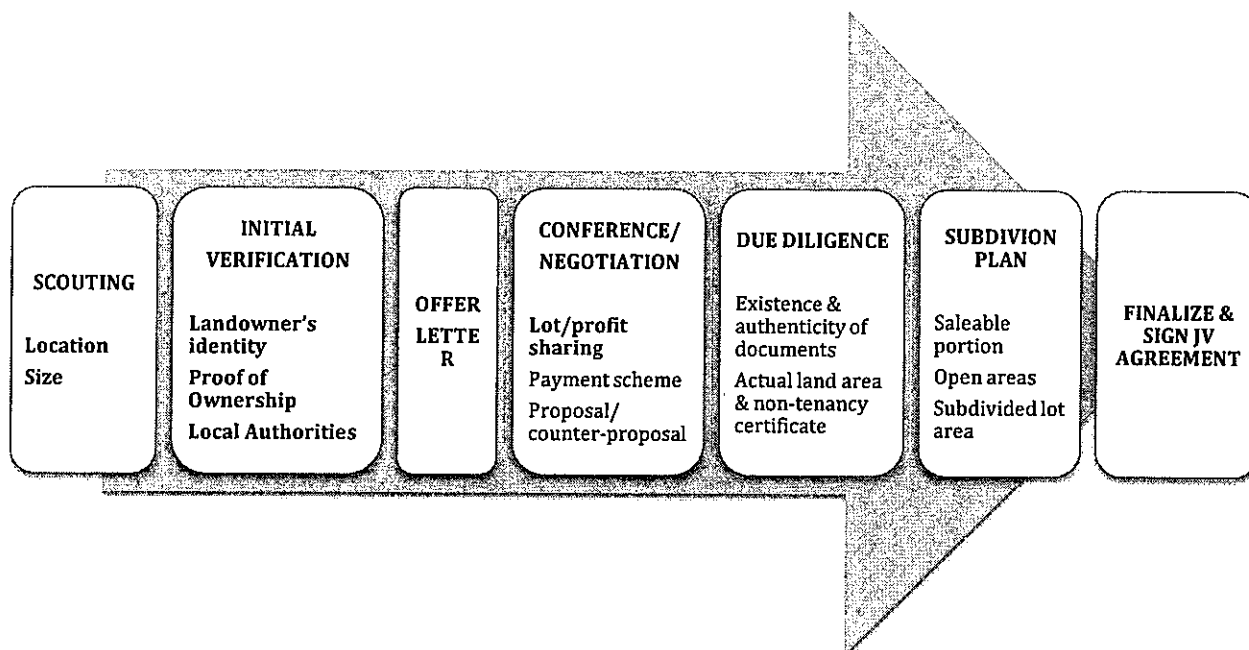
SLI leases a marketing office in the Shangri-La mall with a 147.82sqm.as part of its operations.The is renewed on a monthly basis.

#### **JOINT VENTURE BUSINESS MODEL**

##### **Process**

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

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



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

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

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

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

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

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

### **JV Profit Sharing Business Model**

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sale of the units based on pre-agreed distribution ratio. The percentages of profits allocated to the Company as a developer for their JV Projects range from 32% to 80%. With regard to the sharing of costs, various structures are currently in place. In some agreements, the Company nets the incurred marketing and advertising costs from the gross sale of real estate products sold. The Company then recognizes revenues

based on the netted amount depending on its prorated ownership of the JV Project. The Company however shoulders all of the costs to develop the land. There are also cases where the Company nets all incurred marketing, advertising, and development costs from the gross sale of real estate products sold, after which the remaining income is shared between the Company and the JV partner.

### JV Expansion

The Company is looking at acquiring an interest in several new areas through JV agreements equivalent to a total of 792 hectares. The table below summarizes these target locations and land areas:

Target areas for new JVs 2015	Region	Size(h.a.)
Batangas	4A	7.0
Iloilo	6	155.0
Cebu	7	60.0
Davao	11	570.0
<b>TOTALS</b>		<b>792.0</b>

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

### PROJECT DEVELOPMENT AND CONSTRUCTION

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

Development timetables vary from project to project, as each project differs in scale and design. Typically, the Company undergoes the following project development process for the Company's horizontal projects:

- Step 1: Earthworks (Excavation, Road Tracing, Fill or Backfill, Grading, Base Preparation)
- Step 2: Underground Works (Drainage, Waterline, Sewer System)
- Step 3: Concrete Works (Pavement, Curbs & Gutter, Sidewalk, Perimeter Fencing)
- Step 4: Electrical Works (Electrical Facility Distribution Lines, Street Lights)
- Step 5: Amenities (Entry Signage, Guardhouse, Community Clubhouse and Recreational Facilities)

After these properties have been developed, these residential lots become ready for house construction. The project development processes for vertical and housing construction projects are basically the same in terms of land selection and acquisition, procuring government regulatory approvals, project planning, and appointment of contractors for the site development and construction works.

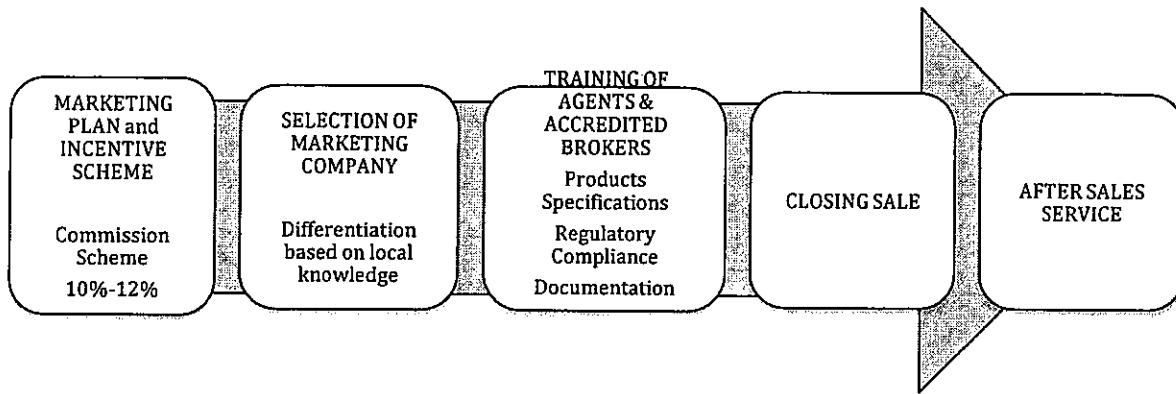
### DISTRIBUTION METHODS

#### Sales Process

The Company's main selling strategy is the utilization of a wide network of marketing companies, which are selected based on the following criteria:

- core competencies
- familiarity with target markets
- location

The following diagram illustrates the Company's sales process:

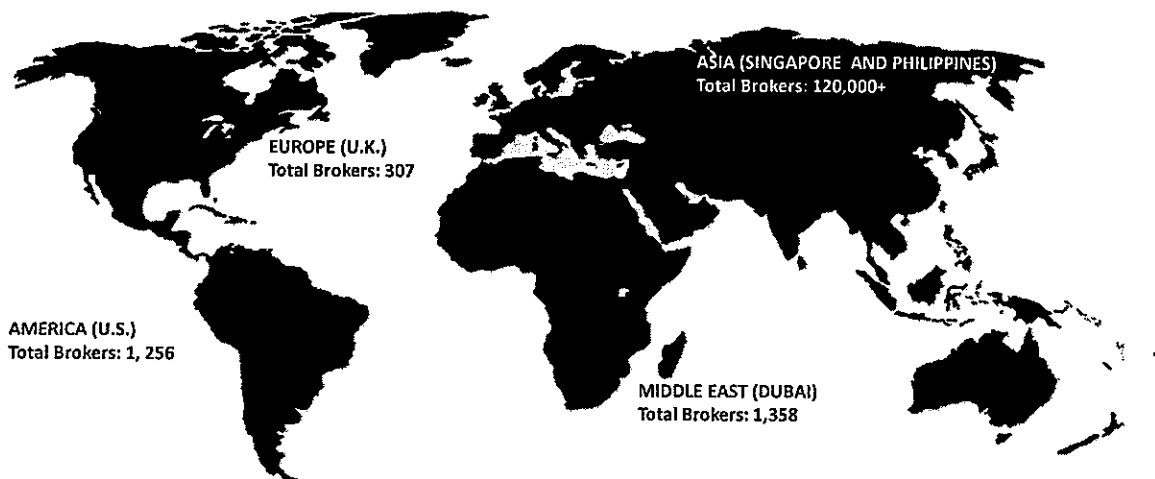


**Marketing and Distribution**

The Company has at its disposal the expertise of six (6) different marketing arms, four (4) of whom work exclusively with the Sta. Lucia Group, namely: Royale Homes Marketing Corp., Orchard Property Marketing Corp., Mega East Properties, Inc., Fil-Estate, Asian Pacific, and Santalucia Ventures, Inc., which is a wholly-owned subsidiary of the Company. These marketing firms employ over 120,000 local and international sales forces equipped with an extensive knowledge of local demographics. These marketing companies employ various media to promote the Company such as print advertisements in newspapers, online media (such as Facebook, Instagram, Youtube, Twitter), celebrity endorsers, and brokers.

The Company’s international and local sales force presence are summarized in the following diagram:

*International Sales Force*



*Local Sales Force*



The table below enumerates these marketing companies and their affiliation with the Company.

