

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

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T	A	G	U	I	G		C	I	T	Y	,		M	E	T	R	O		M	A	N	I	L	A		1	6	3	4			

(Business Address: No. Street City/Town/Province)

FERDINAND A. CONSTANTINO

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

1	2	3	1
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Month Day
(Fiscal Year)

2016				
1	7	-	A	

(Form Type)

0	6	Last	Fri
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Month *Day*
(Annual Meeting)

	N.A.
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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

2,013

Total No. of Stockholders

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2016**
2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **126-004-450-721**
4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION (ALCO)**
5. **Metro Manila, Philippines** (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **8/F Picadilly Star Building, 4th Avenue corner 27th Street,**
Bonifacio Global City, Taguig City **1634**
Address of principal office Postal Code
8. **(+632) 403-6910**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding
Common Shares	5,318,095,199 (₱0.18 par value)	None
Preferred Shares – Series A	12,500,000 (₱1.00 par value)	None
Preferred Shares – Series B	20,000,000 (₱1.00 par value)	None

11. Are any or all of these securities listed on a Stock Exchange? Yes [☒] No [☐]
If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B ONLY.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [☒] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [☒] No [☐]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Market Price (₱) (as of 31 March 2017)</u>	<u>Total Amount (₱)</u>
1. Edimax Investment Limited	296,460,000	1.240	367,610,400.00
2. Viplus Investment Limited	247,899,874	1.240	307,395,843.76
3. Kinstar Investment Limited	94,720,035	1.240	117,452,843.40
4. Tina Keng	25,000,000	1.240	31,000,000.00
5. Rosario Bartolome	15,231,750	1.240	18,887,370.00
6. EQL Properties, Inc.	14,671,125	1.240	18,192,195.00
7. Urban Bank Trust Department – A/C No.	4,838,488	1.240	5,999,725.12
8. RBL Fishing Corporation	4,350,000	1.240	5,394,000.00
9. Veronica D. Reyes	3,799,272	1.240	4,711,097.28
10. Aurelio Paulo R. Bartolome	2,922,500	1.240	3,623,900.00

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2016
Annual Corporate Governance Report (as amended as of 31 March 2017)

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION (or ALCO, for brevity) was incorporated on 10 August 1994¹ for the purpose of engaging in property development of residential, commercial, leisure and industrial projects. Its principal office is at the 8th Floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

ALCO instituted several corporate actions in 2007 to prepare for its medium and long term business goals. It first underwent a quasi-reorganization and subsequently a recapitalization program which led to the entry of investors AO Capital Holdings 1 (AOCH1) and Elite Holdings, Inc., among others.

On 26 April 2011, CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines, acquired a total of 1,800,000,000 ALCO common shares. On 24 September 2014, CPG acquired additional 342,619,910 ALCO common shares from the market.

On 22 September 2016, ALCO's authorized capital stock was increased² to ₱2,996,257,135.82 divided into ₱2,946,257,135.82 of Common shares (consisting of 16,368,095,199 Common shares with a par value of ₱0.18 per share), and ₱50,000,000.00 of redeemable, non-voting and non-participating Preferred shares (consisting of 50,000,000 Preferred shares with a par value of ₱1.00 per share).

Of the ₱50,000,000.00 increase in capital stock, ALCO issued cumulative, non-voting, non-participating, non-convertible Peso-denominated 12,500,000 Preferred shares (the "Series A Preferred Shares") to Manchesterland Properties, Inc., and 20,000,000 Preferred shares (the "Series B Preferred Shares") which are likewise cumulative, non-voting, non-participating, non-convertible and Peso-denominated, among other conditions, to the public.

All issued and outstanding Common shares and the Series B Preferred shares are listed with and traded in the Philippine Stock Exchange with the trading symbols ALCO and ALCPB, respectively.

Despite the recent capital increase, CPG and AOCH1 are the largest stockholders of ALCO with 40.29% and 26.02%, respectively, of the total issued and outstanding shares.

¹ ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the Securities and Exchange Commission approved anew the change of the corporate name to ALCO.

² The authorized capital stock was originally ₱2,946,257,135.82 divided into 16,368,095,199 Common shares only at a par value of ₱0.18 per share,

b. Business/Projects

ALCO's main business activity is the development of residential, commercial and leisure properties. It is geared to pursuing niched and boutique developments as well as opportunistic joint venture developments.

ALCO is a registered member of the United States Green Building Council (USGBC), an organization which sets the world standards for green buildings and sustainable developments. It adheres by the standards set by the USGBC Leadership in Energy and Environmental Design (LEED) program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

ALCO is also an active member of the Philippine Green Building Council (PHILGBC), a collegial based, non-stock non-profit organization that promotes the sharing of knowledge on green building practices to ensure a sustainable environment. It aims to serve as a single voice in the promotion of holistic and market-based green building practices in the local industry and as a non-partisan venue of a green building rating system. ALCO's projects are subjected to the rigid screening and monitoring of the PHILGBC Building for Ecologically Responsive Design Excellence (BERDE) rating program.

ALCO gained various seals of approval in 2013 and was acknowledged as the Best Boutique Developer by the Philippines Property Awards and as among the Top 10 Developers in the Philippines by BCI Asia. Since 2011, ALCO has been a recipient of the Environmental Leadership Award from the World Wide Fund for Nature (WWF-Philippines) for its staunch support for the group's Climate Change Adaptation program.

ALCO is the developer of Arya Residences, the pioneer and only top-end high rise residential development in the Philippines that is on target to achieve dual green building certification. Due to its strict adherence to the global sustainability measures – from planning to construction, and even beyond turnover – Arya Residences is the first top-market condominium development in the Philippines to be awarded the USGBC LEED Gold certification. It is expected to achieve multiple star rating from the PHILGBC BERDE program.

Arya Residences has garnered national and international recognition for design, quality, and sustainability. The South East Asian Property Awards has chosen Arya Residences as the Best Residential Development in the Philippines in 2012 and 2013 while the Asia Pacific Property Awards recognized Arya Residences as the Best Residential High-rise Development in the Philippines for 2014-2015. Also, the Inaugural Philippines Property Awards acknowledged Arya Residences twice to be the Best Residential Development in Manila with the Best Residential Architectural Design, both in 2013 and 2014, and the project's first tower was awarded the Best Residential Interior Design by the same body in 2014.

ALCO's flagship office project, ArthaLand Century Pacific Tower (ACPT), is set to be the landmark of sustainability in Bonifacio Global City. The 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York,

the same group that penned One World Trade Center and Burj Khalifa in Dubai. Similar to Arya Residences, it is on target to achieve dual green building certification from the USGBC LEED and PHILGBC BERDE programs. In fact, ACPT is a LEED Gold pre-certified office development. The Philippines Property Awards recognized ACPT as the Best Green Development in the Philippines for 2016 and awarded it to have the Best Office Architectural Design. ACPT is highly commended for Best Office Development. The South East Asia Property Awards 2016, on the other hand, recognized ACPT to have the Best Office Architectural Design (Philippines) and the Best Green Development (Philippines), and conferred upon it the Special Recognition for Sustainable Design (South East Asia).

