

EMPIRE EAST

On the Path to Sustainability and Resiliency

A N N U A L R E P O R T 2 0 1 9

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For 25 years, Empire East has already proven its resiliency by constantly adapting, innovating, and introducing breakthrough concepts despite all the challenges.

The company's commitment to building unparalleled communities goes beyond building homes, but more so leaving a greater impact to its neighboring communities, the homebuyers and stakeholders, and more importantly, the environment.

This is why Empire East takes pride in creating sustainable communities that could withstand the changing times; one that could support the future of the homeowners.

This year, as Empire East introduces its newest green development, the company looks forward to providing more sustainable homes that will soon resonate the essence of "homes of the future."



A MESSAGE TO STOCKHOLDERS

“The city living solutions we will provide tomorrow, we anticipate and prepare for today. Your company’s direction is clear. We will take the path leading to more residential developments that embody and promote sustainability and crisis resiliency.”

The unprecedented impact of the COVID-19 pandemic here in the Philippines and across the globe has undeniably made us socially and physically distant from each other, but this has bonded us more than ever to unite as one solid community in this fight against an invisible enemy. This health crisis has crippled numerous businesses in different industries, but we are grateful and proud to let you know that your Company is on “business as usual.” Perhaps, not like the “usual” we used to know, not the “normal” we used to do, but your company is strong and thriving.

I would like to commend my fellow workers at Empire East for continuously exhibiting their passion and commitment to get your Company moving and growing. Thanks as well to our in-house sales partners and accredited brokers who embraced the new normal, and through online selling alone, with all our showrooms shut down during the first two months of quarantine, have astoundingly delivered 1.4 Billion Pesos worth of reservation sales.

Braving and Breaking the Storm

We are one with you in aiming to curb this pandemic. While no company is exempt from this health crisis as the virus continues to linger globally, it was during this time that Empire East discovered once again the strength of its foundation that brought us sailing steadfastly into a new era of doing real estate business. With your unceasing support for the Company and for believing in our values of innovation, flexibility, community and family welfare, we will triumphantly surpass this difficult period.

In fact, what makes us more confident that we can easily recover from this crisis are the economic indicators that are in our favor. Our country posted 5.9% GDP Growth Rate last year. Residential real estate prices recorded a 10.4% year-on-year growth from 2018 to 2019, more significantly at 29.1% growth rate for the 3rd quarter last year. This is an opportune time for the investor’s market to look at this good indicator. Even though real estate sector may have been “jolted” by this pandemic, industry experts still project a 1.7% annual average growth rate up to 2022.

Vacancy rates for condominiums are also decreasing, positively indicating that many of the residential properties like what your Company is developing are being occupied. Likewise, the banks have decreased interest rates in lending that will result to more liquidity and hopefully, boost aggregate demand. Prior to the crisis, Bangko Sentral ng Pilipinas reported that residential real estate loans recorded a double-digit growth of 13.1%, which we are optimistic would return after the situation has stabilized.

Crisis-Resilient Communities

During the first few weeks of the lockdown, I had the opportunity to visit some of our residential developments to personally check the situation of our homeowners—and what I witnessed in each project is a “community in action” where the residents and the property management teams have responded with a strong spirit of solidarity as the Filipino “bayanihan” became more evident. Our community frontliners, including security guards and maintenance personnel, have chosen to respond with courage as they continued with dedicated service despite the threat of the COVID-19 virus. The admirable initiatives of our residents to help their neighbors in need and support their frontliners have been a testament that Empire East not only develops structures for homes, but also creates unparalleled communities where compassionate people live.

In our premier TOD or Transit-Oriented Development at the Makati Central Business District, the four-tower San Lorenzo Place, which was awarded in 2019 by PropertyGuru Philippines as the Best Mid-End Condo in Metro Manila, residents benefited tremendously from having their own retail area, the San Lorenzo Place Mall. Now that select public transportation resumed to operate under the General Community Quarantine, residents can easily ride the MRT Line 3 via Magallanes Station that is physically linked to the project, as well as the CityLink point-to-point buses with its own station within the development. San Lorenzo Place is currently 100% sold out and has been completely turned over.

Having your own shopping mall, a retail arcade or a commercial strip within your community, has proven to be exceptionally advantageous during a health crisis like this. At the 37-tower micro-city The Cambridge Village in Pasig-Cainta, which was awarded as Best Affordable Condo in Metro Manila and Best Universal Design Development during the 2019 Philippines Property Awards, more than 5,200 households enjoyed a self-sustaining neighborhood without the need for them to get out and go far to buy their daily essentials. Same benefits were experienced by approximately 2,900 families at another micro-city, the 25-tower California Garden Square in Mandaluyong City, and by 6,200 families in Empire East’s flagship township development, Laguna Bei-Air in Santa Rosa City.

Another TOD that has remarkably thrived amidst this pandemic is Pioneer Woodlands in Mandaluyong City, a six-tower high-rise condominium complex connected to MRT-3 Boni Avenue Station. Appreciating the efforts of all security and maintenance staff for their round-the-clock service, residents initiated a drive to provide these frontliners with food supply, toiletries and other basic needs. Eco-trikes from the city’s LGU regularly arrive at Pioneer Woodlands to deliver fresh produce and other commodities which added more convenience to residents and minimize their outdoor exposure. Today, this community is 92% sold out with four occupied towers and is ready to welcome new residents in the two more towers nearing completion.

On top of strict social distance implementation, temporary closure of amenities, and constant disinfection and sanitation of common areas such as lobbies, elevators and hallways, the property administration of Little Baguio Terraces in San Juan City, as well as The Rochester and Kasara Urban Resort Residences, both in Pasig City, partnered with the local government to set-up “mobile palengke” in their communities. Through this, residents need not to go out of the project sites to go to markets or groceries because the market was brought to their homes.

Celebrating a Milestone Year

The year 2019 was indeed another banner year for your Company. On top of delivering 4 Billion Pesos (PHP 4,008,907,955) worth of booked sales, which was a 14% increase from the previous year’s 3.5 Billion Pesos (PHP 3,512,542,938), we recorded a 15% increase in our net profit from PHP 535,156,520 in 2018 to PHP 615,563,311 in 2019. We have likewise completed the construction of seven (7) residential towers across various developments, such as The Rochester (Palmyra and Hillcrest Towers), Pioneer Woodlands (Tower 4), Kasara Urban Resort Residences (Tower 2), Little Baguio Terraces (Tower 2), and The Cambridge Village (Clusters 32 and 33), with a total of 2,180 fresh condominium units. To date, your Company holds an aggregate land bank of 427 hectares with a projected 5.1 Billion-Peso worth of inventories.

Most significantly, 2019 marked the 25th year of Empire East in the real estate industry—a milestone worth celebrating. As our way to rejoice this momentous achievement, instead of festive celebrations, we decided to fulfill our commitment in building unparalleled communities by launching twenty-five (25) corporate social responsibility (CSR) activities initiated and funded by our employees and sales partners. But because of our people’s collaborative efforts and willingness to help more communities and organizations, we have exceeded the expected target and even reached 37 CSR activities by the end of the year.

The Company has driven its efforts towards causes that need close attention—health, education, youth and elderly, family, and environment. For 2019 alone, the Empire East Cares CSR arm has produced amazing results that helped over 4,000 people, built 41 houses for displaced families, planted 700 trees, assisted five schools, and supported 17 organizations and foundations.

Taking the Road to a Sustainable Future

The fight against COVID-19 may be far from over, but we will definitely overcome this. And just like when we pioneered breakthrough lifestyle concepts such as the live-work-play township, micro-city developments, loft-type communities, TOD, and urban resorts, we look forward to a promising future where Empire East continues to cater to the needs and aspirations of the Filipino homeowners. The city living solutions we will provide tomorrow, we anticipate and prepare for today. Your company’s direction is clear. We will take the path leading to more residential developments that embody and promote sustainability and crisis resiliency.

In 2019, Empire East committed together with its affiliates under the Alliance Global Group to meet specific end-goals by 2030 based on the United Nations (UN) Sustainable Development Goals. We shall be laying down plans and platforms that will aim to (1) build sustainable cities and communities, (2) rely on renewable energy, (3) lower carbon footprint, (4) create more jobs, and (5) continue to observe gender equality at all levels in the workplace. With these in mind, your Company is driven to continue the creation of sustainable communities that improve the urban lifestyles of aspiring homeowners in Metro Manila.

The two-tower Mango Tree Residences in San Juan City, majority of the units of which have been sold, has commenced full-swing construction in 2019, and will showcase a high-rise and low-density



community filled with “green” features where residents can breathe and feel close to nature in the middle of the bustling metropolis. On the other hand, the four-tower The Paddington Place along Shaw Boulevard in Mandaluyong City, which has shown brisk sales reaching close to 80% sold-out rate and now pre-selling on the final tower, will let its future dwellers experience premium mobility through a TOD lifestyle, with its own bi-level community mall which would provide for the residents’ complete basic daily necessities.

Last year saw your company taking another bold step - the unveiling of its grandest township yet, the 37-tower Empire East Highland City along Felix Avenue at the convergence of Pasig City and Cainta, Rizal. Complete with a spacious green park, a shopping mall, a church, a five-star recreation club, wide roads and walkways, and more greeneries and open spaces, the future residents of Empire East Highland City will experience a redefined and upgraded urban lifestyle centered on long-term sustainability and a crisis-resilient community.

These are some of the developments which allow us to look towards the future with optimism despite the current global pandemic. We thank you for being part of our growth, for responding to the times with us, and for sharing our vision. Together, we pray for endurance, strength and courage to forge ahead as we continue to deliver to you the results of our labor and as we continue to serve the communities beyond the confines of our work areas.

Atty. Anthony Charlemagne C. Yu
Empire East President and CEO



EMPIRE EAST BY THE NUMBERS

Empire East celebrates its 25th year in the real estate industry by continuously strengthening its commitment in developing quality homes and loyal client service. In numbers, Empire East tells its rich history filled with milestones and achievements.



20

RESIDENTIAL PROJECTS

The company has launched 20 residential projects that cater to the middle-income residential segment of the country.



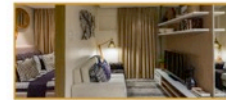
115

CONDOMINIUM TOWERS

Empire East built over a hundred towers that introduced affordable vertical living throughout the metro.

25

HIGHLIGHTS AND ACCOMPLISHMENTS



17,072

CONDOMINIUM UNITS

With the goal of providing accessible homes for all, Empire East has constructed 17,072 condominium units around the metro.



7,742

RESIDENTIAL LOTS

Before the height of condominiums, Empire East introduced developments that feature the complete essentials of a healthy and safe community. The Laguna BelAir and The Sonoma have given families outside the metro the complete package of a serene community.



120,000

RESIDENTS

Over thousands of families and thriving communities are currently housed under developments by Empire East.



5

TRANSIT-ORIENTED DEVELOPMENTS

To combat the growing traffic problem, Empire East brings its residents closer to their destinations by constructing homes at the vital points of the city, making their daily travels quick and easy. Examples of these are San Lorenzo Place, Pioneer Woodlands, The Paddington Place, Little Baguio Terraces, and Covent Garden.



3

URBAN RESORT COMMUNITIES

The company dives to a different demographic by featuring urban resort communities. Projects with this concept include the Kasara Urban Resort Residences and The Rochester in Pasig City and The Sonoma in Santa Rosa City, Laguna.



10

PROJECTS WITH RETAIL SHOPS

Empire East prioritizes convenience for its residents. Aside from building homes at vital points of the city, the company lessened the distance by featuring retail shops integrated right within the projects.



1

SCIENCE SCHOOL

As the pioneer in township development, Empire East built a science school as part of Laguna BelAir. The school continuously provides quality education to the residents of the community while keeping the children close to home.



260

HECTARES OF LAND DEVELOPED

The company developed 260 hectares of land into the thriving communities we see today and transformed the Metro Manila cityscape into the array of lights we see today.



404

HECTARES OF LANDBANK

Empire East boasts more land area to be developed in the future.

The rising projects will improve the lives not only of its future residents, but also the people in the surrounding area.



6

REAL ESTATE INNOVATIONS

Empire East pioneered breakthrough city living concepts, which transformed the real estate industry and the way properties were marketed to the Filipinos. These include the No Down-payment scheme, Micro-cities, Loft-type communities, Urban resort lifestyles, Transit-oriented developments, and the mall showroom concepts



MULTIPLE

CRISES SURVIVED

Empire East was established not long before the Asian Financial crisis.

Since then, the company has innovated concepts that helped them overcome each hardship.



1

TOWNSHIP DEVELOPMENT PIONEERED AND COMPLETED

Laguna BelAir in Sta. Rosa, Laguna is proof of Empire East's first thrust into the industry as they created an American-inspired community that opened a plethora of growing opportunities for the blooming city in the South.



2

MICRO CITIES

Building communities that enrich the lifestyles of each resident has remained to be Empire East's goal.

California Garden Square and Cambridge Village continue to thrive as welcoming communities for families and individuals of all sorts.



1

UPCOMING TOWNSHIP DEVELOPMENT

Empire East Highland City, to rise in the Pasig-Cainta area, adds to the Empire East portfolio of townships where residents can live, work, and play.