						SANTA LUCIA VENTURES
	<ul style="list-style-type: none"> <li>Established in 1994</li> <li>30,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1996</li> <li>35,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2005</li> <li>2,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1981</li> <li>30,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1974</li> <li>20,000 sales agents</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2013</li> <li>3,000 sales agents</li> </ul>
Domestic	☑	☑	☑	☑	☑	☑
International	☑	☑	☑	☑	☑	☑
Exclusive	☑	☑	☑			☑
Affiliated	☑	☑				☑

*Royale Homes Marketing Corporation*  
 Website: <http://www.royalehomes.ph/>

Envisioned to become the leading real estate marketing organization in the country, Royale Homes Marketing Corporation was founded in September 8, 1994 by three lady entrepreneurs: Matilde P. Robles, President of the company, Carmina A. Sotto, Executive Vice-President of Sales and Marketing, and Ma. Melinda A. Bernardino, Executive Vice-President for Finance and Administration.

Royale Homes having shown its strength in real estate marketing was tapped by SLRDI to exclusively market a number of its premier residential and resort projects nationwide. It has also marketed the real estate properties of the JV partners of the Company.

*Orchard Property Marketing Corporation*  
 Website: <http://www.opmc.ph/>

Orchard Property Marketing Corporation is a subsidiary of SLRDI. A solid, professional network backed by a good name in the real estate industry. The company was organized in 1995 to exclusively market the



Group's projects. With offices in Metro Manila, Metro Cebu, Metro Davao, Lucena City and Bulacan, OPMC is taking larger steps towards servicing its growing clientele for its diverse products all over the Philippines.

OPMC takes pride in its highly trained service-oriented workforce and continues to develop the best manpower to attain maximum customer satisfaction.

*Mega East Properties, Inc.*

*Website: <http://www.megaeast.com.ph/>*

Mega East Properties, Inc. is the youngest and most dynamic marketing arm of the Group. Entrusted with a limited but strategic set of inventories by the Group, MPI carries dream-lots located in the residential, business and tourism corridors of Quezon City, Marikina, Caloocan, Provinces of Rizal, Tagaytay and Paniqui, Tarlac.

*Fil-Estate Group of Marketing Companies*

*Website: <http://fegc.brinkster.net/FEChistory.htm>*

Fil-Estate Realty Corporation was founded in January 15, 1981 by Messrs Robert John Sobrepeña, Atty. Ferdinand T. Santos and Noel Cariño. These men combined their marketing and management skills and expertise to build and develop an organization that would bring about the realization of their common dream; to put up the best marketing company in the real estate industry, a model company that the real estate industry can follow.

From its initial years, a close relationship has been developed between SLRDI as the developer and Fil-Estate as the exclusive marketing arm for select projects. This relationship has continued to prosper over the succeeding years resulting in many successful launches and sales of a host of first class subdivision and golf course developments.

*Asian Pacific Group of Companies*

*Website: <http://www.apgc.com.ph>*

With 29 years of experience and leadership in the Philippines real estate industry, Asian Pacific Group of Companies is a global network of companies that specializes in real estate marketing and property development. Composed of five (5) member companies, APGC has presently a total of 7 branches nationwide, namely Lipa City, Batangas City, Nueva Ecija, Tarlac, Cebu, Bacolod and Iloilo, and boasts of over 50,000 sales forces worldwide. Its nationwide inventory of real estate properties amount to a total of P5.4 Billion.

*Santalucia Ventures*

*Website: <http://stalucialand-intl.com/index.php>*

Santalucia Ventures was incorporated in 2013 to handle the marketing and distribution of the Company's products.

## **IN-HOUSE FINANCING**

The Company also earns revenues through its in-house financing program to cater to their customers who do not have the accumulated savings to pay for the projects of the Company but have sufficient recurring income to support monthly amortization payments. Approximately 90% of the Company's sales have historically been financed by the Company in-house. The customers of the Company who use the in-house financing facilities are charged higher than the prevailing interest rates of banks. The Company requires payment of interest rates ranging from 14% to 16% per annum and a 20% downpayment with tenors up to a maximum of 10 years. For 2014, around 72% of customers of SLI avail of in-house financing with terms of 5 years or less.

## REGULATORY AND ENVIRONMENTAL MATTERS

Presidential Decree No. 957, otherwise known as The Subdivision and Condominium Buyer's Protective Decree ("P.D. 957"), and Batas PambansaBlg. 220 ("B.P. 220"), as amended, are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision.

P.D. 957 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the pertinent LGU of the area in which the project is situated. The development of subdivision and condominium projects can commence only after the LGU has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, the HLURB locational clearance, DENR permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Further, all subdivision plans and condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the HLURB and the written conformity or consent of the duly organized homeowners association, or in the absence of the latter, by the majority of the lot buyers in the subdivision.

Owners of, or dealers in, real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects to the public. Dealers, brokers and salesmen are also required to register with the HLURB pursuant to Republic Act No. 9646 or the Real Estate Service Act of the Philippines.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party for reasons such as insolvency or violation of any of the provisions of P.D. 957. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance by the owner or dealer with the applicable laws and regulations.

### Subdivision Projects

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at Economic and Socialized Housing, must comply with B.P. 220, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the

suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under current regulations, a developer of a residential subdivision with an area of one hectare or more and covered by P.D. 957 is required to reserve at least 30% of the gross land area of such subdivision, which shall be non-saleable, for open space for common uses, which include roads and recreational facilities. A developer of a subdivision is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act, as amended, further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. To comply with this requirement, the developers may choose to develop for socialized housing an area equal to 20% of the total area of the main subdivision project or allocate and invest an amount equal to 20% of the main subdivision total project cost, which shall include the cost of the land and its development as well as the cost of housing structures therein, or they may engage in development of a new settlement through purchase of socialized housing bonds, slum upgrading, participation in a community mortgage program, the undertaking of joint-venture projects and the building of a large socialized housing project to build a credit balance.

Republic Act No. 6552, otherwise known as the Realty Installment Buyer Act (the "Maceda Law"), applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installment are granted a grace period of one month for every year of paid installment to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given a 60-day grace period to pay all unpaid installment before the sale can be cancelled, but without right of refund.

### **Condominium Projects**

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

### **HOME DEVELOPMENT MUTUAL FUND OR THE PAG-IBIG FUND**

The Home Development Mutual Fund, more popularly known as the Pag-IBIG Fund ("Pag-IBIG"), was established on June 11, 1978 by virtue of Presidential Decree No. 1530 to provide a national savings program and affordable shelter financing for Filipino workers. Pag-IBIG is a mutual provident savings system for private and government employees and other earning groups, supported by matching mandatory contributions of their respective employers with housing as the primary investment. Pag-IBIG is statutorily mandated to provide financial assistance for the housing requirements of its members and allot not less than 70% of its investible funds for deployment of housing loans to qualified buyers.

At the time that Home Development Mutual Fund was established, the funds contributed by private employees and government employees were administered separately by the Social Security System ("SSS") and the Government Service Insurance System ("GSIS"). Less than a year after its establishment or on March 1, 1979, Executive Order No. 527 was passed directing the transfer of the administration of HDMF to

the National Home Mortgage Finance Corporation (“NHMFC”). Executive Order No. 538 which was issued on June 4, 1979 merged the funds for private and government personnel into what is now known as the Pag-IBIG Fund.

With the signing of P.D. 1752 on December 14, 1980, Pag-IBIG was made independent from the NHMFC and was made a body corporate with its own board of trustees. Executive Order No. 90 passed on January 1, 1987 made membership to Pag-IBIG voluntary. This was subsequently amended by Republic Act 7742 on June 17, 1994, which made membership to Pag-IBIG mandatory to all employees covered by SSS and GSIS. On July 21, 2009, Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009 further strengthened Pag-IBIG by making membership thereof mandatory for all Filipino employees including Filipinos employed by foreign-based employers, uniformed personnel and the self-employed.

Pag-IBIG’s 2013 Accomplishment Report indicates that as of 2013, membership in the fund stood at 13.5 million. In the last 12 months, Pag-IBIG membership grew by 1.4 million members from the 2012 yearend level.

Among the benefits of membership, Pag-IBIG members may avail of housing loans to finance the purchase of a fully developed lot not exceeding 1,000 square meters and to construct a residential unit thereon or to purchase a residential unit, whether old or new, with home improvement. The housing loan proceeds may also be used to refinance an existing housing loan with an institution acceptable to Pag-IBIG, provided that, the account reflects a perfect repayment history for at least one (1) year prior to date of application, as supported by the borrower’s official receipts.

To qualify for an Pag-IBIG housing loan, a member must not be more than sixty-five (65) years old at the date of loan application nor more than seventy (70) years old at loan maturity. Further, said member must have been a member under Pag-IBIG Membership Program for at least twenty-four (24) months, as evidenced by the remittance of at least twenty-four (24) monthly mandatory savings at the time of loan application. A new member who wishes to apply for a housing loan is allowed to pay in lump sum the required twenty-four monthly mandatory savings. Similarly, members with less than twenty-four (24) mandatory savings may pay their monthly mandatory savings for the succeeding months in lump sum to be eligible for a housing loan.

A qualified Pag-IBIG member may borrow up to a maximum amount of Six Million Pesos (₱6,000,000.00), depending on the member’s actual need, his loan entitlement based on gross monthly income, his loan entitlement based on capacity to pay, and the loan-to-appraisal value ratio, whichever is lower. The housing loans are charged with interest rates based on Pag-IBIG’s pricing framework. Said interest rates are re-priced periodically depending on the chosen re-pricing period of the borrower whether it is after every three (3), five (5), ten (10) or fifteen (15) years. Members are allowed a maximum repayment period for the loan of thirty (30) years.

Pag-IBIG’s 2013 Accomplishment Report indicates that a total of ₱46.6 billion was approved for disbursement to finance 63,148 new homes for Pag-IBIG members across the Philippines for 2013.