In addition to the foregoing, ALCO has, to date, investments in other various properties more particularly described in the succeeding paragraphs with fair value of P4.534 billion.

More importantly, ALCO commits to provide property management services to the condominium corporation or homeowners association of all its development projects even after they are completed and turned over to the respective buyers. Post-completion involvement allows ALCO to maintain a high standard of maintenance quality in its developments.

c. Subsidiaries

Below are the domestic companies in which ALCO has shareholdings.

- i. Cazneau Inc. was incorporated on 31 July 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property. ALCO has 100% ownership interest in this company. In September 2016, Cazneau acquired an 8.1-hectare property in Biñan, Laguna.
- ii. Cebu Lavana Land Corporation (CLLC) was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle ALCO used to acquire two parcels of adjacent land in Cebu City, Philippines, and to develop the same into an office building to be known as Cebu Exchange. In January 2016, Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands and managed by Arch Capital Management Company Limited, subscribed to 40% of CLLC's shares of stock.
- iii. Emera Property Management, Inc. was incorporated on 31 July 2008³. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO for its flagship project, Arya Residences, for now and eventually, for all its development projects in order to ensure the maintenance of high quality standards therein. ALCO has 100% ownership interest in this company.

³ Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

- iv. Manchesterland Properties, Inc. (MPI) was incorporated on 27 March 2008 and is presently the registered owner of the commercial units in The Plaza at Arya Residences and quite a few non-appurtenant parking slots therein. ALCO has 100% ownership interest in this company.
- v. Savya Land Development Corporation was incorporated on 20 February 2017 principally to engage in the realty development business. It is the vehicle ALCO used to acquire two lots in Arca South located in Barangay West Bicutan, Taguig City. ALCO has 100% ownership interest in this company.
- vi. Urban Property Holdings, Inc. (UPHI) was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna, although this plan may change subject to market conditions. ALCO has 100% ownership interest in this company.
- vii. Zileya Land Development Corporation was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. ALCO has 100% ownership interest in this company. It is the investment vehicle intended to be used for ALCO's upcoming residential project in Makati.

Subject to matters disclosed in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings.

Also, the above-named subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, except as otherwise discussed above.

d. Competition

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. Competition is also present in the procurement of raw materials particularly in a tight supply market.

ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO's investment properties as direct competition. Further, ALCO competes with these property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two (2) direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala

Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have stronger brand equity, longer track record, and financial mileage. In the office development front, ALCO competes with both large and medium-scale developers such as Ayala Land, Inc., The Net Group, Daiichi Properties, and other local developers, particularly in Cebu City. These companies are considered to have the greater share of the market at the moment.

ALCO intends to primarily capitalize on its niche market of true sustainable developments and doing projects which are unique and special in terms of design, sustainable features, and distinct locations. ALCO believes that it has started the grounds well in sustainable and luxurious projects being the first company to have a LEED and BERDE-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ALCO knows it can achieve this given its far less overhead costs, being a relatively leaner organization.

e. Industry Risk

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, Saudi Arabia and countries in Europe.

The office market has been largely driven by the business process outsourcing (BPO) sector which caters largely to US and European customers. It is important to note that while the US and Europe remain to be the largest client-base contributors to the country's information technology and business process management (IT-BPM) sector, the industry is currently moving to high value and high potential markets in Australia, New Zealand, and other neighboring countries in the region. Other than voice-based offshore services, the IT-BPM industry is also gearing towards high-value knowledge-based services including financial, legal, medical, architectural, and animation sectors.

The BPO industry, organized under the IT-Business Process Association of the Philippines (IBPAP), comprises primarily of contact centers, back office operations and medical transcription, among others. The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates. The fast paced growth of this industry in the past five years as well as its prospects for the next five to ten years in Metro Manila and other emerging cities across the Philippines have become the major drivers of growth in the office sector of the property industry. The absorption rate of newly built office buildings in major central business districts and key cities remain high because of the requirements of these BPO companies.

Overall, the industry and necessarily, ALCO and its subsidiaries contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive (i) to the political and security situations of the country since its sales comes from both foreign and local investors, and (ii) to the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estates.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players through internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

Generally, construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and Management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to do away with bidding construction projects and/or to procure owner-supplied construction materials, should Management find the same to be more cost-effective for its projects.

g. Advances to Related Parties

In the regular conduct of business, ALCO, its subsidiaries and other related companies enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length.

Intercompany transactions between and among ALCO, its subsidiaries and related companies are discussed in the Audited Financial Statements hereto attached.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Office of the Philippines and was granted in 2010 the exclusive use of the tradename, logos and taglines "ArthaLand" and "Arya Residences". It was also granted in the first quarter of 2017 the exclusive use of the tradename and logos for "ArthaLand Century Pacific Tower" as well as "Cebu Exchange".

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of its projects Arya Residences and ArthaLand Century Pacific Tower, and paid for the imposed dues.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of the USGBC and the PHILGBC.

ALCO will definitely be obtaining the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

k. Employees

As of 31 December 2016, ALCO has a total of 76 personnel with 34 in management, 28 as rank and file, and 14 being contractual⁴.

None of the above personnel is covered by a collective bargaining agreement.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

l. Working Capital

In general, ALCO finances its projects through internally generated funds, loans from banks and sometimes, support from its major shareholders.

As disclosed on 10 November 2015, ALCO obtained a loan in the amount of ₱1,650,643,779.00 from Centrobless Corporation, a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, ALCO's largest stockholder at present. This loan has a maturity date of 31 December 2018. ALCO has fully drawn said loan as of 31 December 2016.

The amount spent on development activities and its percentage vis-à-vis ALCO's revenues during the last two (2) fiscal years are reflected and discussed extensively in ALCO's Audited Financial Statements for the period covered by this Report hereto attached.

⁴ These refer to sales agents with whom ALCO has no employer-employee relationship.

ITEM 2. Properties

ALCO is the registered owner of the 2,233-square meter property (Lot 5 Block 5)⁵ along 5th Avenue within BGC's E-Square, particularly along the street where The Shangri-la at the Fort and the future building of the Philippine Stock Exchange are located. Currently rising on this property is ACPT which is expected to be completed in the third quarter of 2017. The building will be mainly leased out to provide a source of recurring income for ALCO. This lot is presently mortgaged with BDO Unibank, Inc.

Cazneau is the registered owner of an eight hectare property which is adjacent to the Sports Complex of De La Salle University in Biñan, Laguna. The plan for this property is to create an integrated community with the target market for the townhouses, villas and other housing that will be built therein being the students and employees of the various schools in the vicinity, as well as other locators.

CLLC is the owner of two parcels of adjacent land in Cebu City, Philippines with a total area of 8,440 square meters. The office building to be known as Cebu Exchange will rise on this property.

MPI was the registered owner of the 6,357-square meter property (Lot 4 Block 1) along McKinley Parkway on which Arya Residences currently stands. This property was conveyed to Arya Residences Condominium Corporation in December 2016 but MPI retained ownership over the commercial units in The Plaza at Arya Residences and a number of non-appurtenant parking slots therein.

