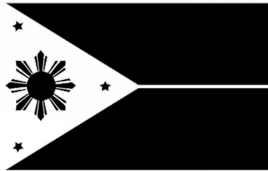




MANGGA
PROPERTIES



Condotel Investment in the Philippines

What You Need to Know





MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

Contents

Economic Performance	3
Economic Prospects	3
Business Outsourcing Growth.....	3
Tourism Continues to Rise Strongly.....	4
Property characteristics	5
Condo hotel Revenues Strong	5
Kingsford Hotel, Bayshore, Manila Bay.....	6
Financial Projections for a Queen Suite at the Kingsford Hotel	7
Megaworld Corporation Overview	8
Market Forecasts for Megaworld Corporation	9
Next Steps.....	9



MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

Economic Performance

The economy of the Philippines expanded by 6.1% in 2014, fuelled by sustained increases in private consumption, higher fixed investment, and recovery in exports. The pace of growth decelerated by almost 1 percentage point from the average of the previous 2 years, largely on a slowdown in government expenditure.

Private consumption generated more than 60% of the growth in gross domestic product (GDP) last year. Consumer spending grew by 5.4%, benefitting from a 2.8% rise in employment, modest inflation, and higher remittances from overseas Filipinos, which reached \$27.0 billion after climbing in 2014 by 6.3%, or by 10.9% in Philippine peso terms.

Economic Prospects

Strong GDP growth is projected for 2015 and 2016 based on buoyant private consumption, a solid outlook for investment and exports, and recovery in government expenditure. GDP is projected to increase by 6.4% in 2015 and 6.3% in 2016.

Factors that powered private consumption in 2014 - growth in employment, modest inflation, and higher inflows of remittances - are projected to continue through the forecast period. ⁽¹⁾

With Moody's and Fitch both indicating increasing confidence amongst the international credit rating agencies by moving the Philippines into a 'positive' outlook this will further bolster investor confidence.

Business Outsourcing Growth

The Philippines has emerged as a major global outsourcing hub, bigger than India in some sectors. A large population and availability of skilled English speaking talent have made the Philippines particularly popular with US companies and increasingly with UK companies. ⁽²⁾

Aside from the impressive pool of experienced and qualified professionals in the Philippines, some of the major advantages that makes it stand-out as a BPO location from the competition are:

- Low wage and telecom costs
- Specialists in application developments and legacy application maintenance
- Close cultural affinity to the UK
- Good command of the English language

The outsourcing (BPO) industry in the Philippines has become one of the pillars of its economy with a growth rate of 46% since 2006. In 2012, the BPO industry achieved a stellar growth of

¹ <http://www.adb.org/countries/philippines/economy>

² <http://www.noa.co.uk/>



MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

26%, with its generated export earnings reaching \$9B. In 2014 the BPO sector finally overtook the income from overseas foreign workers, this is an important milestone in this rapidly maturing economy. Over 1200 businesses currently outsource to Manila and the new business centre in Bonifacio Global City is expected to push Manila as the world's centre of outsourced business.

Tourism Continues to Rise Strongly

A record number of tourists visited the Philippines in 2014. Based on data released by the Department of Tourism (DOT), inbound visitors reached 4,833,368 last year or 3.25 percent higher than the 4,681,307 arrivals in 2013.

This year, the government is hoping to draw in six million arrivals and further to 10 million in 2016.

As expected, the month of December 2014 delivered the most number of arrivals at 487,654 or 7.73 percent more than in the same period in 2013. The month of January 2014 was the previous top performer in terms of arrivals with 461,383.

The DOT said total earnings last year from inbound tourism amounted to \$4.84 billion, 10 percent higher than the previous year's earnings of \$4.4 billion. In peso value, inbound revenues totaled P214.88 billion or 15 percent more compared to P186.15 billion in 2013. The month of December also recorded the highest visitor receipts at \$597.76 million.

Visitors from Korea were the biggest contribution with P61.02 billion, accounting for 33 percent share of inbound receipts. The US market followed with P41.43 billion constituting a 22 percent share; Australia (P13.94 billion); and Japan (P10.68 billion). Canadian visitors spent P8.48 billion overtaking China, which was the fifth biggest revenue source in 2013.

Last year, average daily expenditure (ADE) of international visitors was recorded at \$103.55, which is 2.4 percent higher compared to the previous year ADE of \$ 101.12. In peso terms, ADE grew 7.11 percent from P4,292.16 in 2013 to P4,597.12 last year. Again, December was the highest at \$96.36 (P4,306.12).