There are two (2) modes of applying for a Pag-IBIG housing loan: (i) Retail – wherein the member applies directly to the Fund for his/her housing loan application; or (ii) Developer-Assisted – wherein the developer assists the member in his/her housing loan application.

The Developer-Assisted mode of application is in line with Pag-IBIG’s objectives to fast track the government’s housing program by providing an express take-out window for Pag-IBIG-accredited developers, as well as to enhance the asset quality of the Pag-IBIG’s mortgage loan portfolio. Through this scheme, developers deliver housing loan applications to Pag-IBIG which are secured by Contracts to Sell (“CTS”) or Real Estate Mortgage (“REM”) on the residential property to which the loan proceeds are applied.

The developer receives, evaluates, pre-processes and approves the housing loan applications of Pag-IBIG’s member borrowers in accordance with the applicable guidelines set by Pag-IBIG for housing loan programs.

For applications secured by CTS, the developer executes a Contract-to-Sell with the Pag-IBIG member to cover the purchase of the residential property or lot to be used as collateral for the Pag-IBIG housing loan. With the conformity of the borrower, the developer then executes a deed of assignment assigning the CTS in favor of Pag-IBIG, which shall be annotated in the title of the property. The developer is then required to convert the security of eligible accounts from CTS to REM not later than the 24th month from date of loan takeout. For applications secured by REM, the developer is responsible for the annotation of the Loan and Mortgage Agreement on the individual Transfer Certificate of Title covering the house and lot units subject of the loan with the appropriate Register of Deeds and deliver the complete mortgage folders to Pag-IBIG.

Pag-IBIG can process and release the takeout proceeds due the developer within seven (7) working days from the date of submission of the all the Pag-IBIG required documents.

## **ZONING AND LAND USE**

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

## **ENVIRONMENTAL LAWS**

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations. Aside from EIS and IEE, engineering, geological, and geo-hazard assessments are also required for ECC applications covering subdivisions, housing, and other development and infrastructure projects.

In addition to the requirement for the issuance of an ECC, all public and private proponents of subdivision development projects, housing projects and other land development and infrastructure projects are required to undertake an Engineering Geological and Geohazard Assessment ("EGGA"). The EGGA is undertaken in order that project proponents can adequately and comprehensively address and mitigate the possible effects/impacts of geologic hazards. To comply with this requirement, the proponent causes the preparation of an Engineering Geological and Geohazard Assessment Report ("EGGAR") which includes the results of all engineering geological, structural geological and geohazard assessment and geotechnical tests, with any other specialized studies and tests undertaken, as prescribed by the DENR Mines and Geosciences Bureau ("MGB"). The EGGAR shall be subject to review/verification by DENR-MGB and for appropriate transmittal or endorsement to the DENR-EMB and other concerned government Agencies. The EGGAR is used as an institutional planning tool to safeguard development projects from the hazards caused by geological phenomena.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

The aggregate cost of compliance with environmental laws covering all business segments, including waste management, among others, amounted to approximately 580,000 in 2014, 760,000 in 2013 and 2,200,000 in 2012.

## **PROPERTY REGISTRATION**

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

## **NATIONALITY RESTRICTIONS**

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Ninth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

Considering the foregoing, for as long as the Company or any of its Subsidiaries own land in the Philippines or continue to conduct property development in the Philippines, foreign ownership in the Company is limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, the Company shall disallow the issuance or the transfer of Shares to persons other than Philippine Nationals and shall not record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not, but only such stocks which are generally entitled to vote are considered.

In the Philippine Supreme Court case of *Wilson P. Gamboa v. Finance Secretary Margarito B. Teves, et. al.* dated June 28, 2011 (*G.R. No. 176579*)(the "Gamboa Case"), a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court ruled that the term "capital", as used in Section 11 of Article XII of the Philippine Constitution, refers only to shares of stocks entitled to vote in the election of directors and not to the total outstanding capital stock, because it is the said voting rights which translate to control. The Supreme Court claimed that this interpretation is consistent with the intent of the framers of the Constitution to ensure that the control and management of public utilities remain with Filipino Citizens. This decision has been a subject of Motions for Reconsideration ("Motions").

On October 9, 2012, the Supreme Court sitting *en banc* issued a Resolution (the "Gamboa Resolution") and ruled that the term "capital" as refers to both voting control and beneficial ownership of the corporation. The Supreme Court also ruled that in case a corporation engaged in a partially nationalized activity issues a mixture of common and preferred non-voting shares, the 60-40 ownership requirement under the Philippine Constitution must apply not only to shares with voting rights, but separately to all classes of shares issued by a corporation, including shares without voting rights. This is because preferred shares, though denied the right to vote for directors, are still entitled to vote on other corporate matters. Accordingly, at least 60% of the common shares and at least 60% of the preferred non-voting shares of a corporation engaged in a partially nationalized industry must be owned by Filipinos.

Thus, for purposes of establishing compliance with the 60-40 rule on capital ownership under the Philippine Constitution and the Foreign Investments Act, Filipino citizens must own (a) at least 60% of all of the issued and outstanding capital stock of such corporation (regardless of par value, whether voting or non-voting) and (b) at least 60% of each class of shares issued by such corporation.

Subsequent to the Gamboa Case cited above, in the December 2012 case of *Express Investments v. Bayan Telecommunications, Inc.* (G.R. No. 174457-59), the Philippine Supreme Court discussed the Gamboa ruling, and clarified that "considering that common shares have voting rights which translate to control as opposed to preferred shares which usually have no voting rights, the term 'capital' in Section 11, Article XII of the Constitution refers only to common shares." In the said case, the Supreme Court, however, added that if the preferred shares also have the right to vote in the election of directors, then the term "capital" shall include such preferred shares because the right to participate in the control or management of the corporation is exercised through the right to vote in the election of directors. The Philippine Supreme Court said that "in short, the term 'capital' in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors." This then supersedes the implied pronouncement in the Gamboa Resolution that the 60-40 ownership requirement in favor of Filipino citizens must apply to each class of shares, regardless of voting rights. Thus, the recent decisions of the Supreme Court remain consistent with the Foreign Investments Act, which apply the minimum Filipino requirements only to "shares that are generally entitled to vote."

On May 20, 2013, the SEC issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*. The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors." A petition for certiorari has since been filed sometime in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC. This petition remains pending with the Supreme Court as of this time.

More recently, in the case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp* (G.R. No. 195580, April 21, 2014) (the "Narra Nickel Case"), the third division of the Supreme Court, in passing upon the nationality of applicants for a Mineral Production Sharing Agreement, stated that while the prevailing rule is still the use of the Control Test, the Grandfather Rule applies in instances when there is doubt as to the proper representation of the Filipino-foreign equity participation (making reference to the 1967 SEC Rules and DOJ Opinion No. 020 Series of 2005). Under the Grandfather Rule, shares owned by corporate shareholders are attributed either as part of Filipino or foreign equity by determining the nationality not only of the corporate shareholders but also such corporate shareholders' shareholders and their shareholders (and down the line).

On 28 January 2015, the Supreme Court issued a Resolution dismissing with finality the Motion for Reconsideration of its decision in the Narra Nickel Case. Thus, the Supreme Court affirmed that the Grandfather Rule is to be used jointly and cumulatively with the Control Test, as follows: (1) if the corporation's Filipino equity falls below sixty percent (60%), it is immediately considered foreign-owned, applying the Control Test; (2) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (3) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Thus, although the Narra Nickel Case in no way abandons the use of the Control Test and the Foreign Investments Act provisions in determining the nationality of a corporation, it appears to expand and/or modify the doctrine laid in the Gamboa Case cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

## PROPERTY TAXATION



Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

The existing regulatory and environmental regulations mentioned, as well as possible governmental regulations on the various business segments, may affect the Company's profitability through possible reduction in revenues.

## **CERTAIN LEGAL PROCEEDINGS**

The Company and its subsidiaries are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. In the opinion of the Company's management, none of the lawsuits or legal actions to which it is currently subject will materially affect the daily operations of its business nor will they have a material effect on the Company's consolidated financial position.

## MARKET PRICE OF AND DIVIDENDS ON SLI'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common shares are listed and traded on the Main Board of the PSE under the symbol "SLI." For a description of the PSE, see "The Philippine Stock Market."

### Principal Shareholders

The following table sets forth the top 20 stockholders of record of the Company as of December 31, 2014:

RANK	STOCKHOLDER	NO. OF STOCKS	PERCENTAGE
1	Sta. Lucia Realty & Development, Inc.	7,451,005,767	87.18%
2	PCD Nomination	1,039,748,338	12.17%
3	WILLY TAN LIM AND JOCELYN LIM, KENNEDY CO and KATHERINE CHUA	19,237,269	0.23%
4	LUGOD, BERNARD D.	10,000,000	0.12%
5	Thomas Dela Cruz	10,000,000	0.12%
6	PCD NOMINEE CORPORATION	6,706,000	0.08%
7	Citisecurities, Inc.	3,250,000	0.04%
8	EBE Capital Holdings, Inc.	1,535,000	0.02%
9	Robles, Exequiel	712,500	0.01%
10	Santos, Vicente	712,494	0.01%
11	Limtong, Julie H.	400,000	0.00%
12	Francisco Ortigas Sec., Inc	365,000	0.00%
13	Cua, Santiago	285,000	0.00%
14	Cua, Jr., Santiago S.	285,000	0.00%
15	Cua, Solomon S.	285,000	0.00%
16	Cualoping, Henry	285,000	0.00%
17	Cualoping, Vicente	285,000	0.00%
18	Tan, Pedro O	278,050	0.00%
19	ASA Color & Chemical Industries, Inc	182,774	0.00%
20	G & L Securities Co., Inc.	70,000	0.00%

### Dividend Policy and Dividends

Dividends declared by the Company on its shares of stock are payable in cash or property. The payment of dividends in the future will depend upon the earnings, cash flow, project expenditures, and financial condition of the Company and other considerations. Cash and property dividends, if any, are subject to approval by the Company's board of directors and stockholders. Property dividends are likewise subject to the approval of the SEC and PSE.