25

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

To celebrate the company's 25th year, all departments held programs in service of communities especially for the benefit of the youth, the elderly, families and the environment.



4,000

PEOPLE DIRECTLY BENEFITED FROM EMPIRE EAST CARES

The company has allotted time and effort in making sure to give back to the communities that have embraced Empire East in their areas and aid the country towards progressive nation building.



14

AWARDS AND RECOGNITION

Empire East has undoubtedly set the trends and innovations that the real estate industry has adapted to this day. Since then, the company has received awards that cemented the company as one of the leading developers.



300

SALES PEOPLE

The company takes great pride in their sales agents as they forge strong bonds with their clients beyond their sales.



690

EMPLOYEES

From a company of five, Empire East has grown into a 690-employee company that work together to give families safe and secure homes.



14

OFFICERS

Each Empire East department is headed by visionary officers who assure its clients of quality service and train each employee of excellent client service. Together, they guarantee the smooth on-going operations of the company.



25

COLORFUL YEARS

Through the years, Empire East overcame crises and established homes that empowered the middle-income market. Currently, the company aims to further elevate the quality of living for Filipinos with its future developments.



14

STRONG BRAND UNDE STRONG LEADERSHIP

Empire East takes inspiration from Chairman Dr. Andrew L. Tan, who has persevered through hardships and continued to bring out the company's potential into a strong foundation of the real estate industry.





Empire East
cares

CELEBRATING GIVING (CSR)

Empire East has reached bigger and bolder milestones in its 25th year. In 2019, the company highlights its corporate social responsibility arm, "Empire East Cares," in its mission to build better and more livable communities throughout the country.



HEALTH

Healthy Citizens for a Productive Nation

Empire East aims to provide healthy homes for families and individuals to aid them in their daily lives. In this aspect, the company launches pocket CSRs that allow them to give people more chances to a healthier lifestyle.



**FEED A CHILD,
NOURISH A SOUL**

(Recruitment & Selection Group)

In collaboration with Project PEARLS, Empire East employees donated food and bonded with the children and the elderly at Helping Land, Tondo, Manila.

**SHARE LOVE,
SAVE LIVES,
DONATE BLOOD!**

(Credit & Collection Department)

In partnership with Red Cross Philippines, Empire East encouraged its employees to donate blood to those in need and to practice active involvement towards social causes.



PROJECT SAVE

Support for Adolescents and Voice for the Elderly

“Empire East believes in the power of the youth and aims to help them win big and reach high dreams in the future.” -Atty. Anthony Charlemagne C. Yu.

As part of its commitment to building better communities, Empire East thrives to extend help to the youth and the pillars of every generation by building more livable communities conducive to every child's growth and development. Through kind efforts, its employees and stakeholders take part in nation-building by helping and providing the kids and the elderly with their basic necessities.



KALINGA

(Audit & Management Services Department)

Empire East employees visited and entertained the elderly at San Jose Balsey Foundation in Brgy. Carasushi, Indang, Cavite.



GIVE A GIFT: BOYS OF SILONG TANGLAW FOUNDATION

(Human Resources and Administration Department)

Through kind efforts, Empire East employees visited the boys of Silong Tanglaw Foundation in Quezon City and donated books, canned goods, supplies, and other consumable items to spread love and happiness among the youth.



HAPPYONG: HAPPINESS IN A PAYONG

(Legal & Corporate Affairs Department and Project Accounting Office)

Employees shared their love to our Mangyan brothers and sisters in Mindoro by providing them with umbrellas and bags along with other school supplies.



LEND A HAND, SHARE SOME LOVE, AND MAKE A DIFFERENCE

(Legal & Corporate Affairs Department)

Select employees visited and distributed gifts to the kids of Gentle Hands, Inc. in Quezon City, who frontlines in rescuing at-risk children.



PRECIOUS MEMORIES

(Management Information Systems Department)

Empire East shared essential items like food and toiletries to the kids of Precious Heritage Children's Home in Antipolo City.



ORPHANAGE VISIT

(Credit & Collection Department and Sales - J&J Division)

Volunteer employees held games and enrichment activities, and donated essential items to the children of CRBS Foundation in Antipolo City.



COMMUNTREATS

(Sales - CAM Division)

Empire East partnered with the Concordia Children's Services for an afternoon of hearty snacks and fun games with about 100 children in Santa Mesa, Manila.



REACHARGE

(Sales - JS Division)

Empire East went to Basoco, Port Area, Manila to offer a day of happiness to 100 underprivileged children through gifts, food, and games.



RESTART

(Sales - MITHRIL Division)

Empire East fills the hearts of the children of the House of Refuge Foundation in Quezon City with sumptuous meals and new art skills.



MANGAN TAYON

(Sales - Baguio Networks)

Empire East's Baguio-based sales team conducted their annual feeding and gift-giving program as they distributed art materials, and held various games and activities for the kids from different barangays in Baguio City.

EXCELERATE

Elevating Filipino Literacy Rate Towards Excellence

Empire East, with its vision of providing better communities for Filipinos especially the youth, aims to help produce more critical thinking minds; it takes part in initiatives that help make students' learning conditions better. More so, every step that they take adds up to the light that sparkles at the end of every path that our country would take.

Empire East believes that education plays a vital role in nation-building and in the pursuit of excellence. Thus, by far, it has conducted several pocket CSRs that aimed to help the students in many ways. By giving them school staples like notebooks, pens, bags, etc., the future of our nation will never have to dim their lights and continue to take part in building better and more livable communities.

BACK TO SCHOOL: BAG MO SAGOT NI EELHI

(Project Accounting Office, Accounts Receivables Management Group, Management Trainees, and Legal & Corporate Affairs Department)

Through collaborative efforts, employees from different departments shed light and donated school supplies to the students of Balite Mangyan School at the opening of the new school year.

BRIGADA ESKWELA

(Human Resources and Administration Department)

In cooperation with Calumpang Elementary School in San Miguel, Bulacan, Empire East participated in this year's Brigada Eskwela to help prepare the students for school and provide them with a better learning experience by fixing and cleaning their classrooms.

PREP: PREPARE FOR SCHOOL, PREPARE FOR THE FUTURE

(Marketing Department)

Fresh uniforms, durable shoes, and bags with complete sets of school supplies were distributed by Empire East employees to the students of New Little Baguio Elementary School in Sta. Maria, Laguna as part of their back-to-school initiative.

ENCORE

(Sales - JI Division)

Empire East went all-out for a pocket CSR activity conducted at Capas, Tarlac as they give gifts, toys, food, and share the gift of music to the students of Calangitan Elementary School.



SUSTAINable

Caring for the Environment for a Sustainable Future

Part of Empire East's vision is to create more livable and sustainable communities that can be enjoyed by future generations like it is enjoyed by today's.

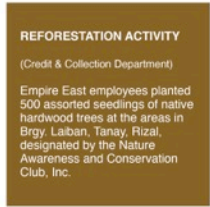
Through the collaboration of Empire East employees with various NGOs, the company has been able to come up with several environmental preservation and "green" projects in pursuit of achieving more sustainable communities.



ENHANCED NATIONAL GREENING PROGRAM

(Property Development Division)

Empire East employees immersed themselves in mangrove planting and coastal clean-up activities at Brgy. Hukay in Calatagan, Batangas, in partnership with the Department of Environment and Natural Resources.



REFORESTATION ACTIVITY

(Credit & Collection Department)

Empire East employees planted 500 assorted seedlings of native hardwood trees at the areas in Brgy. Laiban, Tanay, Rizal, designated by the Nature Awareness and Conservation Club, Inc.



INFINITREE

(Sales - MM Division)

Empire East plants trees at Balmibing Elementary School in Tanay, Rizal as an environmental aid that will last a lifetime.



TREE-PLANTING ACTIVITY

(Finance Department and Sales - Adamant Division)

Empire East joined Bantay Kalikasan's effort under the #1MillionTreeChallenge as they plant seedlings at the La Mesa Nature Reserve.

UNITED

Edifying the Filipino Family as Basic Unit of Society

Empire East cares for the basic unit of the society; family plays a vital role in nation-building as it hones the minds of every individual who are also the potential leaders of our country.

Empire East, as part of its commitment to building unparalleled communities, helps in building the homes that every family deserves. It continues to extend help to its own employees and lends a hand to its neighboring communities as well.



ALL ABOARD: PASSPORT ON WHEELS

(Marketing Department)

Empire East, in partnership with the Department of Foreign Affairs, conducted a one-day Passport-on-Wheels program for its employees, salesforce, and their families to help them have a more comfortable and faster passport application process.



#PROOFSOFLOVE

(Office of the President and all departments)

Empire East, together with Gawad Kalinga and the Muntinlupa City local government turned over 22 housing units to displaced families in Lagueria, Tunasan, Muntinlupa City-- the second batch of completed homes supported by the company.



FOOD FOR THE SOUL

(Sales - DURENDAL Division)

Empire East volunteers spent an enriching afternoon walking the areas of Luneta Park and Baclaran Church to spread joy and aid towards displaced families in Manila.



INFARMATION

(Sales - RS Division)

In collaboration with the Rosales, Pangasinan local government, Empire East hears out the concerns of our local farmers through a simple gift-giving activity to aid them in their daily lives.



HATID LIGAYA

(Sales - VALYRIAN Division)

In order to reach Dumagat Tribe children, Empire East heads to Sitio Pagsanjan, Nueva Ecija for a delightful afternoon of gift-giving and snacks.

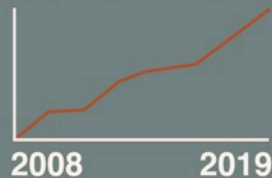
San Lorenzo Place

Makati CBD Luxury Residences

100%

CONSTRUCTION

SALES 100%



EDSA CORNER CHINO ROCES AVENUE
MAKATI CITY



4
HIGH-RISE TOWERS



2,173
HOUSEHOLDS

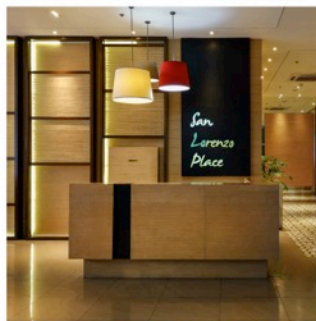


9,800
RESIDENTS



SAN LORENZO PLACE MALL

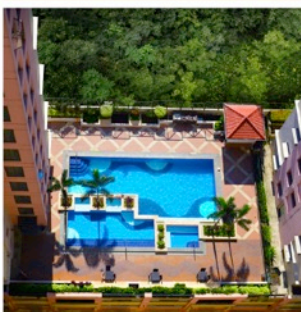
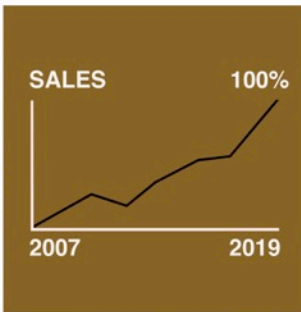
Residents enjoy a bi-level lifestyle mall filled with shopping, dining and wellness establishments



San Lorenzo Place is a Transit-Oriented Development (TOD) at the heart of the country's premier business district. Its access to eco-friendly transport options like electricity-powered trains and low-carbon emission buses contribute immensely to lessening carbon footprint in the metro.



N. DOMINGO STREET SAN JUAN CITY



LRT-2 J. RUIZ & GILMORE
Walking distance to two train stations

MRT-4 N. DOMINGO
Close to future terminal station

Little Baguio Terraces is a gated community in one of Metro Manila's choicest residential address. Its close proximity to existing and future transit lines provides residents with ultimate mobility.



4
HIGH-RISE TOWERS



100%
CONSTRUCTION



1,126
HOUSEHOLDS



5,500
RESIDENTS



CONSTRUCTION



4 COMPLETED TOWERS

2 TOWERS UNDER CONSTRUCTION



3,362 HOUSEHOLDS UPON COMPLETION



8,600 RESIDENTS IN 4 RFO TOWERS



MRT-3 BONI AVENUE
Directly linked to the train station

CITY BUSES
Various routes within Metro Manila

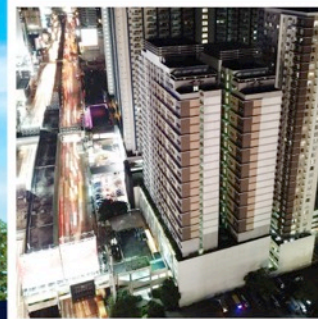
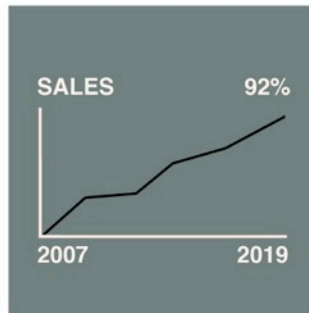


Pioneer Woodlands

EDSA CORNER PIONEER STREET
MANDALUYONG CITY



The first-ever TOD of Empire East is a testament of this lifestyle concept's viability and marketability. As it nears its completion, the growing demand for accessible homes remains strong especially in this premier urban location.