Visitors from the Asian region constituted the biggest market for the Philippines during the year with 2.83 million for a share of 59 percent of total arrivals. Americas followed with 875,200 for a market share of 18 percent; Europe at 10 percent, Australasia/Pacific (six percent) and overseas Filipinos (four percent).

Korea kept its position as the leading source market with 1,175,472 visitors for a 24.32 percent share to total inbound traffic, higher by 0.83 percent from its arrivals of 1,165,789 in 2013. The US market remained the second largest source with 722,750 arrivals for a 14.95-percent market share. In fact, US visitors posted the highest growth at 7.14 percent among the top five markets.

Japan ranked third with 463,744 visitors, constituting 9.59 percent of the total visitor volume. This market posted an increase of 6.93 percent versus its year ago arrivals of 433,705. Arrivals



MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

from China declined 7.37 percent from 426,352 in 2013 to 394,951 during the year. Completing the top five is Australia with a 4.65 percent market share or 224, 784 arrivals. This market expanded 5.52 percent from its volume of 213,023 a year ago.

Meanwhile, Singapore visitors reached 179,099 arrivals; Canada with 143,899 arrivals; Taiwan with 142,973 arrivals; Malaysia with 139,245 arrivals; United Kingdom with 133,665 arrivals; Hong Kong with 114,100 arrivals; and Germany with 72,801 arrivals. Malaysian tourists recorded the highest growth of 27.24 percent from its previous year record.

Property characteristics

Data from the Bank for International Settlements (BIS) show pricing of flats and commercial properties in the Makati area of the capital Manila has risen nearly 50 percent per square meter in peso terms from the first quarter of 2008, when the data set begins, through the third quarter of 2014. Land prices for Makati -- the only area that BIS has data for -- posted similar increases over the same period.

In the third quarter, land values in the Makati central business district (CBD) exceeded their 1997 pre-Asian Financial Crisis peak, according to data from real estate agent Colliers International, with CBD residential capital values up 3.4 percent from the previous quarter and around 5.6 percent on-year, while residential rents were largely stable on-quarter and up around 5 percent on-year.

Condo Hotel Revenues Strong

Evidence from Condo Hotel projects show revenue expectations higher than expected. A Cebu City-based condo hotel posted its highest income growth in the first quarter of 2015, translating to a rise in income share of its unit investors.

Filinvest Land Inc's Grand Cenia, which operates as Quest Hotel, disclosed that its 432 condo hotel unit investors have received an income of P72,000 (\$1545) each for the first three months of the year. That is higher compared to an average income of P47,000 in 2013 and P55,000 in 2014.

Property Specialists Resources, FLI's condo hotel management arm, noted the Q1 revenue is the highest generated for the condo hotel owners.

Flordarose Daarol, the firm's financial controller, said in an interview on Tuesday during the company's investors meeting the continued growth of its hotel operations has brought the rental income for investors higher. Mangga Properties analysis supports these findings with ROIs greatly exceeding those achievable from condominiums.



MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

Kingsford Hotel, Bayshore, Manila Bay

The Kingsford is part of the 'entertainment' city under development in the beautiful Bayshore of Manila. If you think you have seen the best sunsets you have seen nothing until you experience the famous Manila Bay!



The Bayshore development is a collaboration between the largest developers of property, entertainment and retail in the Philippines (Megaworld, Bloomberry Hotels, SM Prime Holdings and Universal Entertainment) and will be 3 times the size of the existing Resorts World Manila. Each developer is committed to a \$1B investment into the resort and this is certain to make it a massive draw to tourists and gaming enthusiast alike. In total the development covers a vast 100 hectares of prime bay side land.

Bayshore is projected to capture 10% of the global gaming market and in time take over from Macau as the top destination for gamers in the Far East. With more than 1 billion people within a 4 hour flight radius it is no great surprise the this scale development is taking place.

The Philippine government has already classified the development special status as a 'Tourism Economic Zone' and development is already underway for a new over ground Expressway to link Bayshore to the Airport and central Manila.



Included in the development alongside hotels are an Opera House with 300 seat capacity (designed by Spanish architects Codinachs) and international restaurant chains.

The Kingsford will be 12 minutes from the airport by car, covers a land area of 4,075 sqm containing 529 units over 18 floors. The turnover date is December 2019.

The Kingsford Hotel is being built by Megaworld Corporation who have an excellent track record of delivering high quality products on time.

Financial Projections for a Queen Suite at the Kingsford Hotel

The table shows example projections over a 15 year period based on current prices.