No cash dividends were declared for fiscal years 2014, 2013, and 2012.

No subsidiary of the Company has declared dividends in the last three years. Neither the Company nor any of its subsidiaries have any set dividend policy.

### Stock Price History

As of [July 7, 2015], the closing price of the Company's common shares was Php[0.74]. The following table sets out, for the periods indicated, the high and low sales prices for the Company's Common Shares, as reported on the PSE:

In ₱	2015		2014		2013		2012		2011		2010		2009	
	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close	Highest Close	Lowest Close
1 <sup>st</sup> Quarter	0.98	0.8	0.65	0.59	1.35	0.66	0.84	0.7	1.88	1.01	1.04	0.67	0.93	0.38
2 <sup>nd</sup> Quarter	0.83	0.71	0.95	0.64	1.05	0.58	0.79	0.66	1.15	0.8	0.92	0.71	0.88	0.58
3 <sup>rd</sup> Quarter			0.98	0.83	0.71	0.6	0.76	0.65	0.98	0.64	2.35	0.71	0.9	0.63
4 <sup>th</sup> Quarter			0.89	0.8	0.71	0.58	0.74	0.65	0.84	0.67	2.5	1.63	0.88	0.73

#### Sale of Unregistered or Exempt Securities

No securities were sold within the past three years.

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

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

### OVERVIEW

The Sta. Lucia Group is one of the largest real estate developers in the country in terms of land area developed. Through its nationwide distribution channels, the Group has built a track record in the area of horizontal residential developments, particularly gated subdivisions. The Group has also expanded into vertical developments, housing construction, marketing, and mall operations.

With the intention to consolidate the Group's interests into one corporate entity, the Group decided to undertake a corporate reorganization program. In 2007, SLRDI acquired a controlling interest in Zipporah Realty Holdings, Inc. ("ZRHP") via a backdoor listing. In the same year, it acquired an additional 76.3% stake through a subscription of new shares in ZRHI in exchange for real properties of SLRDI. These new shares came from an increase in authorized capital stock in ZRHI approved during the same year, bringing up the Group's ownership in ZRHI to 97.22% from 20.92%. ZRHI was incorporated in the Philippines and registered with the Philippine SEC as Zipporah Mining and Industrial Corporation on December 6, 1996 to engage in mining. On August 14, 1996, the Company's Articles of Incorporation was amended (a) changing the corporate name to Zipporah Realty Holdings, Inc.; and (b) transposing the original primary purpose to secondary purpose from being a mining firm to a real estate company, the primary purpose of which is to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop and hold for investment or otherwise, real estate of all kinds, improve, manage or otherwise dispose of buildings, houses, apartments and other structures of whatever kind, together with their appurtenances. The Company's name was then changed in 2007 to its current name, Sta. Lucia Land, Inc. The Company is listed on the Philippine Stock Exchange under the ticker "SLP". As of December 31, 2014, the Company is 87.2% owned by SLRDI.

In 2013, the Company formed Sta. Lucia Homes, Inc., a wholly owned subsidiary to handle housing construction, and Santalucia Ventures, Inc., a wholly owned subsidiary to handle marketing, operating and development of the Company's projects.

The Company generated revenues of P1,461.6 million and P919.5 million based on unaudited figures for the nine months ending September 30, 2014 and 2013, respectively. Consolidated revenues were P1,326.9 million, P1,792.8 million, and P1,441.5 million in 2013, 2012, and 2011, respectively. This resulted in a net income of P426.3 million and P201.1 million, for the nine months ending September 30, 2014 and 2013, respectively, based on unaudited figures. Net income for the years ended 2013, 2012, and 2011 were P300.0 million, P311.2 million, and P358.8 million respectively.

### FACTORS AFFECTING RESULTS OF OPERATIONS

The Company's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and which the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's results of operations and financial condition in the future. See "Risk Factor and Other Considerations."

General Global and Philippine Economic Conditions and the Condition of the Philippine Real Estate and Residential Housing Markets

The Company has derived substantially all of its revenue from its land development and leasing of investment properties in the Philippines, including interest income from in-house financing provided by the Company to its customers. The Company's results of operations may be significantly affected by the state of the global and Philippine economies generally and specifically the Philippine property markets. The Philippine real estate market has historically been subject to cyclical trends, and property values have been affected by the supply of and demand for comparable properties, the rate of unemployment and political and social developments, the rate of economic growth in the Philippines, including overall growth levels, the value of the Philippine peso and interest rates, as well as the strength of the economy in other parts of the world, given that a substantial portion of demand comes from OFWs. Furthermore, as the Company continues to expand its business, its operations will also be increasingly affected by general conditions in the global and Philippine economies. As a result, the Company expects that its results of operations will continue to vary from period to period largely as a result of general global and Philippine economic conditions.

#### Demand for Real Estate Products

The Company has benefited from greater demand for residential homes resulting from among other factors, the growth of the Philippine economy and strong levels of remittances and increasing demand from expatriate Filipinos and their families living in the Philippines. In response to these developments, the Company has increased the number of its land development projects, particularly those within the affordable and middle-income sectors favored by first-time home buyers, OFWs and expatriate Filipinos. It is not clear whether these trends will continue, whether new trends affecting the market will emerge and what these trends might be, or whether the demand for real estate projects in the Philippines will continue to remain strong. The Company expects to adapt its business to respond to changing conditions within the Philippine market and expects that its business and results of operations will continue to be positively affected by demand for real estate products in the Philippines.

#### Collection of Receivables

The Company's results of operations are also affected, to a significant degree, by the success and efficiency of its collection of receivables from its customers. If the Company experiences any significant delays or defaults on its collection of receivables, it could experience liquidity issues including the inability to meet its obligations as they come due. Upon the Company's repossession of lots, the Company deducts from total sales the contract price of the repossessed lots, and then recognizes an increase in its inventory measured at the lot's fair value at repossession less estimated costs to resell the lot, as compared to the lot's original value at construction. In addition, the Company necessarily incurs various costs associated with the process of reselling the lots. Due to the buyer's default, the Company also records a corresponding decline in receivables. In instances of payment defaults, there can be no guarantee that the Company will be able to resell these repossessed lots quickly, at acceptable prices or not at all.

#### Interest Rates

The Company generally charges an annual fixed interest rate ranging from 14% to 16% on their in-house financing to its customers. The Company's interest rates are fixed for the entire duration of the in-house financing tenor, which ranges from 5 to 10 years, with interest rates ranging from 14% to 16% per annum in 2014. In cases where the Company provides in-house financing, it charges customers interest rates that are substantially higher than comparable rates for bank financing. As a result, and particularly during periods when interest rates are relatively high, the Company faces the risk that a greater number of customers who utilize the Company's in-house financing facilities will default on their payment obligations, which would require the Company to incur expenses, such as those relating to sales cancellations, and reselling of projects. There is also no assurance that the Company can resell a subdivision lot or a condominium unit once a sale has been cancelled. Therefore, the inability of its customers who obtain in-house financing from the Company to meet their payment obligations and a decline in the number of customers obtaining such in-house financing could also have a material adverse effect on the Company's business, financial condition and results of operations.

#### Timing of Project Construction and Completion

The Company's results of operations tend to fluctuate from period to period. The property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. In addition, obtaining required Government approvals and permits may take more time and resources than anticipated, or construction of projects may not be completed on schedule and within budget. These may result in project delays and cost overruns which could negatively affect the Company's margins.

#### Joint Venture (JV) Arrangements

The Company has entered into JV agreements with various landowners and other companies, which include SLRDI. The interests in these joint ventures range from 32% to 80% depending on the value of the land or investment against estimated development costs, with condominium JV partners receiving a smaller share vs. subdivision JV partners. These JV agreements entered into by the Company relate to the development and sale of subdivision land and condominium projects, with various JV models employed, either JV sharing of the proceeds from lot sales, or specified lots or units allocated to the JV partner. The Company's JV arrangements typically require the JV partner to contribute the land free from any lien, encumbrance and tenants or informal settlers to the project, while the Company bears all the costs related to land development and the construction of the subdivision and condominium facilities. Sales and marketing costs are allocated to both the Company and the JV partners.

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

#### Price Volatility of Development Costs

The Company's cost of sales is affected by volatility in the price of construction materials such as steel and cement. While the Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel and cement are high or when there are shortages in supply, the contractors that the Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising costs for any construction material will impact the Company's construction costs, and the price for its products. Any increase in price resulting from higher construction costs could adversely affect demand for the Company's products and the relative affordability of such products as compared to competitors' products, thus, reducing the Company's real estate sales and overall profitability.

#### Consumer tastes and trends in the Philippine retail sector

With regards to the SLEGM, the Company will be subject to risks relating to the Philippine shopping mall business and to the Philippine retail sector, including risks relating to adverse changes in the Philippine economy. The shopping mall business in the Philippines is dynamic and success requires an ability to identify and quickly react to market changes. Consumer preferences, changing lifestyles and consumption trends require shopping mall operators to continuously modify their formats, introduce new products and maintain the appropriate tenant mix to satisfy the demand.

## DESCRIPTION OF SELECTED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

### AFS Financial Assets

The Company's Available-for-Sale Financial Assets (AFS financial assets) pertain to quoted equity securities, particularly 70.8 million shares or 12.10% ownership in Philippine Racing Club and 29.89 million shares of Manila Jockey Club, Inc., which were assigned by SLRDI to the Company as partial payment for the Company's advances to SLRDI.