UPHI is the registered owner of a 33-hectare raw land⁶ located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Cavite/Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one hectare of this property was expropriated as discussed in the succeeding Item 3.

Savya purchased two lots in Arca South located in Barangay West Bicutan, Taguig City. These are expected to be turned over by the seller on January 2018.

ALCO also has in its portfolio 8.5 hectares in Laurel, Batangas and 1.9 hectares in Tagaytay, but the plans for which have yet to be determined at this time.

Operating Lease Commitments as Lessee

ALCO is a lessee under non-cancellable operating leases covering office space with a term of three years and three months subject to renewal options and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

⁵ This property has FAR 15.4 and gross floor area of 34,380m². In 2016, the company adopted the fair value model of accounting for investment properties restating this property from cost to fair value at ₱1.60 billion.

⁶ This property is presented in 2016 at fair value amounting to ₱398.10MM.

	2016	2015	2014
Within one (1) year	P 16,140,214	P 9,255,935	P19,683,565
After one (1) year but not more than five years	18,600,665	29,784,662	9,379,641
	P34,740,879	P39,040,597	P29,063,206

The total rental expense recognized from these operating leases amounted to P10.40MM, P10.50MM and P19.70MM in 2016, 2015 and 2014, respectively⁷.

Operating Lease Commitments as Lessor

ALCO was the lessor under cancellable operating lease with Ayala Property Management Corporation covering the property on ACPT now stands. It was used as parking space. The lease ended in July 2014.

In 2016, MPI entered into various lease agreements for its retail units in The Plaza at Arya Residences with terms ranging from two to five years. The agreements also provide for various escalation rates for the duration of the lease. Accrued rent receivables amounted to P8.10MM as at 31 December 2016 and nil for 2015 and 2014.

ITEM 3. Legal Proceedings

As of the date of this Report, with the exception of the following cases, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective businesses:

1. Termination of Trust Account

ALCO filed a claim before the Regional Trial Court of Makati City, Branch 149 in relation to the petition for liquidation of Export and Industry Bank represented by the Philippine Deposit Insurance Corporation (PDIC). ALCO maintained a Trust Account with the bank prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three transfer certificates of title which had been placed in the custody of the bank's Trust Department. ALCO does not have any interest in the remaining assets of the bank to be liquidated, but it was constrained to make this claim before the liquidation court given that PDIC has not acted on the matter to date.

2. Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property described in previous paragraphs. Trial is on-going.

⁷ This is discussed in Note 18 of ALCO's Audited Financial Statements for the period covered by this Report.

3. Expropriation

A portion of UPHI's property with an area of about one (1) hectare is the subject of an expropriation proceeding filed by the National Power Corporation (NAPOCOR) before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower on said portion to form part of the Tayabas-Dasmarinas Line Project.

The potential effect of the foregoing cases on the financial statements of ALCO and its subsidiaries cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

ITEM 4. Submission of Matters to a Vote of Security Holders

In addition to the election of the members of the Board of Directors for the year 2016-2017 to hold office as such and until their respective successors are duly nominated, elected and qualified, the increase of ALCO's authorized capital stock was submitted to a vote of its stockholders during the Annual Stockholders' Meeting held on 24 June 2016.

A Special Stockholders' Meeting was convened on 07 September 2016 in order to clarify that the increase in ALCO's capital stock is only to the extent of ₱50,000,000.00 with the creation of 50,000,000 redeemable, non-voting and non-participating Preferred shares with a par value of ₱1.00 per share.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

Only the Common shares and the Preferred shares Series B of ALCO are traded in the Philippine Stock Exchange.

The following are the highlights of quarterly trading:

Quarter	2017			2016			2015		
	High	Low	Close	High	Low	Close	High	Low	Close
1	1.28	1.24	1.24	0.25	0.23	0.23	0.31	0.24	0.24
2	- 0 -	- 0 -	- 0 -	0.295	0.29	0.29	0.23	0.22	0.23
3	- 0 -	- 0 -	- 0 -	0.275	0.265	0.265	0.25	0.22	0.25
4	- 0 -	- 0 -	- 0 -	0.43	0.40	0.40	0.21	0.21	0.21

b. Security Holders

The total shares issued and outstanding are as follows:

Common	-	5,318,095,199
Preferred Series A	-	12,500,000
Preferred Series B	-	20,000,000.

As of 31 December 2016, the number of shareholders of record is as follows:

Common	-	2,013
Preferred Series A	-	1
Preferred Series B	-	2.

ALCO's public ownership percentage as of said period is 25.864%.

Article Seventh of ALCO's Articles of Incorporation provides that ALCO's shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times as the Board of Directors may determine. However, the Preferred shares shall be redeemable and have such features as the Board of Directors may prescribe, provided that, in no case shall such Preferred shares be voting or participating. Article Tenth further provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders of Common shares as of 31 December 2016 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,142,619,910	40.289
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	862,286,340	16.214
4. Edimax Investment Limited	296,460,000	5.575
5. Viplus Investment Limited	247,899,874	4.661
6. Elite Holdings, Inc.	119,809,996	2.253
7. Kinstar Investment Limited	94,720,035	1.781
8. Tina Keng	25,000,000	0.470
9. Rosario Bartolome	15,231,750	0.286
10. EQL Properties, Inc.	14,671,125	0.276
11. PCD Nominee Corporation – Non-Filipino	11,840,456	0.223
12. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
13. RBL Fishing Corporation	4,350,000	0.082
14. Veronica D. Reyes	3,799,272	0.071
15. Aurelio Paulo R. Bartolome	2,922,500	0.055
16. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
17. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
18. Carlos Sunico Rufino	2,175,000	0.041
19. Anito Tan and/or Lita Tan	2,027,049	0.038
20. Lourdes D. Dizon	1,740,000	0.033
TOTAL	5,241,277,106	98.555

ALCO's top stockholders of Preferred shares Series B as of 31 December 2016 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,911,000	99.555
2. PCD Nominee Corporation – Non-Filipino	89,000	0.445
TOTAL	20,000,000	100.000

The sole shareholder of the Preferred shares Series A is MPI, a wholly-owned

subsidiary of ALCO.

c. Dividends

No cash dividends were declared in 2016 although ALCO declared cash dividends in previous years, as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
28 June 2013	26 July 2013	22 August 2013	P0.012/common share
10 March 2014	28 March 2014	22 April 2014	P0.036/common share
09 March 2015	23 March 2015	08 April 2015	P0.012/common share

On 08 February 2017, ALCO declared cash dividends to holders of Preferred shares Series B with record date of 24 February 2017 in the amount of P1.76145 per Preferred share, which were paid out on 06 March 2017.

On 28 February 2017, ALCO also declared cash dividends to Common stockholders of record as of 14 March 2017 in the amount of P0.012 per Common share which were paid out on 07 April 2017.

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall always be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

“Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.

“Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

“Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors.”

d. Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt shares of ALCO.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

FINANCIAL POSITION

31 December 2016 vs. 31 December 2015

	<u>31 Dec 2016</u>	<u>31 Dec 2015</u> <i>As Restated</i>	<u>Change</u>
Cash and cash equivalents	990,742,203	604,613,767	64%
Financial assets at fair value through profit or loss (FVPL)	2,050,075,279	732,635,225	180%
Trade and other receivables	301,089,586	1,831,115,193	-84%
Real estate for sale	1,722,192,699	1,558,711,101	10%
Creditable withholding taxes (CWT)	243,216,792	214,119,974	14%
Investment properties	4,534,143,705	2,005,226,322	126%
Property and equipment	20,071,668	17,202,058	17%
Deferred tax assets	15,282,811	32,010	47644%
Other assets	184,828,088	190,629,078	-3%
Total Assets	10,061,642,831	7,154,284,728	41%
Loans payable	3,111,038,703	3,091,768,912	1%
Accounts payable and other liabilities	899,207,291	1,377,927,383	-35%
Due to a related party	249,789,836	-	100%
Retirement liability	47,244,365	40,801,518	16%
Net deferred tax liabilities	644,775,602	352,484,029	83%
Total Liabilities	4,952,055,797	4,862,981,842	2%
Capital stock	989,757,136	957,257,136	3%
Additional paid-in capital	2,031,441,541	75,000,000	2609%
Retained earnings	2,098,281,063	1,258,055,239	67%
Cumulative re-measurement gains on retirement liability – net of tax	3,022,025	990,511	-205%
Parent Company's shares held by a subsidiary	(12,500,000)	-	100%
Total equity attributable to the Parent Company	5,110,001,765	2,291,302,886	123%
Non-controlling interest	(414,731)	-	100%
Total Equity	5,109,587,034	2,291,302,886	123%
Total Liabilities And Equity	10,061,642,831	7,154,284,728	41%

ALCO's total resources as of 31 December 2016 was at P10.06 billion, or about 41% higher than the 31 December 2015 level of P7.15 billion due to the following:

64% Increase in Cash and Cash Equivalents

The increase can be attributed to the collection of the prior year's receivables, shareholders' advances in CLLC, as well as down payments from sales of the few remaining unsold units in Arya Residences and from the pre-selling of some units of Cebu Exchange, most of which were invested in short term placements.

180% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The significant increase is mainly brought about by proceeds from the Parent

Company's P2.0 billion Series B Preferred shares issuance in December 2016, which are invested in money market placements pending actual use.

84% Decrease in Trade and Other Receivables

The decrease can be largely attributed to the 2015 trade receivable balances which had matured and were collected in 2016 as well as the application of previous advances to contractors against their 2016 progress billings.

10% Increase in Real Estate for Sale

The increase is basically accounted for by the additional investments made and paid by ALCO during the year for its other ongoing projects.

14% Increase in Creditable Withholding Taxes

The additional creditable withholding taxes were attributable to the collections of receivables both from prior and current years' sales of Arya Residences units.

126% Increase in Investment Properties

The significant increase was brought about by the adoption of fair value accounting for the Group's investment properties which included restatement prior years' balances.

17% Increase in Property and Equipment

The increase is basically due to the acquisition of new office machinery, furniture and fixtures, and transportation equipment.

47644% Increase in Deferred Tax Assets

This refers to the net operating loss of a subsidiary for the previous and current years which were recognized in full as NOLCO in 2016.

35% Decrease in Accounts Payable and Other Liabilities

The decrease is accounted for by payments made to the different contractors and suppliers of the Group, among others.

100% Increase in Due to a Related Party

The increase is due to the advances made by a shareholder to CLLC as previously mentioned in the discussion for Cash and Cash equivalent.

16% Increase in Retirement Liability

The increase is due to additional provisions for the year to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

83% Increase in Net Deferred Tax Liabilities

The increment is attributable to this year's gain on change in fair value of investment properties.

2609% Increase in Additional paid-in capital

This is largely accounted for by the additional or over par payments made by subscribers to the Series B Preferred shares issuance last December 2016.

67% Increase in Retained Earnings

The consolidated net income of the Group for the year contributed to the increase in this year's reported retained earnings.

205% Increase in Cumulative Re-measurement Gains on Retirement Liability - net of tax

The difference represents year-end adjustments on cumulative re-measurement gains on ALCO's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

100% Increase in Parent Company's Shares Held by a Subsidiary

This represents a subsidiary's subscription to the Series A Preferred shares issued by the Parent company in 2016.

100% Increase in Non-controlling Interest

This represents the 40% share of a third party shareholder in CLLC's net equity for 2016.

FINANCIAL POSITION

31 December 2015 vs. 31 December 2014

	31 Dec 2015	31 Dec 2014	Change
Cash and cash equivalents	604,613,082	834,733,453	-28%
Financial assets at fair value through profit or loss (FVPL)	732,635,225	272,072,660	169%
Trade and other receivables	1,831,115,193	1,946,089,269	-6%
Real estate for sale	1,550,936,177	713,026,538	118%
Investment properties	1,391,323,861	1,367,498,286	2%
Property and equipment	17,202,058	28,597,607	-40%
Net deferred tax assets	12,382,953	11,839,572	5%
Other assets	403,208,031	372,057,900	8%
Total Assets	6,543,416,580	5,545,915,285	18%
Loans payable	3,091,768,912	2,765,827,162	12%
Accounts payable and other liabilities	1,368,361,438	880,784,527	55%
Retirement liability	40,801,518	33,672,130	21%
Net deferred tax liabilities	180,664,234	167,026,381	8%
Total Liabilities	4,681,596,102	3,847,310,200	22%
Capital stock	957,257,136	955,107,136	0%
Additional paid-in capital	75,000,000	75,000,000	0%
Retained earnings	828,572,831	668,555,690	24%
Accumulated unrealized actuarial gains (losses)	990,511	(57,741)	1815%
Total Equity	1,861,820,478	1,698,605,085	10%
Total Liabilities And Equity	6,543,416,580	5,545,915,285	18%

ALCO's total resources as of 31 December 2015 was at P6.50 billion, or about 18% higher than the 31 December 2014 level of P5.50 billion due to the following:

28% Decrease in Cash and Cash Equivalents

The decrease was due to temporary placements of excess cash in higher yielding bank deposits, presented in the financial statements as Financial assets at fair value through profit or loss (FVPL).

169% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The increase was due to additional short-term placement of excess cash.

6% Decrease Trade and Other Receivables

The decrease was due to collection of maturing accounts.

118% Increase in Real Estate for Sale

The significant increase was mainly due to the acquisition cost of a land in Cebu City.

40% Decrease in Property and Equipment

The decrease was mainly due to the full depreciation of the Arya Residences Sales Pavilion in 2015.

8% Increase in Other Assets

The increase is primarily due to additional creditable withholding taxes and investments in long-term time deposits with certain local banks.

12% Increase in Loans Payable

The increase was mainly due to a loan obtained to partially fund the construction of ArthaLand Century Pacific Tower.

55% Increase in Accounts Payable and Other Liabilities

The significant increase represents remaining payable to the landowner of the Cebu real property acquired during the year.