BGC-ORTIGAS BRIDGE
Project has close proximity to this upcoming infrastructure that will decongest EDSA traffic



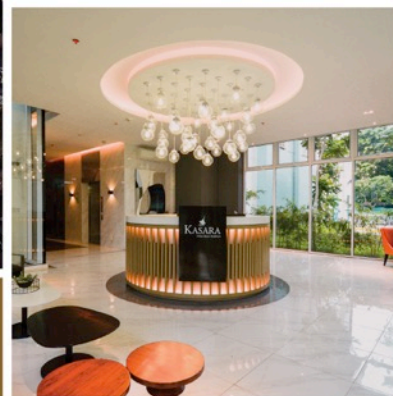
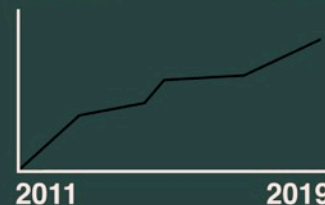
EAGLE AVENUE - C5 ROAD
PASIG CITY



The "vacation in the city" lifestyle at Kasara Urban Resort Residences proves to be of great demand among Filipino homebuyers. Its residents enjoy relaxing resort-type amenities that make them feel close to nature amidst the busy city life.

SALES

92%



CONSTRUCTION



2
COMPLETED TOWERS



4
TOWERS UNDER CONSTRUCTION



3,280
HOUSEHOLDS UPON COMPLETION



5,100
RESIDENTS IN 2 RFO TOWERS



MEGA MANILA SUBWAY & MRT LINE 4

Future mass transit systems with stations close to the development



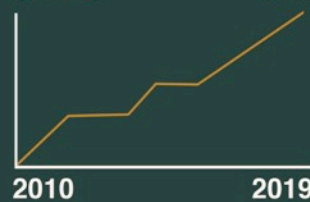
ELISCO ROAD, SAN JOAQUIN
PASIG CITY



One of Empire East's successful urban resort communities, The Rochester features an Asian contemporary design that values open spaces and a nurturing environment which are ideal for aspiring homeowners. The development is complete with spacious condo units, elements of greenery and recreational facilities purposely created for the residents' leisure and health.



SALES



CONSTRUCTION



6
COMPLETED
TOWERS

1
TOWER UNDER
CONSTRUCTION



1,268
HOUSEHOLDS
UPON COMPLETION



4,600
RESIDENTS IN
6 RFO TOWERS



PASIG RIVER FERRY
ALTERNATIVE MODE
OF TRANSPORTATION



CONSTRUCTION



2
TOWERS UNDER
CONSTRUCTION



1,093
HOUSEHOLDS
UPON COMPLETION



4,900
EXPECTED RESIDENTS

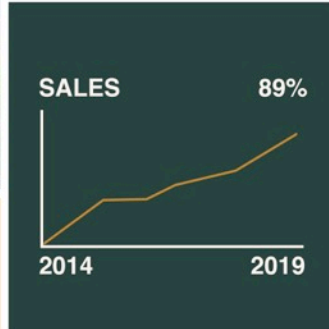
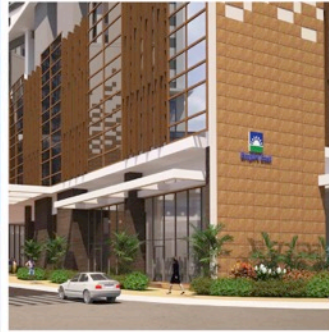


LRT-2 V. MAPA
Walking distance to
the train station

METRO SKYWAY
Close to the future
NLEX-SLEX Connector



At the country's capital city rises an urban sanctuary that will let its future dwellers experience an upgraded exclusivity and optimum mobility. Being close to various transportation modes makes Covent Garden a preferred address of young professionals, students and starting families.

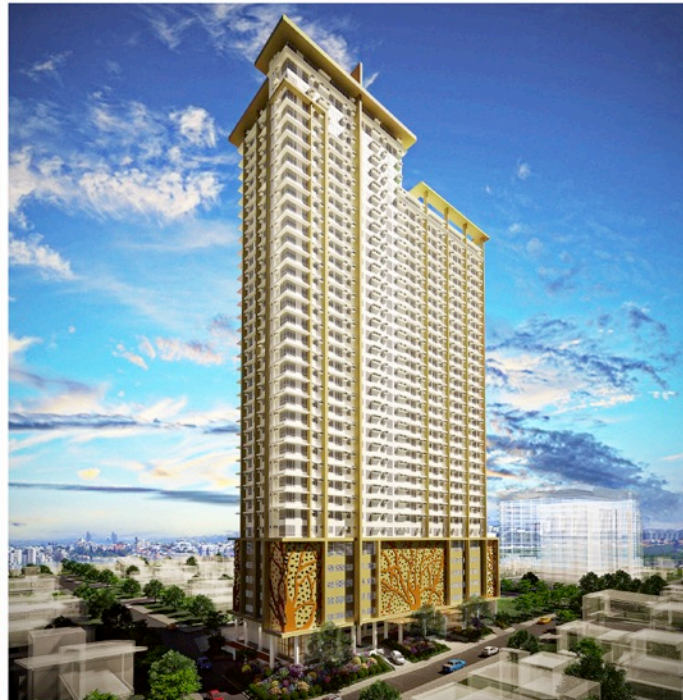
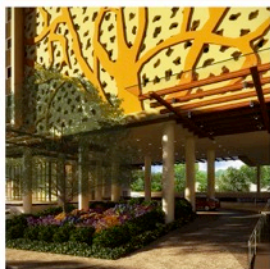
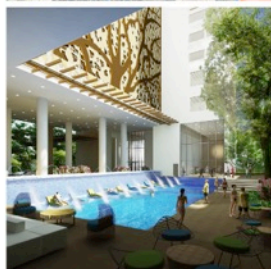
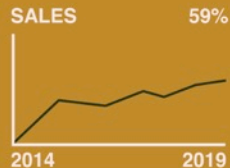


M. PATERNO CORNER J. LEDESMA STREETS

SAN JUAN CITY



MANGO TREE
RESIDENCES



The standards of serenity and privacy are taken to a new level at Mango Tree Residences. This nature-filled community is beaming with luxury while staying close to the city's essentials.

15%

CONSTRUCTION



2
TOWERS UNDER
CONSTRUCTION



594
UNITS WHEN
COMPLETED



2,600
EXPECTED RESIDENTS



CLOSE TO ROUTES

Going to Greenhills, Ortigas, Manila,
Quezon City and Makati CBD



PROPERTY FILLED WITH NATURAL
MANGO TREES



SHAW BOULEVARD MANDALUYONG CITY



THE PAD

Two-level lifestyle mall that will cater to the basic daily needs of residents



MRT-3 SHAW BOULEVARD

Walking distance to the train station

BGC-ORTIGAS BRIDGE

Project has close proximity to this future infrastructure



2,785

UNITS WHEN
COMPLETED



12,500

EXPECTED RESIDENTS

The Paddington Place features an enclave design with a centerpiece amenity zone and luscious gardens that provide a refreshing environment to residents. Its ideal location also encourages a walkable city life with its proximity to the Ortigas CBD and other vital places in the metro.

SALES

72%

2017

2019



THE PADDINGTON PLACE



FELIX AVENUE
PASIG-CAINTA

EMPIRE EAST
HIGHLAND CITY



Empire East Highland City is the newest addition to Empire East's portfolio of self-sustaining townships. Envisioned to be a luxurious uphill community, this 24-hectare development will consist of four grand phases: Highland Park, Highland Mall, Highland Residences, and The Chartered Club.

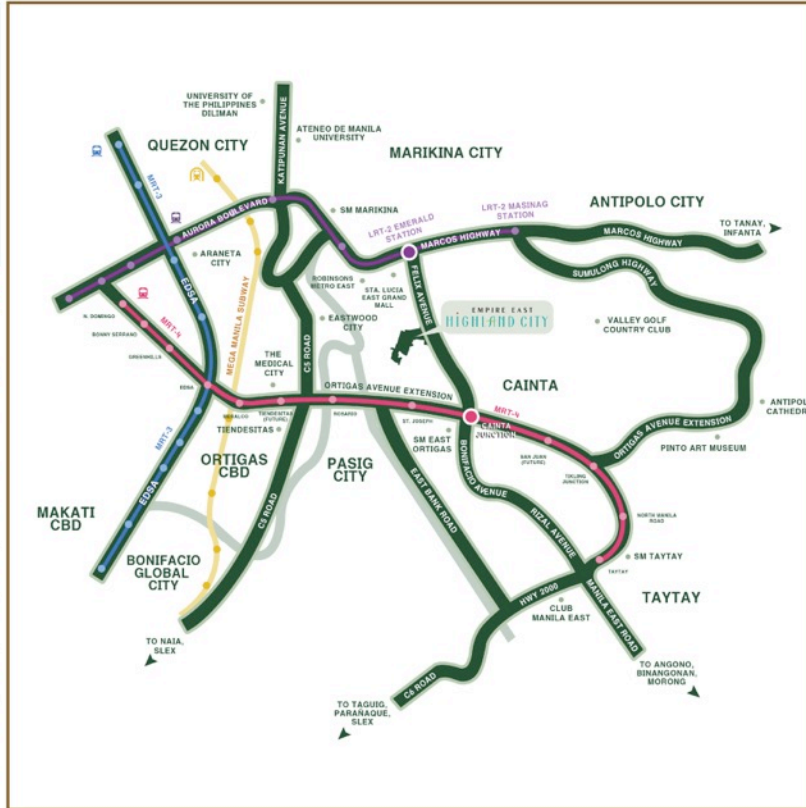


LRT-2 EMERALD AVENUE

Approximately 1.2 KM away to the upcoming station

MRT-4 CAINTA JUNCTION

Project has close proximity to this future station



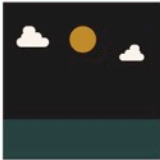
Strategically located at the periphery of Pasig City in Metro Manila and Cainta in Rizal, Empire East Highland City becomes the convergence of modern urban living and nature-rich setting. Future homeowners will benefit from upcoming railway systems with stations close to the township as well as efficient road networks going to the Metro and to the East.





37

HIGH-RISE TOWERS



24%

HECTARES OF LAND FOR DEVELOPMENT



40%

OPEN SPACE FOR GREENERIES, AMENITIES, ROADS AND WALKWAYS



8,000 SQM

HIGHLAND PARK WITH OUTDOOR GARDENS, CHURCH, RETAIL SHOPS AND SPANISH STEPS



58,000 SQM

GROSS LEASABLE AREA FOR RETAIL, DINING AND LEISURE ESTABLISHMENTS AT THE HIGHLAND MALL



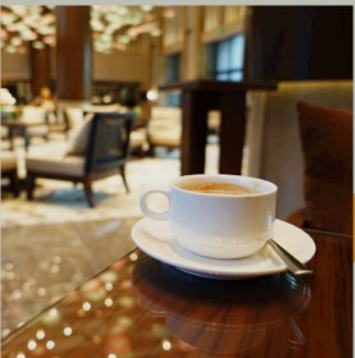
4-6 LANES

WIDE ROADS AROUND THE TOWNSHIP WITH SPACIOUS TREE-LINED WALKWAYS AND BIKE LANES



Empire East Highland City is set to heighten the residents' city living experience with its wide green open spaces suitable for outdoor family activities, and a variety of leisure, dining, and retail shops for their everyday needs.





The Chartered Club is an exclusive membership-only sports club that houses recreational amenities and fitness facilities that complete the "highland" lifestyle experience.





The Highland Residences consists of 38-towers built on an elevated area with breathtaking views from the wide-glass windows of the Metro Manila skyline and the Sierra Madre mountains. These towers will serve as a striking backdrop to the vision of Empire Easy Highland City, emulating a brand new urban living that blends nature with man-made wonders.

As sustainability includes using innovative ways to harness new energy, Empire East will use solar-powered street lights throughout the whole development. Residential towers will use LED lights at its common areas as well as low VOC paint for its units.





Empire East has resiliently pursued the application of sustainable living practices into each development and the workplace.

SUSTAINABLE INNOVATIONS

The company has always considered the sustainable opportunities it may have in each of its developments. In doing so, Empire East introduced real estate concepts that incorporates sustainable practices for its homeowners.

With convenience and health in mind, Transit-Oriented Developments were strategically placed around the city in proximity or direct connection to trains and public transportation. Micro-cities and Townships also allow for easier access to its homeowner's' daily needs. Not only does convenience help with a homeowner's daily commute, but it also lessens the carbon footprint of each resident as well as shield them from pollution.

Empire East also delves into proper waste management and recycling through its successful rainwater repurposing facilities for the developments' maintenance.