Year	1	15
Room rate (PHP)	6,000.00	7,916.87
Room rate (EUR)	117.65	155.23
Investor rate (PHP) on occupancy	1,545.60	2,039.39
Investor rate (EUR)	30.31	39.99
Investor income per year (PHP)	564,144.00	744,376.03
Investor income per year (EUR)	11,061.65	14,595.61
Cost of Condo hotel suite (PHP)	5,066,600.00	
Cost of Condo hotel suite (EUR)	99,345.10	
Fixed costs	65%	
Occupancy rate	80%	
Day Room rate (PHP)	6,000	
Assumed rental increment annually (e.g. 2%)	2%	
ROI year1 and year15	11.13%	14.69%
Total income of 15yr term	9,755,977.39 PHP	193,293.67 EUR
Exchange rate (PHP to EUR)	51	
Annual expected Capital appreciation prior to turnover %	7.50	Assumes 4 years to turnover
Capital appreciation	1,519,980.00 PHP	29,803.53 EUR
Gross gain over 15 years (PHP)		6,209,357.39
Gross gain over 15 years (EUR)		121,752.11
% Overall gain on investment		122.55%

(1) Includes discounts for cash purchase (currently 12.5%). Condo hotel prices are subject to change.



MANGGA
PROPERTIES

41 Exeter Road, Kidlington, OX5 2DY

T: +44 (0)1865 841905, M: +44(0)7890 551349

E: contact@manggaproperties.com

Note the total predicted income over the 15-year terms is 193,293.67 EUR with expected capital appreciation of the Suite 29,803.53 EUR.

The overall gain on investment of 121,752.11 EUR is calculated by subtracting the cost of the Condo hotel Suite. These figures include a 12.5% discounts for cash purchase.

Megaworld Corporation Overview

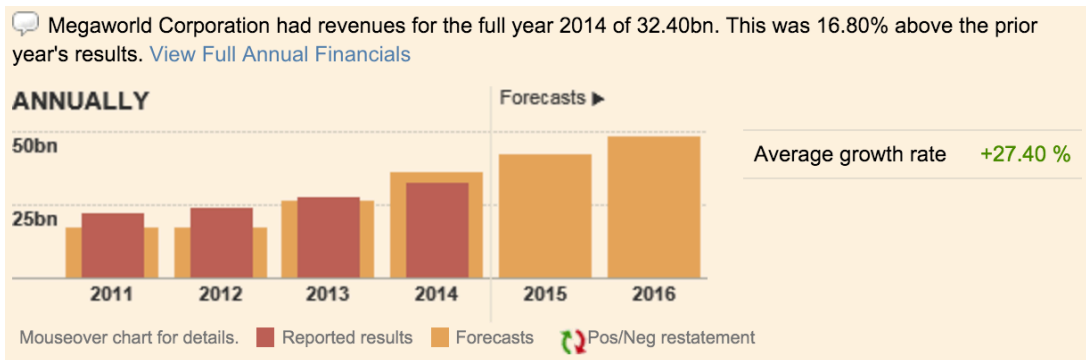


MEGAWORLD

- Megaworld is the real estate arm of AGI (Alliance Global Group Inc.) – one of the Philippines' largest conglomerates operating a diversified range of market-leading businesses led by Chairman and President Dr. Andrew L. Tan.
- One of the leading property developers in the Philippines primarily engaged in the development of large-scale planned communities that integrate residential, commercial, leisure and entertainment components.
- Current land bank consists of real estate that it has acquired in prime locations in the Philippines such as Makati, Quezon City, Iloilo and Cebu.
- Pioneered the idea of "LIVE-WORK-PLAY-LEARN" development concept.
- Was named as the country's top residential condominium developer (CBRE, January-2012).
- Corners the biggest share in condo market with 21% making it as the Philippines' top residential condo developer for over a decade (Jones Lang Lasalle, Feb-2013).
- Was also cited as the country's No.1 office developer in Metro Manila with 16.7% market share (Jones Lang Lasalle, Feb-2013).
- Over 24 years of operational track record.
- 100% completion rate since inception.
- Completed more than 310 residential, office buildings and hotels covering 5.3 million sqm of total area.

Market Forecasts for Megaworld Corporation

Financial Times forecasts indicate continued strong growth and revenues.



<http://markets.ft.com/research/Markets/Tearsheets/Forecasts?s=MEG:PHS>

Next Steps

Mangga Properties is here to help you to select the best possible condo hotel investment. We market only those projects that pass our quality checks and which we believe offer the best possible return on your investment.

Get in touch with Dave (dave.nurse@manggaproperties.com) and let us help you!

Dave Nurse,
CEO Mangga Properties Ltd.

Philippine property investment specialists
Partners of Megaworld Corporation
Member of the Association of International Property Professionals