21% Increase in Retirement Liability

The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

8% Increase in Net deferred Tax Liabilities

The change was mainly due from increase in Other Income.

24% Increase in Retained Earnings

The increase was due to the Net income for the year.

1815% Increase in Accumulated Unrealized Actuarial Gains

This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

FINANCIAL POSITION

31 December 2014 vs. 31 December 2013

	<u>31 Dec 2014</u>	<u>31 Dec 2013</u>	<u>Change</u>
Cash and cash equivalents	834,733,453	574,608,266	45%

Financial assets at fair value through profit or loss (FVPL)	272,072,660	-	100%
Trade and other receivables	1,946,089,269	1,416,114,777	37%
Real estate for sale	713,026,538	1,388,489,169	-49%
Investment properties	1,367,498,286	681,139,343	101%
Property and equipment	28,597,607	45,536,253	-37%
Net deferred tax assets	1,627,446	43,739,108	-96%
Other assets	372,057,900	204,693,708	82%
Total Assets	5,535,703,159	4,354,320,624	27%
Loans payable	2,765,827,162	1,769,861,911	56%
Accounts payable and other liabilities	880,784,527	997,255,035	-12%
Retirement liability	33,672,130	23,532,523	43%
Net deferred tax liabilities	156,814,255	-	100%
Total Liabilities	3,837,098,074	2,790,649,469	37%
Capital stock	955,107,136	850,786,496	12%
Additional paid-in capital	75,000,000	54,575,400	37%
Retained earnings	668,555,690	656,252,442	2%
Accumulated unrealized actuarial gains	(57,741)	2,056,817	-103%
Total Equity	1,698,605,085	1,563,671,155	9%
Total Liabilities And Equity	5,535,703,159	4,354,320,624	27%

ALCO's total resources as of 31 December 2014 was at P5.50 billion, or about 27% higher than the 31 December 2013 level of P4.40 billion due to the following:

45% Increase in Cash and Cash Equivalents

The increase is mainly due to collections of lump sum balances from matured accounts and from financing activities.

100% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The increase is mainly due to short term investments made under trust products of a local bank.

37% Increase Trade and Other Receivables

The increase is due to additional sales take-up for Arya Residences Tower 2 and higher completion rate of construction in 2014.

49% Decrease in Real Estate for Sale

The decrease is attributable to amount charged to cost of sales during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified as investment properties.

101% Increase in Investment Properties

The increase is due to additional development costs for ArthaLand Century Pacific Tower incurred during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified from real estate for sale.

37% Decrease in Property and Equipment

The decrease is due to regular provisions for depreciation.

96% Decrease in Net Deferred Tax Assets

The decrease is due to partial application of deferred tax assets against the current year's tax liability.

82% Increase in Other Assets

The increase is primarily due to additional creditable withholding taxes and input taxes, and investments in long-term time deposits with certain local banks.

56% Increase in Loans Payable

The increase is due to financing activities during the year.

12% Decrease in Accounts Payable and Other Liabilities

The decrease is mainly due to reduced balance of payable to buyers as a result of the same being recognized as revenue during the year.

43% Increase in Retirement Liability

The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

100% Increase in Net Deferred Tax Liabilities

The increase is due to excess of financial over taxable gross profit on sale of real estate.

12% Increase in Capital Stock

The increase is due to collections of outstanding subscription receivables from various stockholders.

37% Increase in Additional Paid-in Capital

The increase is due to collections of outstanding subscription receivables from various stockholders.

103% Decrease in Accumulated Unrealized Actuarial Gains

This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

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RESULTS OF OPERATIONS

31 December 2016 vs. 31 December 2015

	<u>31 Dec 2016</u>	<u>31 Dec 2015</u> <u>As Restated</u>	<u>Change</u>
Revenues	451,075,061	1,587,578,861	-72%
Cost of sales and services	393,674,538	1,043,700,643	-62%
Gross income	57,400,523	543,878,218	-89%
Administrative expenses	298,360,928	244,806,979	22%
Selling and marketing expenses	66,767,530	69,323,793	-4%

Operating expenses	365,128,458	314,130,772	16%
Income (loss) from operations	(307,727,935)	229,747,446	-234%
Gain on change in fair value of investment properties	1,417,865,206	33,495,000	4133%
Finance costs	(80,348,345)	(40,566,579)	98%
Other income - Net	147,643,198	122,372,763	21%
Income before income tax	1,177,432,124	345,048,630	241%
Income tax expense	355,015,749	98,017,162	262%
Net income	822,416,375	247,031,468	233%
Other comprehensive income			
Change in actuarial gain - Net of tax	2,031,514	1,048,252	94%
Total comprehensive income	824,447,889	248,079,720	232%

Results of Operations for the year ended 31 December 2016 compared to the year ended 31 December 2015.

72% Decrease in Revenue

Lesser revenue was recognized inasmuch as there were very few remaining units left for sale in 2016 as compared to the previous year.

62% Decrease in Cost of Sales and Services

The decrease in cost of sales is directly related to the decrease in revenues mentioned in the foregoing.

22% Increase in Administrative Expenses

The increase is basically attributable to documentation and other expenses incurred during the year in relation to the turnover and titling of fully paid units in Arya Residences Towers 1 and 2.

4133% Increase in Gain on Change in Fair Value of Investment Properties

The significant increase is due to the Group's adoption of fair value model of accounting for investment properties which also resulted in the restatement of prior years' reports.

98% Increase in Finance Costs

The increase is due to amortization of "Day 1" gain on loan discounting.

21% Increase in Other Income – Net

The increase is largely accounted for by income from forfeited collections.

262% Increase in Income Tax Expense

The substantial increase is attributable to the tax effect of gain on change in fair value of investment properties.

94% Increase in Change in Actuarial Gain – Net of tax

This is a result of year-end adjustment to comply with the requirements of PAS 19 based on the latest actuarial valuation report.

RESULTS OF OPERATIONS

31 December 2015 vs. 31 December 2014

	31 Dec 2015	31 Dec 2014	Change
Revenue from real estate sales	1,584,016,397	2,053,012,855	-23%
Cost of real estate sold	1,043,700,643	1,216,469,030	-14%
Gross income	540,315,754	836,543,825	-35%
Administrative expenses	244,556,979	289,460,170	-16%
Selling and marketing expenses	69,323,793	76,377,533	-9%
Operating expenses	313,880,772	365,837,703	-14%
Income from operations	226,434,982	470,706,122	-52%
Finance costs	-40,566,579	-75,914,834	-47%
Other income - Net	125,934,371	24,068,982	423%
Income before income tax	311,802,774	418,860,270	-26%
Income tax expense	87,968,491	215,105,595	-59%
Net income	223,834,283	203,754,675	10%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	1,048,252	-2,114,558	150%
Total comprehensive income	224,882,535	201,640,117	12%

Results of Operations for the year ended 31 December 2015 compared to the year ended 31 December 2014.

23% Decrease in Revenue from Real Estate Sales

Balance for 2015 represents the remaining unrecognized revenues from Arya Residences. Substantial portions of sales from the said project were already recognized in prior years.