### Real Estate Sales

Real estate sales are derived from the sale of subdivision lots and high rise condominium projects.

Real estate sales represent the recognized revenues from the sale of subdivision lots and condominium units. Revenues for real estate sales are recognized on a percentage completion basis, only after the license-to-sell for the project has been granted, and after the full down payment has been paid. Downpayments are usually fully paid within two to three years from commencement of payments for condominium sales, and within six months to a year for subdivision lot sales.

### Rental Income

Rental income or leasing income is derived from the Company's investment properties, which include properties that are held to earn rentals and not occupied by the Company. This includes the SLEGM, which is leased by the Company to Sta. Lucia East Commercial Corporation (SLECC), an affiliate, for a term of 15 months starting January 2011, with an automatic renewal provision for one year unless written notice of termination is given by either party. In July 2012, the lease contract with SLECC was extended for another 15 months, ending in October 2013. Subsequent to October 2013, both parties have mutually agreed to continue with the lease agreement until termination is given by either party. Lease income is based on 90% of net income derived by SLECC from mall tenants. The lease with SLECC was terminated on September 31, 2014.

Effective October 1, 2014, the Company directly entered into lease agreements with mall tenants. SLECC and the Company, on the other hand entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, the Company shall pay SLECC a management fee equivalent to 7% of the gross rental revenue.

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

### Interest Income

Interest income consists of interest income from trade receivables, accretion from unamortized discounts, and from cash in banks. Interest income is recognized as it accrues using the effective interest rate method.

### Other Income

Other income is derived from processing fees for the registration of properties of buyers, collection of surcharges and penalties for late payments.

### Costs of Real Estate

Cost of real estate reflects the cost of subdivision lots and high rise condominium units sold. The cost of subdivision lots and high rise condominium units sold is based on, among other factors, the cost of land,



expenses incurred in securing regulatory approvals, project personnel costs, site development costs, and development construction costs.

#### Depreciation and Amortization

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of investment properties follow:

	Years
Land improvements	40
Buildings and improvements	40
Machinery and equipment	10

Depreciation and amortization of property and equipment commences once the assets are put into operational use and is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office tools and equipment	3 to 5
Transportation equipment	5
Furniture and fixtures	3 to 5
Software	3

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

#### KEY PERFORMANCE INDICATORS

	As of and for the Six Months Ended June 30		As of and for the Years Ended December 31		
	2015 (Unaudited)	2014 (Unaudited)	2014	2013 Audited	2012
	Current ratio		2.40	2.08	2.38
Debt to equity		.22	0.27	0.22	0.22
Interest coverage ratio		648.43%	691.93%	423.79%	491.13%
Return on asset		1.72%	3.07%	1.75%	1.92%
Return on equity		2.48%	4.68%	2.48%	2.64%

**Notes:**

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

## RESULTS OF OPERATIONS

### COMPARISON: YEAR END 2014 VS. YEAR END 2013

#### Overview of Operations

SLI generated net income of P548.7 million for the year 2014, 83% higher than the P300.0 million reported in 2013. Consolidated revenues posted at P2,296.3 million compared to P1,326.9 million of last year, 73% higher year on year. Bulk of the revenues was recognized under real estate sales for an increase of P644.1 million from that of last year followed by the 42% increase in rental income from P355.1 million to P504.3 million which was due to the change in internal operations. Increase in real estate sales was driven by strong performance in SLI's property segment.

Cost and expenses increased to P1,029.3 million from P528.6 million this year. Selling and administrative expenses to total revenues improved during the year by 6%. Income before income tax generated P783.7 million, an 80% increase from last year.

#### Revenue

Revenue from real estate sales reached P1,445.4 million in 2014, 80% higher than 2013. This is driven by strong bookings and project completion across all real estate segment of the Company. Revenue from rental income posted a P149.2 million increase due to change in internal operations. A management services agreement was executed on lieu of the Lease contract which lets SLI books the gross revenue starting October 2014. Commission income during the year was generated by the Group's marketing unit Santalucia Ventures, Inc.

Also, a 173% increase in other income or equivalent to P99.0 million was booked during the year. This was mainly due to the management income booked by the Company from a sale of property of its parent, SLRDI.

#### Costs and Expenses

Total expenses for the year amounted to P1,512.6 million, 70% higher than the P892.2 million posted in 2013. Cost of real estate accounted for the P341.0 million increase together with the cost of rental income at P140.7 million. During the year 2014, the a 33% increase in selling and administrative expenses was recognized primarily due to the related increase in commission expense driven by the increase in revenue from real estate sales.

#### Net Income

The Registrant's net income increased by 83% from P300.0 Million in 2013 to P548.7 Million in 2014. This increase was due to the sales take up in real estate sales and rental income.

## PROJECT AND CAPITAL EXPENDITURES

The Registrant spent P1,473.6 million for project and capital expenditures during the year 2014, which is 8% higher than that spent in 2013. P1,423.3 million of this amount is accounted for by the development of the Registrant's residential and commercial projects while the remaining was utilized for landbanking purposes. For 2015, the Registrant earmarked less than P2,000 Million for its project and capital expenditures, largely for the development of its ongoing projects and launching of new projects.

## FINANCIAL CONDITION

#### Assets

Total Assets as of December 31, 2014 amounted to P17,838.4 million, 4% higher than the P17,185.0 million as of December 31, 2013. The significant increase was due to the booking of installment contracts receivable

from the sales take up made during the year. Prepayments in construction and commissions also contributed to the growth of company financial condition. 8% increase in investment properties is accounted for the increase in assets.

#### Liabilities

The Registrant's availment of loans during the attributed the P524.9 million increase in liabilities. Also, the continued constructions of projects and acquisitions of various lands for future expansions required a significant increase in its liabilities, including those related to construction contracts, supplies of materials, retentions, loans, taxes, land acquisitions and promotions, by 18% from the amount of P1,693.9 million as of December 31, 2014.

#### Equity

Total stockholders' equity decreased by 3% from the amount of P352 million as of December 31, 2014. This is due the buyback of shares amounting to P900.0 million was executed between SLI and SLRDI to settle intercompany advances.

#### Key Performance Indicators

	31-Dec-14	31-Dec-13
Current Ratio	2.08	2.38
Debt to Equity	0.27	0.22
Interest Coverage Ratio	691.39%	423.79%
Return on Asset	3.08%	1.75%
Return on Equity	4.68%	2.48%

#### \*Notes to Key Performance Indicators:

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

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

No material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships between the Registrant and unconsolidated entities were created during 2014.

Material Changes in the Balance Sheet (+/- 5%) as of December 31, 2014 versus the Balance Sheet as of December 31, 2013

#### 281% Increase in cash

This is mainly due to the improved collections of the company and rental operations of the mall as the tenants now pay directly to the Company starting October 2014.

#### 121% increase in receivables

Higher sales take up during the year and intercompany transactions within the group drove the increase

#### 67% increase in other current assets

The increase primarily was due to the increase in prepaid commissions and contractor advances as an effect of the Company's aggressive marketing and developing activities.

#### 63% increase in property and equipment

Mainly due to the purchase of transportation vehicles to be used in operations

8% increase in investment properties  
Mainly due to the refurbishment of the mall,

11% increase in other noncurrent assets  
Mainly due to long term deposits made relative mainly to project developments.

18% increase in accounts payable  
Driven by the ongoing development of various projects of the company.

10% increase in customer's deposits  
Due to the prolonged down payment terms of various projects and also increase in customers' reservation applications.

36% increase in income tax payable  
Due the taxable operations of the Company.

20% increase in loans payable  
This is due to loan availments of the Company to finance the working capital requirements

46% increase in deferred tax liabilities-net  
Mainly due to the recognition of the difference between tax and book basis of accounting for real estate transactions and other temporary differences.

94% increase in pension liabilities  
Attributed to the increase in actuarial valuations.

80% increase in retained earnings  
Attributed to the profitable operations, gains on investment properties, and revenues from real estate business operations.

100% increase in treasury shares  
Due to the settlement of intercompany advances between SLI and SLRDI which provides assignment of certain number of shareholding of SLRDI to SLI be assigned to the latter.

Material Changes in the Income Statement (+/- 5%) for the year ended December 31, 2014 versus the Income Statement for the year ended December 31, 2013

80% Increase in real estate sales  
Driven by sales take up of previous years' deferred revenue recognition as a result of longer down payment schemes for some of its projects.

42% increase in rental income  
Due to the change in internal operations of the Company whereby a management services agreement was executed in place of the lease agreement.

6% decrease in interest income  
Due to the mix of interest bearing buyers of the Company

173% increase in other income  
Mainly due to the management income booked during the year for the sale of property by SLRDI. Also, it's due to the increase in other operational income such as penalties and surcharges, processing fees, and income related to defaults of various buyers and cancelled sales.

285% increase in commission income  
Aggressive sales and marketing activities of the marketing vehicle of the Group

81% increase in cost and expenses

Mainly due to the related increase in sales during the period.

134% increase in commissions

Mainly due to directly proportional relation of real estate sales which increased during the year.

11% increase in interest expense

Due to the additional loans granted by various banks to the Registrant and partial recognition of capitalized interest from previous years.

41% increase in salaries and wages

Mainly due to the hiring of additional employees to cater to the increased volume of transactions and the release of employees' benefits for the whole year.

39% decrease in advertising

Attributable to the cost efficiency measures of the Company and transfer of some marketing expenses to the marketing arms of the Company.