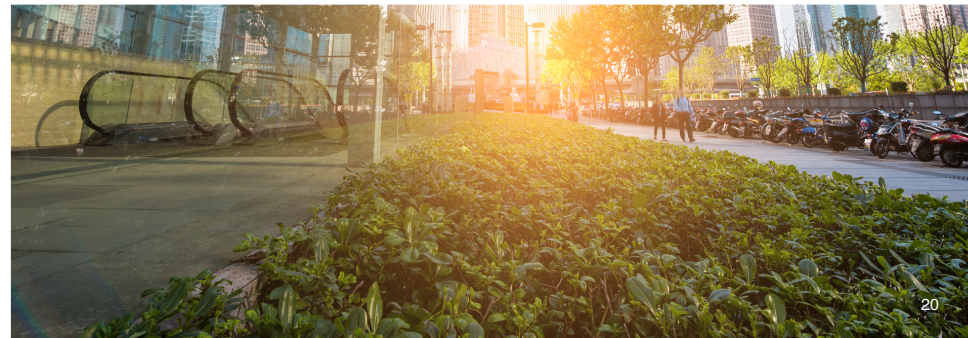


WORKPLACE PRACTICES

Sustainable lifestyle concepts are meticulously exercised in the Empire East head office in Uptown Bonifacio and other satellite and on-site offices. The company encourages its employees to take part in eco-friendly practices in their day to day operations.

Majority of forms and documents have been digitized, while recycled papers are used for documents that necessarily be printed. The building's floor to ceiling glass windows allow for healthy natural light that minimizes electricity use.

Lastly, the design also included for motion sensor lights and faucets to regulate water and electricity use. Employees are also encouraged to maintain cleanliness to keep a clear working environment.





STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Empire East Land Holdings, Inc. and Subsidiaries** (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **December 31, 2019 and 2018** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman of the Board

ANTHONY CHARLEMAGNE C. YU
Chief Executive Officer

EVELYN G. CACHO
Chief Financial Officer

Empire East Land Holdings, Inc.
12/F Alliance Global Tower, 36th Street corner 11th Avenue
Uptown Bonifacio, Taguig City 1634 Metro Manila, Philippines
Tel. 867-8351/554-4800

SUBSCRIBED AND SWORN to me before this MAY 22 of 2020 affiant exhibiting to me their Tax Identification Number (TIN) as follows:

Andrew L. Tan	125-960-003
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Cacho	127-326-686

Doc. No. 361
Page No. 74
Book No. 1
Series of 2020



Zandro Jose E. Garcia
Notary Public for Taguig City
Appointment No. 41
/ Until Dec 31, 2021
Roll of Atty. No. 71609
MCLE Compliance No. VJ-0019269; 2/06/19
IBP No. 101247; 01/06/2020; Makati City
PTR No. A-4762410; 01/02/2020; Taguig City
12th Floor, Alliance Global Tower, 36th St., cor.
11th Avenue, Uptown Bonifacio, Taguig City

Report of Independent Auditors

**The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)**
12th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Agulao Avenue
1200 Makati City
Philippines
T +63 2 988 2288

grantthornton.com.ph

Certified Public Accountants
Punongbayan & Araullo (PSA) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao
ISAWPC Cert of Reg. No. 0202
SEC Accreditation No. 0202/P&A

Emphasis of a Matter

We draw attention to Note 35 in the notes to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the reporting period. Our opinion is not modified with respect to this matter.

Key Audit Matters

Revenue Recognition on Real Estate Sales and Determination of Related Costs

Description of the Matter

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales amounted to P4.0 billion or 76.8% of consolidated Revenues and Income while costs of real estate sales amounted to P2.2 billion or 47.6% of consolidated Cost and Expenses for the year ended December 31, 2019. Areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 20 and 19, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include tests of information technology general controls over automated system which generated the data used as basis for adjustments. We also performed tests mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results.

In addressing the risks of material misstatements in revenue recognition, we have performed inspection of sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval. With respect to the timing of recognition of revenues based on the percentage of amount collected from customers, we have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

Certified Public Accountants
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Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedure include test of controls over recognition and allocation of costs per project and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

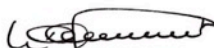
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO



By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8116553, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 6, 2020

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 1,145,332,574	P 1,816,898,287
Trade and other receivables - net	6	6,880,553,688	5,543,031,769
Contract assets	20	1,602,894,215	1,437,840,430
Advances to related parties	25	4,122,109,792	2,927,206,315
Real estate inventories	7	25,236,564,577	24,821,241,317
Prepayments and other current assets	20	686,408,889	581,459,609
Total Current Assets		<u>39,673,863,735</u>	<u>37,127,677,727</u>
NON-CURRENT ASSETS			
Trade and other receivables	6	1,787,297,094	1,336,714,670
Contract assets	20	348,984,364	1,252,230,362
Financial asset at fair value through other comprehensive income	8	1,312,916,000	1,339,940,000
Advances to landowners and joint ventures	9	226,304,025	142,458,052
Investment in associates	10	282,074,777	285,905,713
Property and equipment - net	11	378,706,446	248,967,253
Intangible asset - net	12	49,245,492	54,717,213
Investment properties - net	13	699,156,607	727,175,156
Other non-current assets	1	83,517,650	84,405,590
Total Non-current Assets		<u>5,168,202,455</u>	<u>5,472,514,009</u>
TOTAL ASSETS		<u>P 44,842,066,190</u>	<u>P 42,600,191,736</u>

	Notes	2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	P 733,333,352	P 637,985,837
Trade and other payables	15	1,674,530,611	1,786,066,286
Lease liabilities	17	47,233,071	-
Customers' deposits	16	4,768,479,749	3,271,411,135
Advances from related parties	25	4,776,873,636	4,578,102,879
Contract liabilities	20	26,257,816	23,524,123
Other current liabilities	18	939,728,784	813,428,434
Income tax payable		45,934	41,594
Total Current Liabilities		12,966,482,953	11,110,560,288
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	683,333,333	1,418,750,645
Contract liabilities	20	102,062,325	130,429,296
Lease liabilities	17	111,865,806	-
Retirement benefit obligation	23	345,782,326	305,283,627
Deferred tax liabilities - net	24	2,028,814,391	1,940,078,073
Total Non-current Liabilities		3,271,858,181	3,794,541,641
Total Liabilities		16,238,341,134	14,905,101,929
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	26	14,803,455,238	14,803,455,238
Additional paid-in capital		4,307,887,996	4,307,887,996
Treasury stock - at cost	26	(102,106,658)	(102,106,658)
Revaluation reserves	8, 23, 26	582,666,152	636,105,205
Other reserves	2	(292,118,243)	(385,961,343)
Retained earnings	26	6,491,607,310	5,876,989,482
Total equity attributable to the Parent Company's stockholders		25,791,391,795	25,136,369,920
Non-controlling interests		2,812,333,261	2,558,719,887
Total Equity		28,603,725,056	27,695,089,807
TOTAL LIABILITIES AND EQUITY		P 44,842,066,190	P 42,600,191,736

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Morganwall Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES AND INCOME				
Real estate sales	20	P 4,008,907,955	P 3,512,542,938	P 3,533,385,561
Finance income	22	295,403,432	290,481,706	241,712,288
Commission income	25	134,230,853	112,515,007	119,861,451
Rental income	13, 28	154,471,033	111,120,492	146,416,970
Other income	21	624,851,216	416,707,468	424,250,615
		5,217,853,479	4,443,065,111	4,865,606,885
COSTS AND EXPENSES				
Cost of real estate inventories	19	2,192,214,309	2,058,228,875	2,270,903,485
Salaries and employee benefits	23	471,880,266	454,028,204	434,731,011
Finance costs	22	480,080,216	342,994,963	304,668,200
Commissions	20	361,807,537	143,373,854	159,054,594
Advertising and promotion	24	235,141,247	95,829,284	144,995,896
Taxes and licenses	13	153,079,337	103,202,274	123,821,678
Depreciation and amortization	11, 12	111,569,197	56,384,685	33,272,522
Travel and transportation	13	91,884,927	65,469,361	109,148,913
Equity share in net losses of associates	10	3,830,936	6,310,718	578,205
Other expenses	21	266,471,465	344,831,450	429,711,356
Income taxes	24	806,660,741	384,298,953	383,787,177
		4,602,290,168	3,907,912,991	4,205,208,039
NET PROFIT		615,563,311	535,152,120	569,398,846
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss:				
Fair value losses on financial assets at FVOCI	8	(27,024,000)	(461,660,000)	-
Reassessments on retirement benefit	23	(37,760,426)	334,441,438	47,089,266
Tax income (expense) on remeasurement	24	11,335,073	(99,251,148)	(13,842,255)
		(53,249,353)	(227,169,710)	33,247,011
Item that will be reclassified subsequently through profit or loss -				
Fair value gains on AFS financial assets	8	-	-	362,570,000
Total Other Comprehensive Income (Loss) - net of tax		(53,249,353)	(227,169,710)	305,819,011
TOTAL COMPREHENSIVE INCOME		P 562,313,958	P 307,982,410	P 905,127,817
Net profit attributable to:				
Parent company's shareholders		P 622,021,871	P 534,218,365	P 569,029,689
Non-controlling interest		(6,458,560)	938,155	279,127
		P 615,563,311	P 535,152,520	P 569,308,816
Total comprehensive income attributable to:				
Parent company's shareholders		P 568,582,818	P 306,691,45	P 964,587,885
Non-controlling interest		(6,268,860)	1,287,665	539,932
		P 562,313,958	P 307,982,410	P 905,127,817
EARNINGS PER SHARE - Basic and Diluted	27	P 0.042	P 0.036	P 0.039

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders						Total	Non-controlling Interests	Total
	Capital Stock (see Note 2c)	Additional Paid-in Capital	Treasury Stock (see Note 2c)	Revaluation Reserves (see Notes 8, 23 and 2f)	Other Reserves (see Note 2 and 2g)	Retained Earnings (see Note 2g)			
Balance at January 1, 2019									
As previously reported	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 636,105,205	(P 385,961,343)	P 5,876,989,482	P 25,136,349,920	P 2,558,719,887	P 27,695,089,807
Effect of adoption of PFRS 16 (see Note 2)	-	-	-	-	-	(7,404,043)	(7,404,043)	-	(7,404,043)
As restated	14,803,455,238	4,307,887,996	(102,106,658)	636,105,205	(385,961,343)	5,869,585,439	25,128,945,877	2,558,719,887	27,687,685,764
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	-	622,021,871	622,021,871	(6,458,560)	615,563,311
Fair value losses on financial assets at FVOCI	-	-	-	(27,024,000)	-	-	(27,024,000)	-	(27,024,000)
Remeasurements on retirement benefit obligation	-	-	-	(37,950,126)	-	-	(37,950,126)	189,700	(37,760,426)
Tax expense on remeasurement	-	-	-	11,535,073	-	-	11,535,073	-	11,535,073
Changes in ownership interest in subsidiaries	-	-	-	-	93,843,100	-	93,843,100	259,882,234	353,725,334
Balance at December 31, 2019	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 582,666,152	(P 292,118,243)	P 6,491,607,310	P 25,791,391,795	P 2,812,333,261	P 28,603,725,056
Balance at January 1, 2018	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 863,624,425	P -	P 5,342,771,117	P 25,215,632,118	P 620,961,159	P 25,836,593,277
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	-	534,218,365	534,218,365	938,155	535,156,520
Fair value losses on financial assets at FVOCI	-	-	-	(461,660,000)	-	-	(461,660,000)	-	(461,660,000)
Remeasurements on retirement benefit obligation	-	-	-	334,091,928	-	-	334,091,928	349,510	334,441,438
Tax expense on remeasurement	-	-	-	(99,951,148)	-	-	(99,951,148)	-	(99,951,148)
Other reserves from consolidation of a new subsidiary (see Note 1.2)	-	-	-	-	(385,961,343)	-	(385,961,343)	-	(385,961,343)
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	1,936,471,063	1,936,471,063
Balance at December 31, 2018	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 636,105,205	(P 385,961,343)	P 5,876,989,482	P 25,136,349,920	P 2,558,719,887	P 27,695,089,807
Balance at January 1, 2017	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 468,066,229	P -	P 4,773,741,428	P 24,251,044,233	P 620,421,227	P 24,871,465,460
Total comprehensive income for the year									
Net profit for the year	-	-	-	-	-	569,029,689	569,029,689	279,127	569,308,816
Fair value gains on available-for-sale financial assets	-	-	-	362,572,000	-	-	362,572,000	-	362,572,000
Remeasurements on retirement benefit obligation	-	-	-	46,828,461	-	-	46,828,461	260,805	47,089,266
Tax expense on remeasurement	-	-	-	(13,842,265)	-	-	(13,842,265)	-	(13,842,265)
Balance at December 31, 2017	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 863,624,425	P -	P 5,342,771,117	P 25,215,632,118	P 620,961,159	P 25,836,593,277