14% Decrease in Cost of Real Estate Sold

The resulting cost of real estate sold recognized for the current year applies to said remaining unrecognized revenues.

16% Decrease in Administrative Expenses

The decline in administrative expenses was mainly due to lower business taxes and decreased rental, depreciation and utility expenses caused by the retirement of the Arya Residences Sales Pavilion.

9% Decrease in Selling and Marketing Expenses

The decrease was mainly attributable to lower commission expenses during the year.

47% Decrease in Finance Costs

Lower interest expense was due to decreased bank loan balance in 2015 as compared with the previous year.

423% Increase in Other Income – Net

The other income for the current year includes a one-time gain resulting from the accounting treatment requiring a discounting of a non-interest bearing loan.

59% Decrease in Income Tax Expense

The decrease was due to lower financial tax base for the year as compared to 2014.

150% Increase in Change in Actuarial Gain (loss) - Net of tax

This is a result of year-end adjustment to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

RESULTS OF OPERATIONS

31 December 2014 vs. 31 December 2013

	31 Dec 2014	31 Dec 2013	Change
Revenue from real estate sales	2,053,012,855	2,332,118,302	-12%
Cost of real estate sold	1,216,469,030	1,540,944,867	-21%
Gross income	836,543,825	791,173,435	6%
Administrative expenses	289,460,170	236,860,488	22%
Selling and marketing expenses	76,377,533	131,746,565	-42%
Operating expenses	365,837,703	368,607,053	-1%
Income (loss) from operations	470,706,122	422,566,382	11%
Finance costs	-75,914,834	-78,299,685	-3%
Other income - Net	24,068,982	18,342,033	31%
Income (loss) before income tax	418,860,270	362,608,730	16%
Income tax expense (benefit)	215,105,595	79,588,871	170%
Net income	203,754,675	283,019,859	-28%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	-2,114,558	-1,390,319	52%
Total comprehensive income	201,640,117	281,629,540	-28%

Results of Operations for the year ended 31 December 2014 compared to the year ended 31 December 2013.

12% Decrease in Revenue from Real Estate Sales

The high revenue for 2013 was attributable to Arya Residences Towers 1 and 2 sales and construction accomplishment. In 2014, revenues come mainly from Tower 2 since Tower 1 revenues had been substantially recognized in 2013 and prior years.

21% Decrease in Cost of Real Estate Sold

The cost of Real Estate Sold decreased with the realized revenue for the period.

22% Increase in Administrative Expenses

The increase was mainly due to expenses related to transfer of Condominium Certificates of Title under buyers' name for Arya Residences Tower 1.

42% Decrease in Selling and Marketing Expenses

The decrease was attributable to reduced marketing and selling activities during the year.

31% Increase in Other Income – Net

The increase was mainly due to interests earned from temporary placements with local commercial banks.

170% Increase in Income Tax Expense (Benefit)

The increase is due to higher financial tax base for the year compared with statutory tax base.

52% Increase in Change in Actuarial Gain (Loss) – Net of Tax

This is a result of year-end adjustments to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

FINANCIAL RATIO

	December 2016	December 2015	December 2014
Current/Liquidity Ratio (Current Assets over Current Liabilities)	3.08:1	3.27:1	2.17:1
Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	0.17:1	0.05:1	0.06:1
Debt-to-equity Ratio (Total debt to total equity)	0.97:1	2.12:1	1.91:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	0.31:1	1.03:1	1.31:1
Asset-to-equity Ratio (Total assets over total equity)	1.97:1	3.12:1	2.91:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	15.65:1	9.51:1	6.52:1
Profitability Ratio (Net income over total equity)	0.16:1	0.11:1	0.10:1

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

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures as of the period covered by this Report.

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

There is no foreseen event that will cause a material change in the relationship between costs and revenues.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2016

were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	PHINMA Plaza, 39 Plaza Drive Rockwell Center 1200 Makati City
Certifying Partner	:	Ms. Carolina P. Angeles
C.P.A. Reg. No.	:	86981
TIN No.	:	205-067-976-000
PTR No.	:	5908528 issued on 03 January 2017 at Makati City
SEC Accreditation No.	:	Partner – No. 0658-AR-2 Group A (Valid until 14 April 2017)
BIR Accreditation No.	:	08-005144-007-2017 (Valid until 3 January 2020)

ALCO's consolidated financial statements for the period ended as of 31 December 2016 is incorporated herein by reference and hereto attached.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Reyes Tacandong & Co. (RT&Co) was first appointed as ALCO's external auditor in 2012 and remains such to date. ALCO has not had any disagreement with its external auditor.

Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged on the experience level of the professional staff members who will be assigned to work on the engagement and generally, on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The audit fees of RT&Co insofar as ALCO is concerned are as follows:

2012	-	₱500,000.00
2013	-	₱550,000.00
2014	-	₱750,000.00
2015	-	₱750,000.00
2016	-	₱950,000.00

RT&Co rendered services to ALCO's subsidiaries with the exception of CLLC⁸ and Savya⁹, and its audit fees are as follows:

⁸ The external auditor of CLLC is PricewaterhouseCooper. Its fees for 2016 amounts to ₱300,000.00, net of VAT. RT&Co was the external auditor of CLLC in 2015 and its fees amounted to ₱90,000.00, net of VAT.

⁹ Savya was incorporated in 2017.

	2016	2015	2014
Cazneau Inc.	₱100,000.00	₱80,000.00	₱75,000.00
Emera Property Management, Inc.	₱110,000.00	₱90,000.00	₱90,000.00
Manchesterland Properties, Inc.	₱270,000.00	₱180,000.00	₱180,000.00
Urban Property Holdings, Inc.	₱90,000.00	₱80,000.00	₱75,000.00
Zileya Land Development Corporation	₱80,000.00	₱80,000.00	₱75,000.00

RT&Co did not charge ALCO for non-audit work for the years 2012, 2013, 2014 and 2015. In 2016, however, RT&Co charged ALCO for non-audit work in the amount of ₱1.50MM in relation to the public offering of ALCO's Preferred Series B shares.