74% increase in provision for income tax

Due to the increase of realized taxable sales and other taxable income of the Registrant

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURES

The consolidated financial statements of the Company as of and for the years ended December 31, 2012, 2013, and 2014 were audited by SGV & Co., a member firm of Ernst & Young Global Limited, independent auditors, in accordance with PSA, as stated in their report appearing herein.

SGV & Co. has acted as the Company's external auditor since 20. Cyril Jasmin B. Valencia is the current audit partner for the Company and has served as such since 2013. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by SGV & Co., excluding fees directly related to the Offer.

	2012	2013	2014
Audit and Audit-Related Fees <sup>(1)</sup> .....	898,538	(□) 930,000	1,063,000
All Other Fees <sup>(2)</sup> .....	106,512	137,000	106,300
<b>Total</b> .....	<b>1,005,050</b>	<b>1,067,000</b>	<b>1,169,300</b>

(1) *Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.*

(2) *All other fees above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 15% of the agreed-upon engagement fees.*

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

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS AND EXECUTIVE OFFICERS

The table below sets forth each member of the Company's Board elected during the most recent annual Stockholders' meeting held on June 19, 2015, and are to serve until the next annual shareholders' meeting or until their successors have been duly elected and qualified. All of the board members are Filipino citizens.

Name	Age	Position
Vicente R. Santos	57	Chairman
Exequiel D. Robles	59	President and Director
Mariza R. Santos-Tan	56	Treasurer and Director
Antonio D. Robles	50	Director
Aurora D. Robles	48	Assistant Treasurer and Director
Orestes R. Santos	53	Director
Santiago Cua	92	Director
Jose Ferdinand R. Guiang	49	Independent Director
Osmundo C. de Guzman	59	Independent Director

### EXECUTIVE/CORPORATE OFFICERS

The table below sets forth the Company's executive officers in addition to the board members listed above, as of June 19, 2015. All of the executive officers are Filipino citizens.

Name	Age	Position
David M. Dela Cruz	48	Executive Vice President
Patricia A. O. Bunye	46	Corporate Secretary
Pancho G. Umali	42	Assistant Corporate Secretary
Crystal I. Prado	34	Assistant Corporate Secretary

The business experience of each of the Company's directors and officers covering the past five years are described below.

**VICENTE R. SANTOS**, Chairman of the Company. He is also Executive Vice President of the following companies: Sta. Lucia Realty & Development, Inc., RS Maintenance & Services Corp., Sta. Lucia East Cinema Corp., Sta. Lucia Waterworks Corp., Rob-San East Trading Corp., Sta. East Commercial Corp., RS Night Hawk Security & Investigation Agency, Sta. Lucia East Bowling Center, Inc. and Sta. Lucia East Department Store, Inc. He is the President of Acropolis North subdivision and serves as Corporate Secretary of Lakewood Cabanatuan. He is the Chairman and a director of Orchard Golf & Country Club and is a director of Eagle Ridge Golf & Country Club.

**EXEQUIEL D. ROBLES**, President and Director of the Company. He is also the President and General Manager, Sta. Lucia Realty & Development, Inc.; and the President of the following companies: Sta. Lucia East Cinema Corporation, Sta. Lucia East Commercial Corporation, Sta. Lucia East Bowling Center, Inc., Sta. Lucia East Department Store, RS Maintenance & Services, Inc., Rob-San East Trading Corporation and RS Night Hawk Security & Investigation Agency. He is a director of Sta. Lucia Realty & Development, Inc., Sta. Lucia East Cinema Corporation, Sta. Lucia Waterworks Corporation, Sta. Lucia East Commercial Corporation, Sta. Lucia East Department Store, Sta. Lucia East Bowling Center, Inc., and RS Maintenance & Services, Inc.

**MARIZA R. SANTOS-TAN**, Treasurer of the Company. She is Vice President for Sales, Sta. Lucia Realty & Development, Inc.; Corporate Secretary, RS Maintenance & Services Corporation; Corporate Secretary, Sta. Lucia East Cinema Corporation; Corporate Secretary, Sta. Lucia Waterworks Corporation; Corporate

Secretary, Rob-San East Trading Corporation; Corporate Secretary, Sta. Lucia East Commercial Corporation; Corporate Secretary, RS Night Hawk Security & Investigation Agency; Corporate Secretary, Sta. Lucia East Bowling Center, Inc.; Corporate Secretary, Sta. Lucia East Department Store, Inc.; President, Royale Tagaytay Golf & Country Club; Assistant Corporate Secretary, Alta Vista Golf & Country Club; Treasurer, Manila Jockey Club; Corporate Secretary, Worlds of Fun; and, Corporate Secretary, Eagle Ridge Golf & Country Club. She is a director of Sta. Lucia Realty & Development, Inc., Orchard Golf & Country Club, Alta Vista Golf & Country Club, Manila Jockey Club, True Value Workshop, Consolidated Insurance Company, Unioil Resources Holdings, Inc., and Ebedev Inc.

AURORA D. ROBLES, Assistant Treasurer/Director of the Company. She is also the Purchasing Manager, Sta. Lucia Realty & Development, Inc.; Chief Administrative Officer, Sta. Lucia East Cinema Corp.; Chief Administrative Officer Sta. Lucia Waterworks Corp.; and, Chief Administrative Officer,, Rob-San East Trading Corp. She is a director of CICI General Insurance Corp.

ORESTES R. SANTOS, Director of the Company. He serves as the Project Manager, Sta. Lucia Realty & Development, Inc. and President, RS Superbatch, Inc. He is a director of City Chain Realty.

ANTONIO D. ROBLES, Director of the Company. He serves as Treasurer, Orchard Marketing Corporation; He is the owner of Figaro Coffee and Cabalen franchise. He is a director of Exan Builders Corp.

SANTIAGO CUA, Director of the Company. He serves as the Chairman and President of ACL Development Corporation, Cualoping Securities, Inc. and Filpak Industries, Inc. He is the Honorary Chairman of the Philippine Racing Club. He is a director of ACL Development Corporation, Cualoping Securities, Inc., Filpak Industries, Inc., Philippine Racing Club, Inc. and Ebedev Inc.

JOSE FERDINAND R. GUIANG, Independent Director of the Company. He serves as the President of Pharmazel Incorporated; Member of the Filipino Drug Association, Inc.; and the Area Sales Supervisor of Elin Pharmaceuticals, Inc.

OSMUNDO C. DE GUZMAN, JR., Independent Director of the Company. He serves as the Treasurer of Sunflower Circle Corp.

DAVID M. DE LA CRUZ, CPA, Executive Vice President & CFO of the Company. He served as Vice President and Chief Financial Officer of Atlas Consolidated Mining and Development Corp., SAVP of Corporate Credit Risk Management - BDO - AC&D Corporate Partners; Vice President / Head of Sales of Amsteel Securities Philippines Inc; Senior Manager - Investment Banking for Deutsche Morgan Grenfell Hong Kong Limited; Acting General Manager & Marketing Head for UBP Securities / Manager - Investment Banking for UBP Capital Corporation; and Senior Auditor for SGV & Co.

ATTY. PATRICIA A. O. BUNYE, Corporate Secretary of the Company. She is a Senior Partner, Villaraza Cruz Marcelo & Angangco; Past President, Integrated Bar of the Philippines (Pasay, Parañaque, LasPiñas&Muntinlupa Chapter); Secretary, 15th House of Delegates National Convention, IBP; and Past President, Licensing Executives Society Philippines. She currently holds directorships in Arromanche, Inc.; Baskerville Trading Corporation; Bay Area Holdings, Inc.; Belmont Equities, Inc.; Foundasco Philippines, Inc.; Go Home Bay Holdings, Inc.; Honfeur, Inc.; Kids Stuff Manufacturing, Inc.; Lawphil Investments, Inc.; Liberty Cap Properties, Inc.; Mianstal Holdings, Inc.; Quaestor Holdings, Inc.; Recruitment Center Philippines, Inc.; Westminster Trading Corporation; Winchester Trading Corporation; and Windermere Marketing Corporation.

PANCHO G. UMALI, Assistant Corporate Secretary of the Company. He is a Partner in Cruz Marcelo & Tenefrancia. He has served as Chairman and President, Aberdeen Mining and Development Corporation; Corporate Secretary, Antodian Holdings, Inc.; Corporate Secretary, Avita Holdings Corporation; Assistant Corporate Secretary, Baesa Redevelopment Corporation; Assistant Corporate Secretary, Blue Ridge Mineral Corporation; Assistant Corporate Secretary, La Golondrina, Inc.; First Vice President, The Law Foundation of Makati, Inc.; Corporate Secretary, Loscano Holdings, Inc.; Corporate Secretary, M & S Holdings, Inc.;



Corporate Secretary and Treasurer, Montana Mining and Development Corporation and Corporate Secretary, Veterans Overseas Placement Corporation. He has held directorship roles at Aberdeen Mining and Development Corporation; China Systems Technology Corporation; Clark Field Holdings, Inc.; Cosmo System Corporation; Loscano Holdings, Inc.; Montana Mining and Development Corporation and Haw Par Tiger Balm (Philippines), Inc.