See Notes to Consolidated Financial Statements

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 922,224,052	P 769,455,443	P 853,065,993
Adjustments for:				
Finance costs	22	410,010,216	342,994,963	304,868,200
Finance income	22	(295,402,422)	(290,181,706)	(241,171,258)
Depreciation	11, 12, 13	111,369,197	56,184,685	33,727,522
Equity share in net losses of associates	10	3,830,936	6,310,718	578,205
Gain on sale of property and equipment	11	(123,214)	(25,088)	-
Loss on retirement of property and equipment	11	-	230,875	-
Impairment loss on receivables		-	-	19,837
Operating profit before working capital changes		1,151,909,765	884,969,890	951,088,499
Increase in trade and other receivables		(1,843,711,422)	(563,787,543)	(974,782,995)
Decrease (increase) in contract assets		738,192,213	(218,186,486)	(489,563,364)
Increase in advances to related parties		(983,862,792)	(254,577,967)	(25,218,451)
Increase in real estate inventories		(332,266,650)	(566,050,045)	(187,257,659)
Decrease (increase) in prepayments and other current assets		(104,949,282)	(127,576,887)	27,740,896
Decrease (increase) in advances to landowners and joint ventures		(83,845,973)	164,429,843	(16,500)
Decrease in other non-current assets		887,940	118,711	178,389
Increase (decrease) in trade and other payables		(107,812,397)	(51,350,037)	228,013,953
Increase (decrease) in contract liabilities		(25,833,278)	(79,354,003)	74,161,976
Increase in customers' deposits		1,497,068,614	589,962,658	186,669,515
Increase in other current liabilities		126,300,350	72,427,013	193,831,974
Increase (decrease) in retirement benefit obligation		(18,792,172)	37,789,605	62,768,335
Cash generated from (used in) operations		13,483,916	(111,385,248)	47,614,568
Interest received from receivables		47,098,560	47,110,288	68,904,138
Cash paid for income taxes		(203,211,847)	(118,682,965)	(213,926,487)
Net Cash Used in Operating Activities		(142,629,371)	(182,937,925)	(97,407,781)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of additional ownership interest in a subsidiary	10	(576,274,666)	-	-
Interest received from cash and cash equivalents		16,431,320	10,174,239	2,976,037
Acquisitions of property and equipment	11	(14,137,022)	(79,495,071)	(59,732,477)
Proceeds from sale of property and equipment		123,214	299,066	-
Acquisitions of intangible assets	12	-	(54,717,213)	-
Dividends received	8	-	11,260,000	-
Net Cash Used in Investing Activities		(573,856,954)	(112,476,979)	(56,756,440)
<i>Balance brought forward</i>		(P 716,486,325)	(P 295,434,904)	(P 154,164,221)

	Notes	2019	2018	2017
<i>Balance carried forward</i>		(P 716,486,325)	(P 295,434,904)	(P 154,164,221)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from subscription of non-controlling interest	33	930,000,000	-	-
Payments of interest-bearing loans and borrowings	33	(640,069,797)	(744,676,494)	(357,136,500)
Interest paid		(125,733,749)	(108,738,077)	(89,403,977)
Repayments of advances from related parties	33	(79,581,067)	(82,991,682)	(32,891,450)
Repayments of lease liabilities	33	(52,824,440)	-	-
Proceeds from additional advances from related parties	33	13,129,665	965,658,750	505,494,378
Proceeds from interest-bearing loans and borrowings	33	-	800,000,000	400,000,000
Net Cash From Financing Activities		44,920,612	829,252,497	426,062,451
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(671,565,713)	533,817,593	271,898,230
NET INCREASE IN CASH DUE TO ACQUISITION OF A SUBSIDIARY				
		-	2,184,545	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		1,816,898,287	1,280,896,149	1,008,997,919
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 1,145,332,574	P 1,816,898,287	P 1,280,896,149

Supplemental Information on Non-cash Investing and Financing Activities:

- In 2019, the Company recognized right-of-use assets and lease liabilities amounting to P193.5 million and P204.1 million, respectively (see Note 2).
- In 2018, the Company has reclassified certain property development costs to investment properties (see Note 1.3). No similar transaction occurred in 2019 and 2017.

See Notes to Consolidated Financial Statements.

EMPIRE EAST LAND HOLDINGS, INC. AND SUBSIDIARIES
(A Subsidiary of Megaworld Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

I. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 15, 1994, primarily to engage in the business of real estate development, mass community housing, townhouses and row houses development. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

1.1 Composition of the Group

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries/ Associates	Explanatory Notes	Percentage of Ownership		
		2019	2018	2017
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	100%	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	100%	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	100%	100%	100%
Empire East Communities, Inc. (EECI)	(c)	100%	100%	100%
20 th Century Nylon Shirt Co., Inc. (20 th Century)	(d)	100%	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(e)	72.50%	72.50%	72.50%
Sonoma Premier Land, Inc. (SPLI)	(b)	60%	60%	60%
Pacific Coast Megacity Inc. (PCMI)	(f)	40%	20%	-
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMATI)	(b)	47%	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	-	-	20%

Explanatory Notes:

- (a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
- (b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2019.
- (c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
- (d) Subsidiary acquired in 2015 which is yet to resume its operations, which is primarily to manufacture, distribute, and buy and sell wearing apparels and its accessories such as zipper, buttons, etc.
- (e) Subsidiary primarily engaged in operating a school for primary and secondary education.
- (f) Subsidiary of the Company starting 2018 when the Company obtained de facto control over the entity and was accounted for under the pooling-of-interest method (see Note 1.2).

The registered office address, which is also the place of operations, of the Company's subsidiaries and associates, except for EPHI, LBASSI, 20th Century and PCMI, is located at 12th Floor, Alliance Global Tower, 36th Street corner 11th Avenue, Uptown Bonifacio, Taguig City. The registered office address, which is also the place of operations, of EPHI, LBASSI, 20th Century and PCMI are summarized below.

- (a) EPHI – #188 EC Information Center, E. Rodriguez Jr. Ave., Eastwood CyberPark City, Bagumbayan, Quezon City
- (b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
- (c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
- (d) PCMI – 7th Floor, 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI, resulting in 100% and 73% ownership interest, respectively, over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2019 and 2018, and shown as part of Other Non-current Assets account in the consolidated statements of financial position [see Note 3.2(g)].

In 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares, representing 20% ownership interest in the said company. In 2018, the Company has obtained de facto control over PCMI; hence, the investment is accounted for as an investment in a subsidiary. Further, in 2019, the Company obtained additional shares of PCMI, increasing its ownership interest to 40% (see Note 1.2).

Megaworld Corporation (Megaworld or parent company) is the parent company of Empire East Land Holdings, Inc. and subsidiaries (the Group). Megaworld is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are also listed at the PSE.

On December 27, 2017, the SEC approved the change in the Company's registered office and principal place of business from 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City to 12th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on November 13, 2018.

Megaworld's registered office address is located on the 30th Floor of the same building as that of the Company. AGI's registered office is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered office addresses are also their respective principal places of business.

1.2 Acquisition of PCMI

PCMI became a subsidiary on December 31, 2018 when the Company obtained de facto control when the latter gained the power to govern over the financial and operating policies of the former. The acquisition was accounted for under the pooling-of-interest method of accounting as PCMI was acquired from a related party under common control. Moreover, there was no consideration paid in 2018 when the Company obtained de facto control over PCMI. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under *Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2012-01, PFRS 3.2 – Application of Pooling-of-Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	(8,447,960)
Net assets acquired	<u>P 2,420,588,829</u>

Significant assets acquired pertain to real estate inventories (land for future development) amounting to P1.4 billion. In addition, the consideration transferred in relation to the acquisition amounted to P870.1 million while non-controlling interest and other reserves amounting to P1.9 billion and P0.4 billion, respectively, were also recognized in the 2018 consolidated statement of changes in equity [see Note 2.3(c)].

In January 2019, the Company acquired an additional 20% ownership interest over PCMI for P886.3 million, increasing its total ownership interest over PCMI to 40%. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recognized directly in other reserves [see Notes 2.3(c) and 2.11]. The effective ownership of the Company over PCMI after the transaction is 40%.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Group's Board of Directors (BOD) on April 6, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	: Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	: Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	: Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	: Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	: Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)	
PAS 12 (Amendments)	: Income Taxes – Tax Consequences of Dividends
PFRS 23 (Amendments)	: Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	: Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments did not have significant impact on the Group's consolidated financial statements as the Group annually updates the actuarial assumptions used in calculating its retirement benefit obligation. Moreover, the Group did not have any plan amendment, curtailment or settlement during the year.
- (ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments did not have significant impact on the Group's consolidated financial statements as the Group applies the equity method in measuring its investments in associates.

- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments did not have significant impact on the Group's consolidated financial statements as the Group has no financial instruments with negative compensation.
- (iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives*, and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Retained Earnings account as of January 1, 2019. Accordingly, comparative information was not restated.

The new accounting policies of the Group as a lessee and a lessor are disclosed in Notes 2.16(a) and 2.16(b), respectively.

The following are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. The Group recognized lease liabilities in relation to leases that had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019, which was 5.81%.
- c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at its carrying amount as if the standard has been applied since the commencement date of the lease but discounted using the lessee's incremental borrowing rate as at January 1, 2019.

- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemption to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.
- e. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
- reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,
 - use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Relative to the adoption of PFRS 16 in the Philippines, the FRSC also approved the issuance of the following Philippine Interpretation Committee (PIC) Question and Answer (Q&A):

- PIC Q&A 2019-11, Determining the Current Portion of an Amortizing Loan/Lease Liability*, clarifies the proper classification/presentation between current and non-current portion of amortizing loan/lease liability in the consolidated statement of financial position; and,
- PIC Q&A 2019-12, Determining the Lease Term under PFRS 16, Leases*, clarifies the lease term upon consideration of an option to either extend or terminate the lease.

Lease liabilities are included in current liabilities, except those with maturities greater than 12 months after the end of reporting period, which are classified as noncurrent liabilities. Moreover, the Group did not include any termination nor renewal option in determining the lease term since the termination and renewal of the lease contract is subject to the mutual agreement of both parties; hence, it will not be considered enforceable.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Notes	Carrying Amount (PAS 17) December 31, 2018	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
<i>Assets –</i>				
Property and equipment	11	P 248,067,253	P 193,481,098	P 442,448,351
<i>Liabilities:</i>				
Lease liabilities:	17			
Current		-	(44,959,425)	(44,959,425)
Noncurrent		-	(159,098,877)	(159,098,877)
Deferred tax liabilities	24	(1,940,078,073)	3,173,161	(1,936,904,912)
Impact on net assets			(P 7,404,043)	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	28.2	P 240,877,975
Recognition exemptions –		
Leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(13,198,020)
Operating lease liabilities before discounting		227,679,946
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(23,621,644)
Lease liabilities, January 1, 2019 (PFRS 16)		P 204,058,302

- IFRIC 23, Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation did not have significant impact on the Group's consolidated financial statements as the interpretation merely clarifies existing practice.
- Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but did not have significant impact on the Group's consolidated financial statements as the related amendments merely clarify existing requirements:
 - PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Reassessment of Previously Held Interests in a Joint Operation*. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- (iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

- (j) SEC Memorandum Circular (MC) No. 04-2020, *Deferment of the Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (IFRIC Agenda Decision)*

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition - i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer. Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

In relation to the above issues, the SEC, in its Memorandum Circular No. 04-2020, provided for the relief to the real estate industry by deferring the implementation of the IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, real estate companies in the Philippines shall adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. However, a real estate company may opt not to avail of the relief provided and instead comply in full with the requirements of the IFRIC interpretations.

The Group opted to avail the relief provided by the SEC to defer the implementation of the IFRIC Agenda Decision until December 31, 2020. The Group's accounting policies with respect to capitalization of borrowing costs on real estate inventories under construction are disclosed in Notes 2.5 and 2.21.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(d) SEC MC No. 14 Series of 2018 and MC No. 3 Series of 2019

The SEC issued MC No. 14 in 2018 and MC No. 3 in 2019 which provided relief by deferral of the application on the following items for three years until calendar year ending December 31, 2020.

(i) Concept of the significant financing component in the contract to sell

IFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

(ii) Treatment of land and uninstalled materials in the determination of POC (PIC Q&A No. 2018-12-E)

Uninstalled materials delivered on-site but not yet installed such as steels and rebars, elevators and escalators, which are yet to be installed or attached to the main structure are excluded in the assessment of measurement of progress. Land shall also be excluded in the assessment.

(iii) Accounting for common usage service area charges (PIC Q&A No. 2018-12-H)

According to the consensus of the PIC Q&A No. 2018-12-H, the following should be considered by the role of a real estate developer in providing goods or services:

- a. Electricity usage – Agent
- b. Water usage – Agent
- c. Air-conditioning charges – Principal
- d. Common use service area (CUSA) charges and administrative and handling fees – Principal

(iv) Accounting for cancellation of real estate sales (PIC Q&A No. 2018-14)

According to the consensus of the PIC Q&A No. 2018-14, repossessed inventory may initially be recognized at either costs or fair value plus repossession costs. Either approach should be applied consistently.

The Group elected to defer the adoption of the accounting for the significant financing component in a contract to sell under PIC Q&A 2018-12 in accordance with MC No. 14 series of 2018 and the measurement of repossessed inventory at fair value under PIC Q&A 2018-14 in accordance MC No. 3 series of 2019.

Had the Group elected not to defer the above specific provisions, it would have the following impact in the consolidated financial statements:

- There would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense are calculated using the effective interest rate method. This will impact the retained earnings as at January 1, 2018 and real estate sales in 2019 and 2018.
- There would have been an increase in the retained earnings balance as at January 1, 2018 and net profit in 2019 and 2018 as a result of the gain from repossession. This is because repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its carrying amount and recognize in profit or loss the difference between the carrying amount of the repossessed inventory and receivable.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company is, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.11).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates. All subsequent changes to the ownership interest in the equity of the associate are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of Associates account in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., revaluation reserves and other reserves). Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Group holds interests in various subsidiaries with non-controlling interests as presented in Note 10.