The foregoing fees are all exclusive of VAT.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

<u>Name of Director</u>	<u>Directorship</u>	<u>Date of First Appointment</u>	<u>Age</u>
Ernest K. Cuyegkeng	Regular	21 May 2007	71
Jaime C. Gonzalez	Regular	21 May 2007	71
Jaime Enrique Y. Gonzalez	Regular	24 June 2011	40
Christopher Paulus Nicolas T. Po	Regular	24 June 2011	46
Leonardo Arthur T. Po	Regular	01 August 2016 ¹⁰	40
Ricardo Gabriel T. Po	Regular	28 March 2012	49
Emmanuel A. Rapadas	Independent	24 June 2016	57
Andres B. Sta. Maria	Independent	24 June 2016	68

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Prople, Cirrus Global, KSA Realty, iPeople, TO Insurance, Sumifru Singapore and Sumifru Philippines. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Jaime C. González, Filipino, presently ALCO's Vice Chairman and President, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, with degrees in B.A. Economics (*cum laude*) and B.S. Commerce (*cum laude*). Mr. González led the transition of ALCO in 2008 and started the vision of

¹⁰ Mr. Leonardo Po was elected to the Board upon resignation of Mr. Ricardo S. Po, Sr., who was elected during the Annual Stockholders' Meeting on 24 June 2016.

what the company is now. He is also the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies and is the Chairman of IP E-games Ventures, Inc. which is listed in the Philippine Stock Exchange and is involved in information technology and new media, retail/food and beverage, natural resources, and real estate and resort development. Apart from these, Mr. Gonzalez is active in socio-cultural organizations such as the Philippine Map Collectors Society where he is the president, the World Presidents' Organization Philippine Chapter, Harvard Club New York Chapter, Philippine Institute of Certified Public Accountants, and the International Wine and Food Society. He was previously an independent director of Euromoney Institutional Investment PLC (a UK publicly listed media company) and the Southeast Asia Cement Holdings, Inc. (A subsidiary of Lafarge S.A.). He was the Vice Chairman and President of the Philippine International Trading Corporation and at one time, a special trade negotiator of the country's Ministry of Trade. Mr. Gonzalez was once a partner in SGV & Company with principal focus on assisting clients in establishing or setting up joint venture projects throughout the region.

Jaime Enrique Y. Gonzalez, Filipino, is the founder and currently the CEO of IP Ventures, Inc., a leading venture group that owns businesses that represent large retail brands such as Highlands Coffee, NBA Retail and Western Union. He is also the founder of IPVG Corp., E-games, and IP-Converge, Inc., which all listed on the Philippine Stock Exchange. He is a partner in the Kaikaku Fund (a Softbak-led fund), a venture capital focused on SE Asia, and a shareholder and director of Retail Specialist Inc., the exclusive retailer of Naturalizer and Florsheim brands in the Philippines. Enrique was IT Executive of the Year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year in 2011. He is also part of the Young Presidents Organization and sits on the Board of Trustees of Asia Society Philippines. He continues to hold the record of being the youngest person to have listed a company on the Philippine Stock Exchange at 27 years old. He has structured profitable exits such as PCCW Teleservices (sold to PCCW of Hong Kong), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US\$ 300.0MM), and Level-up Games (sold to Asiasoft). Enrique is a columnist for Philippine Star covering entrepreneurship and business under Business Life section. He is an active evangelist for attracting foreign capital and partners into the Philippines, and has joined state visits under President Gloria Arroyo and most recently President Duterte's state visit to China. He was instrumental in bringing in China Railway Engineering Corp (CREC), a Fortune 100 company, and Tianjin SULI cable (a Fortune 500 company) into the Philippines. Enrique went to Middlebury College, Asian Institute of Management and Harvard Business School. He is a Kauffman Fellow and part of the Class 21 Batch.

Christopher Paulus Nicolas T. Po, Filipino, is the Chairman and Chief Executive Officer of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF. He is also the Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business trading under the symbol PIZZA. Prior to this, he was Managing Director for Guggenheim Partners. He graduated from Wharton School and the College of Engineering of the University of Pennsylvania with dual degrees in Economics (Finance Concentration) and Applied Science (Systems Engineering), respectively. He holds a Masters degree in Business

Administration from the Harvard University Graduate School of Business Administration.

Leonardo Arthur T. Po, Filipino, is concurrently Executive Vice President¹¹ and Treasurer of ALCO. He is likewise the Treasurer and Director of Century Pacific Food, Inc. and Shakey's Pizza Ventures, Inc. He graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business development experience in the consumer marketing, finance and operations of fast moving consumer goods, food service, quick-serve restaurants, and real estate development.

Ricardo Gabriel T. Po, Filipino, is currently one of the Vice Chairmen and a Director of Century Pacific Food, Inc., and the Vice Chairman and Director of Shakey's Pizza Asia Ventures, Inc. He graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Ricardo was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

Emmanuel A. Rapadas is presently the Chief Financial Officer of Torre Lorenzo Development Corporation. He graduated *cum laude* from the University of the East with a Bachelor of Science degree in Accounting and holds a Masters in Business Administration from the Ateneo de Manila University. He has had training from Singapore Institute of Management (Job of the Chief Executive), the University of Asia and the Pacific (Strategic Business Economic Program) and the Institute of Corporate Directors (Independent Directors Certification Program). Prior to joining Torre Lorenzo, Mr. Rapadas was the CFO & Treasurer of Ortigas & Company from 2001 to 2014.

Andres B. Sta. Maria, Filipino, is an attorney with his own practice, focused on commercial and corporation law. He was a Senior Partner of the law firm SyCip Salazar Hernandez & Gatmaitan and a member of its Executive Committee, and headed the firm's Special Projects Group. He studied at the University of the Philippines, Cornell University, and New York University and holds Bachelor of Science in Business Administration, Bachelor of Laws, and Master of Laws degrees.

Term of Office

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO.

There are only eight (8) directors at present with the retirement of Ms. Angela de Villa Lacson on 28 February 2017. The seat vacated will be filled at the Annual Stockholders' Meeting on 30 June 2017.

¹¹ The appointment of Mr. Po was made 28 February 2017.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the incumbent principal corporate officers of ALCO:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman	Ricardo Gabriel T. Po
Vice Chairman and President	Jaime C. Gonzalez
Executive Vice President and Treasurer	Leonardo Arthur T. Po
Corporate Secretary and General Counsel	Atty. Riva Khristine V. Maala

Riva Khristine V. Maala, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before working in the banking industry for eleven years. Atty. Maala became ALCO's Head of Legal Affairs and Investor Relations on 01 October 2012 and likewise acted as its Assistant Corporate Secretary and Corporate Information Officer until 08 February 2017 when she was appointed as Corporate Secretary and General Counsel. In addition, she now performs the responsibilities of ALCO's Compliance Officer.

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who make a significant contribution to its business:

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in twenty-five (25) years of experience in corporate finance, investment banking and business development. She has over ten (10) years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new business and projects. She handled the business development of One Rockwell, the land acquisition of The Grove and the joint venture on the Rockwell Business Center.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over 35 years of professional experience in architectural and project management practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and worked on Edades Towers, The Grove, One Rockwell, Joya and the

Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas Architects. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower Ayala and Salcedo Park Towers Makati.

Ferdinand A. Constantino, Filipino, is the Chief Finance Officer. He is a Certified Public Accountant and a licensed Real Estate Broker. He obtained his degree in Accountancy from the Polytechnic University of the Philippines in 1982. His work experience includes being the Corporate Comptroller/Tax Manager of Century Canning Corporation (1995-2006), GM/Business Unit Head of CPGC Logistics Philippines, Inc. (2006-2013), and Finance Director of Century Pacific Food, Inc.

Sheryll P. Verano, Filipino, is the Head of Strategic Funding and Investments. She is a finance professional with 16 years experience in financial advisory, debt and equity capital raising, debt restructuring and mergers and acquisitions. Prior to joining ALCO, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated *cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ALCO, he was the Property Manager of Ayala Property Management Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO not only for its flagship project, Arya Residences, but for all its development projects.

d. Family Relationship

With the exception of brothers Ricardo Gabriel T. Po, Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, and father and son Jaime C. Gonzalez and Jaime Enrique Y. Gonzalez, the above-mentioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law."