CRYSTAL I. PRADO, Assistant Corporate Secretary of the Company. She serves as Assistant Corporate Secretary of Sta. Lucia Land, Inc. She was appointed on June 20, 2014. Legal Counsel, Sta. Lucia Land, Inc.; College Instructor, St. Joseph's College of Quezon City; Legal Officer/Executive Assistant/Marketing Head, Principalia Management and Personnel Consultants, Inc.; Court Interpreter III, Supreme Court; English Teacher, Call 'n Talk; English Teacher, Top English Center; English Teacher, CNN Language Center; English

## **INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS**

The Company is not aware of the occurrence during the past five (5) years of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer:

- 1) Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- 2) Any director, nominee for election as director, or executive officer being convicted by final judgment 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) Any director, nominee for election as director, or executive officer 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) Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

## **CORPORATE GOVERNANCE**

The Company submitted its Manual on Corporate Governance (the "Manual") to the Philippine SEC on July 1, 2013 in compliance with Philippine SEC Memorandum Circular No. 6, series of 2009. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

### **Independent Directors**

The Manual requires the Company to have at least two (2) independent directors in the Board of Directors, at least one of whom serves on each of the Corporate Governance, Nomination Committee, and the Audit Committee. An independent director is defined as a person who has not been an officer or employee of the Company, its Subsidiaries or affiliates or related interests during the past three (3) years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or

related interest, or to any of the Company's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

## **COMMITTEES OF THE BOARD**

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

### **Audit and Risk Management Committee**

1. **Jose Ferdinand R. Guiang – Chairman**
2. Orestes R. Santos
3. Antonio D. Robles

### **Nominations and Compensation Committee**

1. **Jose Ferdinand R. Guiang – Chairman**
2. Mariza Santos-Tan
3. Aurora D. Robles

### **Compensation Committee**

1. **Osmundo C. de Guzman – Chairman**
2. Antonio D. Robles
3. Vicente R. Santos

### **Executive Committee**

1. **Exequiel D. Robles – Chairman**
2. Vicente R. Santos
3. Mariza Santos-Tan
4. Aurora D. Robles
5. Antonio D. Robles

## **EVALUATION SYSTEM AND COMPLIANCE**

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- a. For a first violation, the offender shall be reprimanded.
- b. For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- c. For a third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Philippine Corporation Code shall be observed.

## **EXECUTIVE COMPENSATION SUMMARY**

The Directors and Officers do not receive any form of compensation except for a per diem of Fifteen Thousand Pesos (Php15,000) per meeting of the Board of Directors. Apart from the per diem, there are no standard arrangements or other arrangements between the Registrant and the directors and executive officers.

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarizes their aggregate compensation for the two most recent fiscal years and projected for fiscal year 2015.

Fiscal Year 2013					
		<i>Salary</i>	<i>Bonus</i>	<i>*Others</i>	<i>Total</i>
A. CEO and four most highly compensated executive officers		7,450	2,580	nil	
Name		Position			
1. Vicente R. Santos		Chairman			
2. Exequiel D. Robles		President/Director			
3. Mariza Santos-Tan		Treasurer/Director			
4. Aurora D. Robles		Assistant Treasurer/Director			
5. David M. Dela Cruz		Executive Vice President			
B. All other officers and directors as a group unnamed		2,130	365	nil	

Fiscal Year 2014					
		<i>Salary</i>	<i>Bonus</i>	<i>*Others</i>	<i>Total</i>
A. CEO and four most highly compensated executive officers		7,450	2,580	nil	
Name		Position			
1. Vicente R. Santos		Chairman			
2. Exequiel D. Robles		President/Director			
3. Mariza Santos-Tan		Treasurer/Director			
4. Aurora D. Robles		Assistant Treasurer/Director			
5. David M. Dela Cruz		Executive Vice President			
B. All other officers and directors as a group unnamed		2,130	365	nil	

Fiscal Year 2015**					
		<i>Salary</i>	<i>Bonus</i>	<i>*Others</i>	<i>Total</i>
A. CEO and four most highly compensated executive officers		[ ]	[ ]	[ ]	
Name		Position			
1. [ ]					
2. [ ]					
3. [ ]					
4. [ ]					
5. [ ]					
B. All other officers and directors as a group unnamed		[ ]	[ ]	[ ]	

\*Per diem

\*\*Estimated

The Directors do not receive any form of compensation except for a per diem of Fifteen Thousand Pesos (Php15,000) per meeting of the Board of Directors. Apart from the per diem, there are no standard arrangements or other arrangements between the Registrant and the directors and executive officers.

There are no special employment contracts between the Company and the named executive officers.

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

## SIGNIFICANT EMPLOYEES

The entire workforce of the Company is considered significant as each of its employees has his own responsibilities which are supposed to achieve the Company's goals and objectives.

### **FAMILY RELATIONSHIPS**

As of the date of this Prospectus, family relationships between Directors and members of the Company's senior management are as follows:

- Exequiel D. Robles (President and CEO of SLI, SLHI, and SVI), Antonio D. Robles (SLI/SLHI Director), and Aurora D. Robles (SLI Director and Assistant Treasurer) are siblings and they are first cousins with Vicente R. Santos, Mariza R. Santos-Tan, and Orestes R. Santos, who are likewise siblings.

### **EMPLOYMENT CONTRACTS**

The Company and its Subsidiaries have executed pro-forma employment contracts with its executive officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Company in the event of a change in control.

### **STOCK OPTIONS**

On June 21, 2013, the stockholders of the Company voted to ratify the resolution of the Board of Directors authorizing the Company to grant up to One Hundred Million (100,000,000) shares of stocks as stock options in favor of the Company's employees and consultants and list the same with the PSE, subject to such further terms and conditions as may be subsequently approved by the Company's Board of Directors.

The grant of stock options is subject to the approval of the SEC and the PSE. As of the date of this Prospectus, there are no outstanding options or warrants held by the Company's CEO, the named executive officers, and all officers and directors as a Group.

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

Security Ownership of Beneficial Owners of more than 5% of the Company's voting securities as of the date of this Prospectus

Title of Class	Name and Address of Record owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Common	Sta. Lucia Realty & Development, Inc., Ground Flr., State Center Bldg. II, Ortigas Avenue cor. EDSA Mandaluyong City	-same-	Filipino	7,451,005,767	87.18%

Security Ownership of Directors and Officers as of the date of this Prospectus

The following table illustrates the security ownership of directors and management as of the date of this Prospectus.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Vicente R. Santos	712,494 – direct 233,000 – indirect	Filipino	0.01%
Common	Exequiel D. Robles	712,500 – direct 230,000 – indirect	Filipino	0.01%
Common	Antonio D. Robles	1 – direct	Filipino	0.00%
Common	Aurora D. Robles	1 – direct	Filipino	0.00%
Common	Mariza R. Santos-Tan	1 – direct	Filipino	0.00%
Common	Orestes R. Santos	1 – direct	Filipino	0.00%
Common	Santiago Cua	285,000 – direct	Filipino	0.00%
Common	Jose Ferdinand R. Guiang	1	Filipino	0.00%
Common	Osmundo C. De Guzman, Jr.	1	Filipino	0.00%
Common	David M. De La Cruz	0	Filipino	0.00%
Common	Patricia A.O. Bunye	0	Filipino	0.00%
Common	Pancho G. Umali	0	Filipino	0.00%
Common	Crystal I. Prado	0	Filipino	0.00%
	<b>Total</b>	<b>2,173,000</b>		<b>0.03%</b>

### CHANGES IN CONTROL

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

## RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control, or the party is an associate or a joint venture. The Company enters into these transactions at negotiated terms and prices between the parties.

### Major Related Party Agreements

The major related party agreements of the Company are as follows:

#### (1) Settlement of Intercompany Advances through Treasury Share Purchase

In 2014, the Company entered into an agreement with SLRDI to convert the latter's shares into treasury shares as settlement of outstanding intercompany advances made by SLI to SLRDI.

As of December 31, 2010, the Company had intercompany advances to SLRDI amounting to P1,029,883 598.00. As full settlement of the said advances which had accumulated to P 1,358,686,369.00 as of December 31, 2011, SLRDI assigned a project called "Saddle and Clubs Leisure Park" to the Company. The Company accumulated an additional P442,421,232.00 in advances to SLRDI as of March 31, 2014, resulting in total outstanding advances to SLRDI amounting to P1,801,107,601.00.

Both parties decided to rescind its previous arrangement with respect to the assignment of the "Saddle and Clubs Leisure Park" to the Company which resulted in the reversion of the advances by the Company to SLRDI. At the time, SLRDI owned 89.853% of SLI's 10,796,450,000 outstanding capital stock. In order to fully settle the intercompany advances that have accumulated until March 31, 2014, SLRDI agreed to assign, convey, and transfer in favor of the Company 3,000,000,000 shares out of SLRDI's total shareholdings in SLI, thereby converting the said shares into Company treasury shares. This agreement was considered by the Company as the least expensive way to clear intercompany accounts and consequently clean up the balance sheets of both SLI and SLRDI.

Under the Deed of Assignment of Shares of Stock executed on July 8, 2014 by SLRDI and SLI (the "Deed of Assignment"), both parties agreed to execute the assignment of the 3,000,000,000 SLI shares in 2 tranches:

- Tranche 1 – 2,250,000,000 shares, which shall initially cover 900,000,000.00 of the advances, to be transferred within 30 days from the signing of the Deed of Assignment. The Company successfully executed Tranche 1 in September 2014.
- Tranche 2 – 750,000,000 shares, which shall cover the remaining P 901,107,601.00 of the advances, to be transferred within 1 year from the date of the Deed of Assignment, or when SLI accumulates more than P 901,107,601.00 in Unrestricted Retained Earnings, whichever is earlier.

#### (2) Mall Management Contract

SLECC provides management and operations services for the SLEGM and receives management fees equivalent to a fixed percentage of revenues. The agreement is for a period of [insert validity].

#### (3) Joint Venture Contracts

Under the Company's joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio. The percentages of profits allocated to the Company as a developer for their JV Projects range from 32% to 80%. With regards to the sharing of costs, various

structures are currently in place. In some agreements, the Company nets the incurred marketing and advertising costs from the gross sale of real estate products sold. The Company then recognizes revenues based on the netted amount depending on its prorated ownership of the JV Project. The Company however shoulders all of the costs to develop the land. There are also cases where the Company nets all incurred marketing, advertising, and development costs from the gross sale of real estate products sold, after which the remaining income is shared between the Company and the JV partner.