(d) *Interests in Jointly-controlled Operations*

For interests in jointly-controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expenses account of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the joint operators.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the classification and measurement of financial assets applicable to the Group are financial asset at amortized cost and financial assets at FVOCI.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors and Advances to condominium associations included therein), Contract Assets and Advances to Related Parties in the consolidated statements of financial position.

Financial assets measured at amortized cost are included in current assets, except those with maturities greater than 12 months after the end of reporting period, which are classified as noncurrent assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of comprehensive income as part of Finance Income.

(ii) Financial Assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Finance Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectibility of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses impairment of trade receivables and contract assets as they possess shared credit risk characteristics, and have been group based on the days past due [see Note 29.2(b)].

The Group applies a general approach specifically, in relation to receivable from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Real Estate Inventories

Cost of real estate inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties (see Note 2.21). All costs relating to the real estate property sold under development are recognized as expense as the work to which they relate is performed. Meanwhile, all costs relating to completed real estate property sold are recognized once control of the property was transferred to the buyer.

Costs of real estate inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate inventory is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.6 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

2.7 Property and Equipment

Property and equipment, except for land, are stated cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value. As the land has no finite useful life, its related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as presented below. Leasehold improvements are amortized over the lease term or the estimated useful lives of the improvements, whichever is shorter.

Building and other improvements	5 to 25 years
Office furniture and equipment	3 to 5 years
Transportation equipment	5 years

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.8 Intangible Asset

Intangible asset includes acquired computer software license, which is capitalized on the basis of the costs incurred to acquire, install and service the specific software. Costs associated with maintaining computer software are expensed as incurred.

Capitalized costs of intangible assets are amortized on a straight-line basis over the estimated useful life (10 years) as the lives of these intangible assets are considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.19.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Investment Property

Investment property consists of building and office and commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office and commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office and commercial units classified as investment property is computed on the straight-line basis over the estimated useful life of 20 to 50 years.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in the consolidated statement of income in the year of retirement or disposal.

2.10 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities), Lease Liabilities, Advances from Related Parties and Other Current Liabilities (excluding Refund liability and Miscellaneous) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, except for capitalized borrowing costs, are recognized as an expense in profit or loss as part of Finance Costs account in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs and excluding capitalized borrowing costs, are charged to profit or loss and/or capitalized on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. The measurement for lease liabilities is disclosed in Note 2.16(a)(i).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Business Combination

(a) Accounting for Business Combination using the Acquisition Method

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) Accounting of Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves" (presented as Other Reserves in the equity section of the statement of financial position), which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that does not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, leasing activities and rendering of services.

To determine whether to recognize revenue, the Group follows a five-step process:

- (a) Identifying the contract with a customer;
- (b) Identifying the performance obligation;
- (c) Determining the transaction price;
- (d) Allocating the transaction price to the performance obligations; and,
- (e) Recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group develops real properties such as house and lot and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell pre-completed real properties is disclosed in Note 3.1(b). Sales cancellations are charged to profit or loss on the year of forfeiture.

The specific recognition criteria of various revenue streams of the Group are as follows:

(a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section of the consolidated statement of comprehensive income.

(b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under the Revenues and Income section in the consolidated statement of comprehensive income.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Group.

(c) *Marketing and management fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(d) *Commission* – Revenue is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered to customers that is completed over time (i.e., end of each month).

(e) *Tuition and miscellaneous fees* – Revenue is recognized over time over the corresponding school term.

Incremental costs of obtaining a contract to sell real property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized (see Note 2.15). Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.21).

The costs of real estate sales include the acquisition cost of the land and development costs incurred for the project (see Note 2.5).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, consideration received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.15 Direct Contract Cost

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets in the consolidated statement of financial position (see Note 20.3). Commissions are charged to profit or loss proportionate to the progress of the project development and are presented as Commissions under Costs and Expenses section in the consolidated statement of comprehensive income.

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured as if the new standard had been applied since commencement date, but discounted using the lessee's incremental borrowing rate as at the date of initial application. Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.19).

On the other hand, the Group measures the lease liability at the present value of the fixed lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of Property and Equipment account and as a separate line item, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.17 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.19 Impairment of Non-financial Assets

The Group's investment in associates, property and equipment, intangible assets, investment properties, goodwill and other non-financial assets are tested for impairment. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill, all non-financial assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Group provides short-term benefits, post-employment benefits to employees through a defined benefit plan and certain defined contribution plans and other employee benefits which are recognized as follows:

(a) Short-term benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Salaries and Employee Benefits under Cost and Expenses section in the consolidated statement of comprehensive income.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on the market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) *Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Real Estate Inventories account in the consolidated statement of financial position and consolidated statement of comprehensive income, respectively. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 *Income Taxes*

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred tax not recognized in consolidated other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 *Related Party Transactions and Relationships*

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Group's Board of Directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. For the years ended December 31, 2019, 2018 and 2017, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stocks are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves consist of:

- (a) Accumulated actuarial gains and losses arising from remeasurements of retirements benefit obligation, net of tax;
- (b) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income; and,
- (c) Cumulative share in other comprehensive income of associates attributable to the Group.

Other reserves pertain to the difference between the fair value of any consideration paid and the relevant share in the carrying value of a new subsidiary that was accounted for under the pooling-of-interest method and any subsequent change in ownership interest in the subsidiary.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments mentioned below and in the succeeding pages, apart from those involving estimation, which has the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Option (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The renewal and termination option for the lease of office space was not included as part of the lease term due to the provisions in its contract that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the factors enumerated below.

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate inventories is satisfied over time, while its performance obligation for completed real estate inventories is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Marketing, Management Fees and Commission

The Group determines that its revenue from marketing, management fees and commission shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(iii) Tuition fees

The Group determines that its revenue from tuition fees shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the counterparties. The Group renders services without the need for reperformance of other companies. This demonstrates that the counterparties simultaneously receive and consume the benefits of the Group's rendering of services as it performs.

(c) Estimation of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(d) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade receivables, contract assets and other receivables. The provision rates are based on days past due for groups of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to advances to related parties and other related party receivables, the Group uses the liquidity approach as the receivables are collectible on demand.

Details about the ECL on the Group's trade and other receivables, contract assets and advances to related parties are disclosed in Notes 2.4(b) and 29.2.

(e) Distinction Among Investment Property and Owner-managed Properties

The Group determines whether a property qualifies as investment property or property and equipment. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development and sale.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(f) Distinction Between Real Estate Inventories and Investment Property

Inventories comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's use over these assets in making its judgment.

(g) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on management's assessment, all of the Group's lease agreements are classified as operating leases.

In 2019, upon adoption of PFRS 16, distinction between operating and finance leases are applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

(h) Distinction Between Asset Acquisition and Business Combinations

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

In 2018, the Group acquired de facto control over PCMI as described in Note 1.2. The acquisitions are accounted for as business combinations.

(i) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over PCMI even though it holds less than 50% of the ordinary shares and voting rights in that subsidiary. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors.

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.4(b).

(d) Determination of Net Realizable Value of Real Estate Inventories

In determining the net realizable value of real estate inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Inventories within the next reporting period.

Considering the Group's pricing policy, the net realizable value of the Real Estate Inventories are higher than their related carrying values as of the end of the reporting periods.

(e) Estimation of Useful Lives of Property and Equipment, Intangible Asset and Investment Property

The Group estimates the useful lives of property and equipment, intangible asset, and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, intangible asset and investment property are analysed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2019 and 2018, there is no change in estimated useful lives of property and equipment, and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2019 and 2018 will be utilized in the succeeding years.

The carrying values of the Group's deferred tax assets as of December 31, 2019 and 2018 are disclosed in Note 24.2.

(g) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.19.

Material amount of goodwill amounting to P77.3 million arising from the acquisition of LBASSI has been tested for impairment. The recoverable amount of cash generating units assigned to LBASSI amounted to P169.2 million and P165.2 million in 2019 and 2018, respectively, and is determined using a cash flow projection covering a five-year period with growth rate of 6% and an average discount rate of 4% in 2019 and 2018. The discount rates and growth rate are the key assumptions used by management in determining the recoverable amount of cash generating units. Management believes that the key assumptions used are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse effect on the results of operations. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying amount of the cash generating unit exceed their respective recoverable amounts. Based on management's assessment, no impairment loss needs to be recognized on goodwill since the recoverable amount of the cash generating units is greater than their carrying amount in both years presented (see Note 1).

No impairment losses were recognized on advances to landowners and joint ventures, investments in associates, property and equipment, intangible asset, investment property, and other non-financial assets in 2019, 2018 and 2017 (see Notes 9, 10, 11, 12 and 13).

(h) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 23.2.

(i) Determination of Fair Value of Investment Property

Investment property is measured using the cost model. The Group determines the fair values of building and building improvements using either thru the discounted cash flows valuation technique (income approach) or market based valuation technique (market approach). The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land, the Company determines the fair value using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Note 31.4.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages, and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, contract assets and real estate inventories. Excluded from segment assets are cash and cash equivalents, advances to related parties, prepayments, advances to landowners and joint ventures, investments in subsidiaries and associates, property and equipment, intangible asset, investment property and other assets which are considered corporate assets and are not allocated to any segment's assets.

Segment liabilities include all operating liabilities incurred by management in each particular segment and consist principally of contract liabilities and customer deposits. Excluded from segment liabilities are interest bearing loans and borrowings, trade and other payables, lease liabilities, advances from related parties, stock subscriptions payable, deferred tax liabilities and retirement benefit obligation as the Group's management determined that these accounts are not directly related to the Group's segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the consolidated financial statements.

4.4 Analysis of Segment Information

The tables presented in the succeeding pages present the revenue and profit information for the years ended December 31, 2019, 2018 and 2017 and certain asset and liability information regarding segments as at December 31, 2019 and 2018.

	High Rise Projects			Horizontal Projects			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
REVENUES									
Real estate sales	P 3,661,348,402	P 3,331,891,869	P 3,577,749,754	P 347,559,553	P 180,651,069	P 355,636,807	P 4,008,907,955	P 3,512,542,938	P 3,933,386,561
Finance income	59,796,957	54,852,121	51,531,646	6,524,916	25,083,355	19,637,623	66,321,873	79,935,476	71,169,269
Rental income	102,521,874	103,810,109	73,616,139	4,591,504	1,631,906	67,427,516	148,433,378	105,442,015	141,643,655
Commission and other income	203,279,317	221,260,381	192,180,483	9,481,929	37,351,746	14,860,727	212,761,276	258,412,127	207,043,220
	4,026,946,550	3,711,814,480	3,895,078,032	409,477,932	244,718,076	487,964,873	4,436,428,482	3,956,537,556	4,352,647,705
COSTS AND OTHER									
OPERATING EXPENSES									
Cost of real estate sales	2,017,198,214	1,989,219,750	2,160,426,523	175,016,095	69,009,125	110,476,961	2,192,214,309	2,058,228,875	2,270,903,484
Finance costs	67,055,221	50,669,576	54,241,397	9,403,516	12,391,186	31,279,637	76,438,737	63,060,762	85,521,034
Rentals	24,159,601	99,243,761	164,488,032	157,920	960,553	1,428,346	24,317,521	100,204,314	165,916,378
Commissions	279,420,341	77,616,710	107,387,793	20,410,340	14,591,852	10,758,974	299,830,681	92,208,562	118,146,767
Advertising and promotion	210,170,540	75,119,172	110,237,016	16,912,080	12,973,989	16,411,021	227,082,620	88,093,161	126,648,037
Taxes and licenses	45,739,353	34,663,910	66,511,920	9,213,771	15,023,554	10,680,545	54,953,124	49,687,464	77,192,465
Association dues	76,313,602	43,603,112	32,727,344	2,688,230	7,624,153	3,553,401	79,001,832	51,227,265	36,280,745
Salaries and employee benefits	2,946,608	3,251,311	2,008,661	126,738	185,289	100,138	3,073,346	3,436,600	2,117,799
Others	60,177,162	23,925,974	51,828,950	8,430,001	11,308,095	8,420,414	68,607,163	35,233,979	60,249,364
Cost and other operating expenses excluding depreciation and amortization	2,783,160,642	2,397,313,276	2,749,857,636	242,338,691	144,067,706	193,118,437	3,025,519,333	2,541,380,982	2,942,976,073
Depreciation and amortization	15,964,484	16,201,422	3,349,929	12,408,515	12,417,724	13,668,347	28,372,999	28,419,146	17,018,346
	2,799,125,126	2,413,514,698	2,753,207,635	254,767,206	156,485,430	206,786,784	3,053,892,332	2,570,000,128	2,959,994,412
SEGMENT OPERATING PROFIT	P 1,227,821,424	P 1,298,299,782	P 1,141,870,397	P 154,710,726	P 88,232,646	P 250,777,889	P 1,382,532,150	P 1,386,532,628	P 1,392,648,284
SEGMENT ASSETS AND LIABILITIES									
Segment assets	P 24,297,127,389	P 23,397,139,895	P 20,664,382,384	P 7,333,417,274	P 7,585,869,596	P 7,864,870,584	P 31,630,544,663	P 30,983,009,491	P 28,520,252,968
Segment liabilities	4,309,464,596	3,173,846,164	2,512,855,300	328,121,410	313,724,708	330,809,341	4,637,586,006	3,487,570,872	2,843,664,461