Beginning June 2016, the per diem given to each director for each meeting of the Board (special or regular) attended was increased to ₱75,000.00 for independent directors and ₱10,000.00 for regular directors, except for the Chairman of the Board who receives ₱100,000.00.

Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

The current members of ALCO's various committees are:

Audit Committee	Emmanuel A. Rapadas, Chairman Ricardo Gabriel T. Po Andres B. Sta. Maria
Stock Option and Compensation Committee ¹²	Jaime C. Gonzalez, Chairman Emmanuel A. Rapadas
Nomination Committee	Jaime C. Gonzalez, Chairman Ricardo Gabriel T. Po Andres B. Sta. Maria
Executive Committee ¹³	Ernest K. Cuyegkeng, Chairman Jaime C. Gonzalez, Vice Chairman Ricardo Gabriel T. Po, Vice Chairman Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po Leonardo Arthur T. Po Ferdinand A. Constantino

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx"

¹² The third member was Ms. Angela de Villa Lacson who retired on 28 February 2017. The vacancy will be filled at the next organizational meeting of the Board.

¹³ The By-laws provides that the Executive Committee shall be composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board of Directors.

2015

	<u>Salary</u> ¹⁴	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱42.041M	₱2.85M	None
Officers (As a group unnamed)	₱12.465M	₱1.09M	None

2016

	<u>Salary</u> ¹⁵	<u>Bonus</u>	<u>Others</u>
Directors and Executives ¹⁶	₱57.49M	₱5.91M	None
Officers (As a group unnamed)	₱14.81M	₱2.04M	None

Estimated Compensation for 2017 (Collective)

	<u>Salary</u> ¹⁷	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱56.72M	None ¹⁸	None
Officers (As a group unnamed)			

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates¹⁹.

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class

¹⁴ Rounded-off.

¹⁵ *Ibid.*

¹⁶ In addition to the President, the four (4) highest paid executive officers of ALCO in 2016 are the following:

- i. Treasurer
- ii. Chief Finance Officer
- iii. Head, Project and Business Development, and
- iv. Head, Technical Services.

¹⁷ Collective amount was rounded-off.

¹⁸ Whether bonuses will be given in 2017 is uncertain at this time.

¹⁹ ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

- (i) Within the first twelve (12) months from Grant Date - up to 33.33%
- (ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
- (iii) Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until October 2012 when the period within which they can do so expired. Whether options will be given in 2017 is uncertain at this time.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (as of 31 December 2016)

<i>Title of Class</i>	<i>Name and Address of Record Owners</i>	<i>Citizenship</i>	<i>Amount & Nature of Ownership</i>	<i>% of Class</i>
Common	CPG Holdings, Inc. 7/F The Centerpoint Building, Julia Vargas corner Garnet Street, Ortigas Center, Pasig City	Filipino	2,142,619,910 Direct	40.289
Common	AO Capital Holdings I, Inc. 25/F PhilAm Life Tower 8767 Paseo de Roxas, Salcedo Village, Makati City	Filipino	1,383,730,000 Direct	26.019
Common	Edimax Investment Limited British Virgin Islands	British	296,460,000 Direct	5.5746

PCD Nominee Corporation (Filipino) is the holder of 862,286,340 Common shares, or 16.214 % of the total issued and outstanding Common shares of ALCO.

ALCO is not aware of any voting trust agreements involving its shares.

(2) **Security Ownership of Management** (as of 31 December 2016)

There are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

<i>Title of Class</i> -----	<i>Name and Position of Record Owners</i> -----	<i>Citizenship</i> -----	<i>Amount & Nature of Ownership</i> -----	<i>% of Class</i> -----
Common	Ernest K. Cuyegkeng <i>Chairman of the Board</i> 1839 Santan Street, Dasmarinas Village, Makati City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Jaime C. Gonzalez <i>Vice Chairman and President</i> 50 McKinley Road, Forbes Park, Makati City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Jaime Enrique Y. Gonzalez <i>Director</i> 50 McKinley Road, Forbes Park, Makati City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Christopher Paulus Nicolas T. Po <i>Director</i> 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Leonardo Arthur T. Po <i>Executive Vice President and Treasurer</i> Unit 3803 Arya Residences Tower 1, Corner McKinley Parkway and Rizal Drive, BGC, Taguig City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	N.A.
Common	Ricardo Gabriel T. Po <i>Director/Vice Chairman</i> 1524 Carissa Street Dasmarinas Village, Makati City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Emmanuel A. Rapadas <i>Independent Director</i> 2 Colt Street Rancho Estate 1, Marikina City	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Andres B. Sta. Maria <i>Independent Director</i>	Filipino	1 <u>Direct and</u>	0.00 %

	40 Ilongot Street La Vista, Quezon City		<u>Beneficial Owner</u>	
None	Riva Khristine V. Maala <i>Assistant Corporate Secretary/Corporate Information Officer</i> 21 J. Paredes Street, BF Homes, Diliman Quezon City	Filipino	0	N.A.

		TOTAL	8 shares	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of its business, ALCO and its subsidiaries enter into intercompany transactions, primarily advances by ALCO to said subsidiary which are necessary to carry out the latter's respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO, its subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

Except for the above and related disclosures in this Report, specifically Item 1, paragraphs g and l, there are no other transactions (or series of similar transactions) with or involving any of ALCO's subsidiaries, affiliates or related companies in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Please see ALCO's Annual Corporate Governance Report, amended as of 31 March 2017, hereto attached and made an integral part hereof.

PART V – EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

- a. Supplementary Schedules with separate independent auditors' opinion are appended to the Audited Financial Statements hereto attached.
- b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in page 3 of this Report.
- c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2016.

Nothing follows.

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer in **Taguig City** on this 24th day of **April 2017**.

ARTHALAND CORPORATION

By:

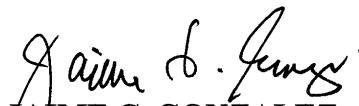


ERNEST K. CUYEGKENG

Chairman of the Board

Passport No. EC3327271

Issued on 31 January 2015 in Manila



JAIME C. GONZALEZ

Vice Chairman and President

Passport No. EB8872275

Issued on 07 August 2013 in Manila



FERDINAND A. CONSTANTINO

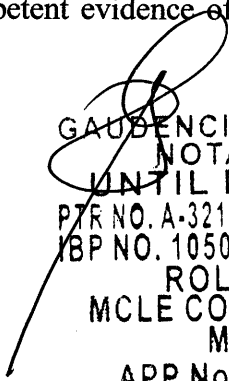
Chief Finance Officer

Passport No. EC5969532

Issued on 13 November 2015 in NCR South

SUBSCRIBED AND SWORN to before me this on this 24th day of **April 2017** at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

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Book No. 9
Series of 2017.



GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3217144/1-3-17 TAGUIG CITY
BP NO. 1050940/NOV. 8, 2016 RSM
ROLL NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.