(4) Marketing Agreements

The Company generally enters into marketing agreements with its property brokers, including Royal Homes Marketing Corporation, Orchard Property Marketing Corporation and SVI. Under the Company's Marketing Agreements, the Marketing Company commits to promote, advertise and sell the Company's projects through special events, fieldwork, meetings and other customary means of sales and promotions. The Marketing Company shall be entitled to 5% advertising/marketing fee and 5%-7% commission for a total of 10%-12% of the net selling price as part of its compensation for its services.

Related Amounts and Balances

The related party transaction amounts and balances at and for the period ended June 30, 2015 and years ended December 31, 2014, 2013, 2012 are as follows:

	June 2015			
	Amount	Due from (to)	Terms	Conditions
<b>Ultimate Parent Company</b>				
<i>Non-trade receivables</i>				
(a) Advances to				
(b) Offsetting				
 <i>Trade receivables</i>				
(c) Sharing of expenses				
(d) Unremitted collections				
(e) Deposit on land rights				
 <b>Affiliate</b>				
(f) Rental income				

2014

	Amount	Due from (to)	Terms	Conditions
<b>Ultimate Parent Company (SLRDI)</b>				
<i>Non-trade receivables</i>				
	P1,617,397,165	P465,674,313		
(a) Advances to			Due and demandable; noninterest-bearing	Unsecured; no impairment
(b) Offsetting	71,499,656	33,323,892	Due and demandable; noninterest-bearing	Unsecured; no impairment
(c) Assumption of loan	285,884,011	285,884,011	Due and demandable; non-interest bearing	Unsecured; no impairment
<i>Trade receivables</i>				
(d) Sharing of expenses	43,171,632	28,244,061	Due and demandable; non-interest bearing	Unsecured; no impairment
(e) Unremitted collections	114,565,969	5,302,240	Due and demandable; noninterest-bearing	Unsecured; no impairment
(f) Management fee	45,763,393	—	—	—
(g) Revenue sharing	795,900,099	(20,117,746)	Due and demandable; noninterest-bearing	Unsecured; no impairment
<b>Affiliate</b>				
<i>Trade receivables</i>				
(h) Rental income	262,701,389	444,723,303	Due and demandable; non-interest bearing	Unsecured; no impairment
(i) Tenants	15,659,416	15,659,416	Due and demandable; Non-interest Bearing	Unsecured; no impairment
<b>Shareholders</b>				
(j) Advances	—	(16,206,103)	Due and demandable; Non-interest bearing	Unsecured
<b>P1,242,487,387</b>				



## 2013

	Amount	Due from (to)	Terms	Conditions
<b>Ultimate Parent Company</b>				
<i>Non-trade receivables</i>				
(a) Advances to	167,562,972	19,771,840	Due and demandable; noninterest-bearing	Unsecured; no impairment
(b) Offsetting	33,294,637	7,104,493	Due and demandable; noninterest-bearing	Unsecured; no impairment
<i>Trade receivables</i>				
(c) Sharing of expenses	4,000,674	4,000,674	Due and demandable; noninterest-bearing	Unsecured; no impairment
(d) Unremitted collections	153,637,226	183,110	Due and demandable; noninterest-bearing	Unsecured; no impairment
(e) Deposit on land rights		1,358,686,369	Due and demandable; noninterest-bearing	Unsecured; no impairment
<b>Affiliate</b>				
(f) Rental income	355,102,666	390,684,940	Due and demandable; noninterest-bearing	Unsecured; no impairment
<b>Shareholders</b>				
(g) Advances	16,206,103	(16,206,103)	Due and demandable; noninterest-bearing	Unsecured
	729,804,278	1,764,225,323		

## 2012

	Amount	Due from (to)	Terms	Conditions
<b>Ultimate Parent Company</b>				
<i>Non-trade receivables</i>				
(a) Advances to	58,178,739	58,178,739	Due and demandable; noninterest-bearing	Unsecured; no impairment
(b) Offsetting	1,611,915	1,611,915	Due and demandable; noninterest-bearing	Unsecured; no impairment
<i>Trade receivables</i>				

(c) Sharing of expenses	419,054	419,054	Due and demandable; noninterest-bearing	Unsecured; no impairment
(d) Unremitted collections	77,290,334	77,290,334	Due and demandable; noninterest-bearing	Unsecured; no impairment
(e) Deposit on land rights	-	1,358,686,369	Due and demandable; noninterest-bearing	Unsecured; no impairment
<b>Affiliate</b>				
(f) Rental income	385,846,603	301,696,632	Due and demandable; noninterest-bearing	Unsecured; no impairment
	523,346,645	1,797,883,043		

The significant transactions with related parties follow:

- a. The Company, in the normal course of business, has transactions with its affiliated companies consisting of non-interest bearing advances for working capital requirements with no fixed repayment terms.  
  
On July 8, 2014, Company and SLRDI agreed to rescind the assignment of rights for properties at Saddles and Club Leisure Park. This resulted to reversal of deposit on land rights and recording of advances to related parties amounting to ₱1,358.7 million.  
  
On the same date, the Parent Company and SLRDI entered into a deed of assignment of shares of stock. The agreement involves settlement of advances to related parties amounting to ₱1,801.1 million in exchange of 3,000 million shares of the Company held by SLRDI. The transaction will be done in two tranches and the first tranche involving return of 2,250,000 shares applied against ₱900.0 million advances to SLRDI was completed in 2014.
- b. The Company together with SLRDI, in the normal course of business, enters into offsetting agreement with contractors and suppliers where lots will be given out in exchange for the services rendered or materials/supplies delivered. Contractors and suppliers have the option to choose any lot from the available projects of the Group or of SLRDI, regardless of whom the services were rendered or materials were delivered. Such arrangement resulted to receivables from SLRDI amounting to ₱33.3 million and ₱7.1 million as of December 31, 2014 and 2013, respectively.
- c. Other transactions with the SLRDI include non-interest bearing cash advances for various charges to and from affiliated companies for reimbursements of expenses on gasoline consumption of service vehicles, repairs and maintenance, supplies, rentals for project exhibits and advertising/marketing costs.
- d. This pertains to the monthly amortization payment from the buyers of the Group collected by SLRDI due to be remitted to the Company.
- e. In 2014, other shareholders advanced working capital to its subsidiary, SVI, to be used on administrative expenses related to selling properties.
- f. In 2014, SLRDI sold to a third party a piece of real property located in Cansaga, Consolacion, Cebu for a consideration of ₱102.5 million. SLRDI, through a memorandum of agreement, contracted the services of the Company for the management of the property, research on the market price and

negotiation of the sale. The Company recognized management fee of ₱45.8 million in relation to the services provided.

g. At the start of 2014, the Company and SLRDI entered into several memorandums of agreements wherein the Company undertakes the development and marketing of the several projects of SLRDI and has assumed the position of the development contractor and marketing arm. In consideration of the services rendered by the Company, SLRDI has agreed to the following:

- Colinas Verdes Bulacan Project - SLRDI has entered into a joint venture agreement with Araneta Properties, Inc. (API) for a proceeds sharing agreement of 60% SLRDI -40% API share. The Company shall be entitled to 75% of SLRDI's share in all the income and share in the proceeds joint venture and 12% marketing fee on the gross selling price of all sales made from the project;
- Green Meadows Iloilo Project - SLRDI has entered into a joint venture agreement with AFP-Retirement and Separation Benefits System (ARSBS) for a lot sharing agreement of 55% SLRDI - 45% ARSBS share. The Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project;
- Ponte Verde Davao Project- SLRDI has entered into a joint venture agreement with Green Sphere Realty Corporation (GSRC) for a lot sharing agreement of 60% SLRDI - 40% GSRC share. The Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project; and
- Valle Verde Davao Project - SLRDI has entered into a joint venture agreement with GSRC for a lot sharing agreement of 60% SLRDI - 40% GSRC share. The Company shall be entitled to 75% of SLRDI's share in of all the income from the lot share in the joint venture and 12% marketing fee on the gross selling price of all sales made from the project.

During the year, the Company recognized real estate revenue amounting to a total of ₱795.9 million for the above agreements.

Proceeds from the above agreements are offset from the advances of the Company to SLRDI.

- h. SLRDI has entered into a loan agreement with Rizal Commercial Banking Corporation (RCBC) and has a loan balance of ₱285.9 million as of December 22, 2014. On the same date SLRDI and the Company entered into a memorandum of agreement whereby the Company shall assume the liability and the payment of SLRDI's financial obligation.
- i. The Company entered into a lease agreement with SLECC, an affiliate, starting January 2011. The lease agreements convey to SLECC the lease of a mall owned by the Company. The agreement is automatically renewed every year. Since the inception of the lease, the payment of SLECC to SLLI is at 90% of SLECC's net income, gross of real property tax from managing mall operations including repairs and maintenance and collection of space rental from storeowners or tenants (see Note 23). This lease agreement was terminated on September 30, 2014.

Effective October 1, 2014, the Company directly entered into lease agreements with mall tenants. SLECC and the Company, on the other hand entered into a management services agreement effective October 1, 2014 wherein SLECC will provide property management and business development services, leveraging its knowledge in the mall operations from the past years. In exchange of SLECC's services, the Parent Company shall pay SLECC a management fee equivalent to 7% of the gross rental revenue.

- j. Advances to tenants pertain to the unpaid portion of rent charges of the Company shareholders

## **FINANCIAL INFORMATION**

The following pages set forth SLI's audited consolidated financial statements for the three years ended December 31, 2014, 2013, and 2012.