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2019	2018	2017
Revenues			
Total segment revenues	P 4,436,424,482	P 3,956,532,556	P 4,352,642,705
Unallocated revenues:			
Finance income	229,080,549	210,246,230	170,001,980
Commission income	134,220,853	112,516,507	119,381,451
Rental income from investment property	6,037,655	5,678,477	5,373,315
Other income	412,089,940	158,095,341	217,207,395
	781,428,997	486,536,555	511,964,150
Revenues as reported in the consolidated statements of comprehensive income	P 5,217,853,479	P 4,443,069,111	P 4,864,606,855
Profit or loss			
Segment operating profit	P 1,382,532,150	P 1,386,532,428	P 1,392,648,285
Other unallocated income	781,428,997	486,536,555	511,964,150
Other unallocated expenses	(1,548,397,836)	(1,337,912,463)	(1,335,303,612)
Net profit as reported in the consolidated statements of comprehensive income	P 615,563,311	P 535,156,520	P 569,308,816
Assets			
Segment assets	P31,630,544,663	P30,983,009,491	
Unallocated assets:			
Cash and cash equivalents	1,145,332,574	1,816,898,287	
Trade and other receivables-net	4,225,749,275	3,408,049,057	
Advances to related parties	4,122,109,792	2,927,206,315	
Prepayments and other current assets	686,408,889	581,459,609	
Financial asset at FVOCI	1,312,916,000	1,339,940,000	
Advances to landowners and joint ventures	226,304,025	142,458,052	
Investment in associates	282,074,777	285,905,713	
Property and equipment - net	378,706,446	248,967,253	
Investment property - net	699,156,607	727,175,156	
Intangible assets	49,245,492	54,717,213	
Other non-current assets	83,517,650	84,405,500	
	13,211,521,527	11,617,182,245	
Total assets as reported in the consolidated statements of financial position	P44,842,066,190	P42,600,191,736	

	2019	2018
Liabilities		
Segment liabilities	P 4,637,586,006	P 3,487,570,872
Unallocated liabilities:		
Interest-bearing loans and borrowings	1,416,666,685	2,056,736,482
Trade and other payables	1,674,530,611	1,786,066,286
Customers' deposits	385,828,682	22,753,104
Lease liabilities	159,098,877	-
Advances from related parties	4,776,873,636	4,578,102,879
Income tax payable	45,934	41,594
Other current liabilities	813,113,986	728,469,012
Retirement benefit obligation	345,782,326	305,283,627
Deferred tax liabilities - net	2,028,814,391	1,240,078,073
	11,600,755,128	11,417,531,057
Total liabilities as reported in the consolidated statements of financial position	P16,238,541,134	P14,905,101,929

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2019	2018
Cash on hand and in banks	P 914,319,817	P 1,092,012,128
Short-term placements	231,012,757	724,886,159
	P 1,145,332,574	P 1,816,898,287

Cash in banks generally earn interest based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2019, 2018 and 2017 and earn annual effective interest ranging from 0.75% to 6.5% in 2019, 0.3% to 6.5% in 2018, and 0.5% to 2.8% in 2017. Dollar-denominated short-term placements are made for varying periods of up to 31 days in 2019, 32 days in 2018, and 37 days in 2017 and earn annual effective interest ranging from 0.9% to 2.0% 2019, 0.4% to 2.3% in 2018, 0.4% to 0.8% in 2017 (see Note 22.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2019	2018
Current:			
Trade receivables	25.2	P 3,180,607,874	P 2,461,039,935
Advances to suppliers and contractors		2,463,277,875	1,885,855,650
Rent receivable	25.2	389,859,853	370,472,421
Advances to condominium associations		207,839,747	167,668,606
Interest receivable	25.3	122,596,583	165,163,264
Management fee receivable	25.2	56,405,517	71,717,709
Others		460,174,091	421,358,895
		<u>6,880,761,540</u>	<u>5,543,276,480</u>
Allowance for impairment		(207,852)	(244,711)
		<u>6,880,553,688</u>	<u>5,543,031,769</u>
Non-current:			
Trade receivables		1,675,203,475	1,233,256,236
Refundable security deposits		112,093,619	103,458,434
		<u>1,787,297,094</u>	<u>1,336,714,670</u>
		<u>P 8,667,850,782</u>	<u>P 6,879,746,439</u>

The Group's trade and other receivables are subjected to credit risk. Based on management's assessments, all receivables were found to be collectible.

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	P 244,711	P 273,122
Write-off during the year	(8,390)	(18,300)
Recovery of accounts previously provided with allowance	(28,469)	(10,111)
Balance at end of year	<u>P 207,852</u>	<u>P 244,711</u>

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from two to 15 years while interest ranges from 16% to 22%. The related interest earned on these sales contracts amounting to P3.3 million in 2019, P11.6 million in 2018, and P12.0 million in 2017 are reported as part of Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).

The installment period of noninterest-bearing sales contracts ranges from three to five years with an imputed interest of 5.63% in 2019 and 5.70% in 2018. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Day-one loss amounting to P76.4 million in 2019, P63.1 million in 2018, and P85.5 million in 2017 are presented as part of Finance Costs account in the consolidated statements of comprehensive income (see Note 22.2). Amortization of day-one loss amounting to P63.1 in 2019, P85.5 million in 2018 and P59.2 million in 2017 are presented as part of Finance Income account in the consolidated statements of comprehensive income (see Note 22.1).

The Group partially finances its real estate projects and other business undertakings through assignment of its trade receivables on a with recourse basis with certain local banks (see Note 14).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by the Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Advances to condominium associations represent the Group's payment for the initial operations of the start-up association of a completed project. The purpose of these advances are mainly for the charges of utilities, real property taxes, licenses and management fee.

Refundable deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric Group, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

Other receivables, both current and non-current, include advances to joint ventures for processing of business permits and licenses, and unliquidated advances from employees and real estate consultants.

7. REAL ESTATE INVENTORIES

The Group's real estate inventories at the end of 2019 and 2018 were stated at cost. The composition of this account as at December 31 is shown below (see Note 19).

	2019	2018
Residential and condominium units for sale	P 18,226,741,357	P17,774,124,885
Raw land inventory	5,121,365,396	5,121,335,396
Property development costs	<u>1,888,457,824</u>	<u>1,925,781,036</u>
	<u>P 25,236,564,577</u>	<u>P 24,821,241,317</u>

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income (see Note 19), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

The total borrowing costs capitalized to this account amounted to P83.1 million, P117.7 million, and P89.9 million in 2019, 2018 and 2017, respectively (see Note 14).

Certain properties presented as part of Real Estate Inventories with total estimated carrying value of P28.5 million and P59.3 million as of December 31, 2019 and 2018, respectively, are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

8. FINANCIAL ASSETS AT FVOCI

The movement of the carrying amounts of financial assets at FVOCI as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 1,339,940,000	P 1,801,600,000
Fair value gains	(27,024,000)	(461,660,000)
Balance at end of year	<u>P 1,312,916,000</u>	<u>P 1,339,940,000</u>

Financial assets at FVOCI pertains to investments held by EPHI in equity securities of the ultimate parent company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2019 and 2018, is categorized as Level 1 in the fair value hierarchy (see Note 31.2).

The net accumulated fair value gains or losses in financial assets at FVOCI is shown as part of Revaluation Reserves account in the equity section of the consolidated statements of financial position (see Note 26.4).

Dividend income earned amounted to P11.3 million in 2018 and is presented as Dividend income under Finance Income in the 2018 consolidated statements of comprehensive income (see Note 22.1). There was no dividend income earned in 2019 and 2017.

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venture partners shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The reconciliation of advances to landowners and joint ventures as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Advances to landowners:		
Balance at beginning of year	P 37,000,029	P 25,000,029
Additional advances	<u>84,801,357</u>	<u>12,000,000</u>
Balance at end of year	<u>121,801,386</u>	<u>37,000,029</u>
Advances to joint ventures:		
Balance at beginning of year	105,458,023	281,887,866
Collections	(968,584)	(183,206,743)
Additional advances	13,200	6,800,000
Reclassification to escrow fee	-	(23,100)
Balance at end of year	<u>104,502,639</u>	<u>105,458,023</u>
	<u>P 226,304,025</u>	<u>P 142,458,052</u>

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2019 and 2018.

The net commitment for construction expenditures amounts to:

	<u>2019</u>	<u>2018</u>
Total commitment for construction expenditures	P 10,304,770,365	P 10,304,770,365
Total expenditures incurred	(8,802,552,361)	(8,179,629,191)
Net commitment	<u>P 1,502,218,004</u>	<u>P 2,125,141,174</u>

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2019 and 2018. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2019 and 2018, the Group has neither other material contingent liabilities with regard to these joint ventures.

10. INVESTMENT IN AN ASSOCIATE AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The components of investments in associates as of December 31 are as follows:

	2019		2018	
	% Interest Held	Amount	% Interest Held	Amount
Investments in associates – at equity				
Balance at beginning of year				
Acquisition costs:				
GPMAI	47%	P 293,960,618	47%	P 293,960,618
PCMI	-	-	20%	877,776,747
		<u>293,960,618</u>		<u>1,171,737,365</u>
Derecognition during the year		-		(877,776,747)
Balance at end of year		<u>293,960,618</u>		<u>293,960,618</u>
Accumulated equity in net losses:				
Balance at beginning of year		(8,054,905)		(9,441,824)
Equity share in net losses for the year		(3,830,936)		(6,510,718)
Derecognition of PCMI share		-		7,697,637
Balance at end of year		<u>(11,885,841)</u>		<u>(8,054,905)</u>
		<u>P 282,074,777</u>		<u>P 285,905,713</u>

10.1 Acquisition of PCMI

In December 2018, while still having 20% ownership interest in PCMI, the Company was able to exercise de facto control over PCMI; hence, the investment was accounted as an investment in Subsidiary. The acquisition was accounted for under pooling-of-interests method of accounting (see Note 1.2).

In 2019, the Company acquired another 20% interest over PCMI for P886.3 million, P576.3 million of which was paid to the previous owner of the shares while the remaining balance pertains to the payment of the related subscription payable to PCMI. The difference between the fair value of the consideration paid and the acquired share in the carrying value of the net assets of PCMI was recognized directly in Other Reserves account.

10.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net income (loss) of GPMAI as of December 31 are as follows:

	Current Assets		Non-current Assets		Current Liabilities		Non-current Liabilities		Revenues		Net Income (Loss)	
	P	P	P	P	P	P	P	P	P	P	P	P
2019	580,904,849	16,603,383	12,051,997	-	7,624,319	2,402,820						
2018	578,823,331	16,394,901	12,045,836	-	5,897,566	(2,715,782)						

As of December 31, 2019 and 2018, there are no available fair values for these investments in associates as they are not listed in stock markets.

Based on the assessment of the management, the investment in an associate is not impaired due to the active efforts of the Group to raise funds in order to push through with the associate's projects.

10.3 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below:

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit (Loss) Allocated to NCI		Accumulated Equity of NCI	
	2019	2018	2019	2018	December 31, 2019	December 31, 2018
LBASSI	27.50%	27.50%	P 1,150,045	P 1,003,800	P 80,977,476	P 79,637,731
SPLI	40.00%	40.00%	(81,521)	(65,737)	542,529,572	542,611,093
PCMI	60.00%	80.00%	(7,527,084)	-	2,188,826,213	1,936,471,063

The summarized financial information of LBASSI, SPLI, and PCMI before intragroup eliminations is shown below.

	Assets		Liabilities		Equity		Revenues		Net Profit		Other Comprehensive Income (Loss)	
	P	P	P	P	P	P	P	P	P	P	P	P
December 31, 2019												
LBASSI	161,406,313	36,713,640	124,692,673	52,091,228	P 4,181,981	P 689,818						
SPLI	342,008,159	22,382,437	489,625,722	-	(203,802)	-						
PCMI	3,656,498,649	8,454,960	3,648,043,689	24,717	(12,545,140)	-						
December 31, 2018												
LBASSI	175,734,505	55,911,631	119,820,874	52,373,775	P 3,650,508	P 1,270,944						
SPLI	911,991,748	22,162,224	489,829,524	-	(164,342)	-						
PCMI	2,429,036,789	6,447,960	2,420,388,829	-	(13,462,789)	-						

	Net Cash from (Used in)					
	Operating Activities		Investing Activities		Financing Activities	
2019						
LBASSI	P	8,593,160	(P 3,027,686)	(P 20,307,025)		
SPLI	(	16,932)	-	13,213		
PCMI	(	1,239,981,227)	-	1,240,000,000		
2018						
LBASSI	P	20,896,546	(P 10,400,236)	(P 309,344)		
SPLI	(	189,302)	-	202,510		
PCMI	-	-	-	-		

In 2019 and 2018, LBASSI, SPLI, and PCMI have not declared nor paid any dividends.

10.4 Contingent Liabilities

As of December 31, 2019 and 2018, the Group has no contingent liabilities for subsidiaries and associates which were incurred jointly with other investors and the Group is not severally liable for all or part of the contingent liabilities of the subsidiaries and associates.

Based on management's assessment, the Group's investments in associates are not impaired due to the active efforts of the Group to fund their respective operations.

10.5 Interests in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

II. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of items of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Land	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Right-of-use Asset	Total
December 31, 2019							
Cost	P 81,095,000	P 99,984,582	P 149,354,509	P 76,689,313	P 141,402,259	P 193,481,098	P 744,003,761
Accumulated depreciation and amortization	-	(84,660,305)	(87,209,168)	(65,437,487)	(132,783,020)	(48,339,275)	(368,509,355)
Net carrying amount	P 81,095,000	P 15,324,277	P 62,145,341	P 11,251,826	P 8,619,239	P 145,141,823	P 375,494,406
December 31, 2018							
Cost	P 81,095,000	P 99,462,266	P 158,462,791	P 77,131,750	P 156,555,858	P -	P 569,647,755
Accumulated depreciation and amortization	-	(81,375,354)	(77,034,824)	(66,314,380)	(137,108,522)	-	(361,829,079)
Net carrying amount	P 81,095,000	P 18,086,912	P 81,427,967	P 10,817,370	P 19,447,336	P -	P 240,867,253
January 1, 2018							
Cost	P 81,095,000	P 82,394,341	P 193,968,557	P 73,318,592	P 145,218,916	P -	P 495,895,406
Accumulated depreciation and amortization	-	(37,058,884)	(66,451,456)	(35,128,488)	(128,289,493)	-	(266,928,321)
Net carrying amount	P 81,095,000	P 45,335,457	P 127,517,101	P 38,190,104	P 16,929,423	P -	P 228,947,125

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 is shown below.

	Land	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Right-of-use Asset	Total
Balance at January 1, 2019:							
Cost of accumulated depreciation, amortization, and impairment							
As previously stated	P 81,095,000	P 50,226,912	P 81,387,870	P 16,802,165	P 19,453,360	P -	P 248,967,253
Effect of PPST 16	-	-	-	-	(23,481,008)	-	(23,481,008)
As restated	81,095,000	50,226,912	81,387,870	16,802,165	19,453,360	19,481,098	442,448,353
Additions	-	362,364	1,811,898	2,192,168	9,675,700	-	14,042,120
Depreciation and amortization charges for the year	-	(3,034,131)	(11,215,332)	(5,782,447)	(9,231,827)	(48,339,275)	(77,607,022)
Net carrying amount	P 81,095,000	P 49,555,043	P 72,983,436	P 13,211,826	P 19,897,233	P 145,141,823	P 375,494,406
Balance at January 1, 2018:							
Cost of accumulated depreciation, amortization, and impairment							
As before	P 81,095,000	P 45,335,500	P 161,617,303	P 18,130,230	P 16,935,365	P -	P 323,103,428
Additions	-	8,367,025	5,394,144	4,475,142	11,422,861	-	29,669,172
Disposals	-	-	-	(213,978)	-	-	(213,978)
Write-off	-	-	-	(200,875)	-	-	(200,875)
Depreciation and amortization charges for the year	-	(3,344,522)	(11,629,375)	(5,303,326)	(8,002,520)	-	(28,279,743)
Net carrying amount	P 81,095,000	P 50,226,912	P 81,387,870	P 16,802,165	P 19,453,360	P -	P 248,967,253

The amount of depreciation and amortization of property and equipment is presented as part of Depreciation and Amortization account under Costs and Expenses section of the consolidated statements of comprehensive income.

Property and equipment is subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2019 and 2018 as the recoverable amount of these assets is determined by management is higher than its carrying value.

The cost of fully depreciated assets still used in business amounted to P196.9 million and P194.6 million as of December 31, 2019 and 2018, respectively.

12. INTANGIBLE ASSET

The gross carrying amounts and accumulated amortization of software licenses at the beginning and end of 2019 and 2018 are shown below.

	2019	2018
Cost	P 54,717,213	P 54,717,213
Accumulated amortization	(5,471,721)	-
Net carrying amount	P 49,245,492	P 54,717,213

A reconciliation of the carrying amounts of intangible assets for the beginning and end of 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	P 54,717,213	P -
Additions	-	54,717,213
Amortization expense for the year	(5,471,721)	-
Balance at end of year	P 49,245,492	P 54,717,213

The amount of amortization charges is presented as part of Depreciation and Amortization account under Costs and Expenses section of the 2019 consolidated statement of comprehensive income. No amortization charges had been incurred in 2018.

Intangible asset is subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2019 and 2018 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

13. INVESTMENT PROPERTIES

The Group's investment properties pertain to building and office and commercial units held for lease and a parcel of land held for capital appreciation. Rental income recognized for the years ended December 31, 2019, 2018 and 2017 amounted to P123.5 million, P41.2 million and P24.8 million, respectively, and are presented as part of Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Since all recorded investment properties earned rental income during the year, there were no direct operating expenses pertaining to investment properties not generating rental income. Real estate tax amounting to P1.1 million, P1.4 million, and P1.3 million in 2019, 2018, and 2017, respectively, was recognized as a related expense in those years, and was presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2019 and 2018 are shown below.

	Held for Lease			
	Land	Building	Other Properties	Total
December 31, 2019				
Cost	P 1,040,000	P 47,274,340	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(30,255,430)	(244,362,480)	(274,617,920)
Net carrying value	P 1,040,000	P 17,018,910	P 681,097,916	P 699,156,607
December 31, 2018				
Cost	P 1,040,000	P 47,274,340	P 925,460,396	P 973,774,536
Accumulated depreciation	-	(28,128,113)	(218,471,267)	(246,599,380)
Net carrying value	P 1,040,000	P 19,146,227	P 706,989,129	P 727,175,356
January 1, 2018				
Cost	P 1,040,000	P 47,274,340	P 288,822,318	P 337,136,658
Accumulated depreciation	-	(26,009,777)	(191,280,030)	(217,290,807)
Net carrying value	P 1,040,000	P 21,273,563	P 97,542,288	P 119,855,851

A reconciliation of the carrying amount of investment properties at the beginning and end of 2019 and 2018 is shown below.

	Held for Lease			
	Land	Building	Other Properties	Total
Balance at January 1, 2019, net of accumulated depreciation	P 1,040,000	P 19,146,227	P 706,989,129	P 727,175,356
Depreciation charges for the year	-	(2,127,316)	(25,891,212)	(28,018,528)
Balance at December 31, 2019, net of accumulated depreciation	P 1,040,000	P 17,018,910	P 681,097,916	P 699,156,607
Balance at January 1, 2018, net of accumulated depreciation	P 1,040,000	P 21,273,563	P 96,242,263	P 118,555,826
Reclassifications	-	-	(636,030,078)	(636,030,078)
Depreciation charges for the year	-	(2,127,316)	(25,891,212)	(28,018,528)
Balance at December 31, 2018, net of accumulated depreciation	P 1,040,000	P 19,146,227	P 706,989,129	P 727,175,356

In 2018, certain property development costs were reclassified to investment properties as such properties are solely held to earn rentals. There were no similar transactions in 2019.

The amount of depreciation on investment properties is presented as part of Depreciation and Amortization account under Costs and Expenses in the consolidated statements of comprehensive income.

Investment properties are subject to impairment testing whenever there is an indication that the carrying amount may be recoverable. No impairment loss was recognized in 2019 and 2018 as the recoverable amount of these assets is determined by management is higher than its carrying value.

Other information relating to fair value measurements and disclosures of investment properties are disclosed in Note 31.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

The details of interest bearing loans and borrowings from local banks are discussed below.

	2019	2018	Explanatory Notes	Interest Rate	Security	Maturity
P	500,000,000	800,000,000	(a)	Fixed at 5.0% pa subject to annual repricing	Unsecured	2021
	916,666,685	1,250,000,000	(b)	Fixed at 5.6% for 1 st and 2 nd tranches and 7.6% for the 3 rd tranche	Unsecured	Up to 2022
	-	6,736,482	(c)	Fixed rate of 9.0%	Assignment of receivables	As account matures
P	1,416,666,685	P 2,056,736,482				

(a) Philippine Peso, unsecured three-year loan due in 2021

In 2018, the Group obtained an interest-bearing three-year loan from a local bank. The loan was released in February 2018 and subject to floating rate 4.5% and fixed at 7.7% starting on October 2018. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears

(b) Philippine Peso, unsecured seven-year loan due in 2022

In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.6% for the first and second tranches and 7.6% for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects.

(c) Philippine Peso, loans through assignment of receivables

In prior years, the Group obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans bear fixed interest rates at 9.0% per annum and are being paid as the related receivables are collected. The loans are secured by certain properties presented as part of real estate inventories with total estimated carrying value of P28.5 million and P59.3 million as of December 31, 2019 and 2018, respectively.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2019 and 2018, the Group is in compliance with such financial covenant obligations.

Total interest on these interest-bearing loans and borrowings in 2019, 2018, and 2017 amounted to P122.0 million, P114.7 million, and P89.9 million, respectively. The loans are directly attributable to the construction of the Group's projects; hence, the related interest is capitalized as part of Real Estate Inventories account in the consolidated statements of financial position (see Note 7.1). In 2019, however, certain interest was expensed outright since the projects related to certain loans are already completed (see Note 22.2). Unpaid interest as of December 31, 2019 and 2018 amounted to P2.7 million and P8.9 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 15). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.86%, 5.72% and 4.49% in 2019, 2018 and 2017.

Interest-bearing loans and borrowings are presented in the consolidated statement of financial position as follows:

	<u>2019</u>	<u>2018</u>
Current	P 733,333,352	P 637,985,837
Non-current	<u>683,333,333</u>	<u>1,418,750,645</u>
	<u>P 1,416,666,685</u>	<u>P 2,056,736,482</u>

15. TRADE AND OTHER PAYABLES

This account consists of

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Trade payable		P 1,555,858,580	P 1,662,329,144
Taxes payable		68,194,851	59,975,986
Accrued expenses		36,633,996	38,370,952
Commissions		10,011,452	13,555,085
Interest payable	14	2,739,677	8,931,306
Miscellaneous		<u>1,092,055</u>	<u>2,903,813</u>
		<u>P 1,674,530,611</u>	<u>P 1,786,066,286</u>

Taxes payable pertain withholding taxes payable and other statutory payables such as SSS, Philippine Health Insurance Corporation and Home Development Mutual Fund contribution.

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	<u>2019</u>	<u>2018</u>
Advances from customers	P3,936,723,215	P2,557,382,820
Other deposits	<u>831,756,534</u>	<u>714,028,315</u>
	<u>P4,768,479,749</u>	<u>P3,271,411,135</u>

Advances from customers represent cash received from customers for real estate property purchases which have not yet complied with the sales recognition criteria of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

17. LEASES

The Group leases its office space with remaining lease term of three years and is presented as Right-of-use assets under Property and Equipment and as Lease Liabilities in the 2019 consolidated statement of financial position.

The lease does not have variable lease payments which depend on an index or a rate. The lease is non-cancellable and does not contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term without mutual agreement on both parties. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must also keep the property in a good state of repair and return the property in its original condition at the end of the lease. Further, the Group must incur maintenance fees on such items in accordance with the lease contracts.

17.1 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as at December 31, 2019 as follows:

Current	P 47,233,071
Non-current	<u>111,865,806</u>
	<u>P 159,098,877</u>

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising such option exceeds the expected overall cost. As of December 31, 2019, the Group has no historical experience of exercising termination option for its existing lease agreement.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year	Less than 3 years	Total
Lease payment	P 55,465,664	P 119,389,841	P 174,855,505
Finance charges	(8,232,593)	(7,524,035)	(15,756,628)
Net present value	P 47,233,071	P 111,865,806	P 159,098,877

17.2 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating short-term leases amounted to P37.4 million and are presented as Rentals under Other Expenses account in the 2019 consolidated statement of comprehensive income (see Notes 21.2 and 28.2).

17.3 Additional Profit or Loss and Cash Flow Information

The total cash outflow in 2019 in respect of leases recognized as liabilities amounted to P52.8 million. Interest expense relating to lease liabilities amounts to P7.9 million and is presented as part of Finance Costs account under Costs and Expenses section of the 2019 statement of comprehensive income (see Notes 22.2 and 33).

18. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	Note	2019	2018
Retention payable		P 732,983,812	P 647,078,998
Refund liability	21.2	126,614,798	84,959,422
Refundable deposits		56,770,491	55,423,852
Miscellaneous		23,359,683	25,966,162
		P 939,728,784	P 813,428,434

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Refund liability pertains to the amount due to buyers of real estate properties which is the cash surrender value of the payments made by them on the cancelled real estate contracts as required by Republic Act (R.A.) 6552, *Realty Installment Buyer Act*.

19. COST OF REAL ESTATE INVENTORIES

The breakdown of the cost of real estate inventories are as follows (see Note 7):

	2019	2018	2017
Contracted services	P 1,961,608,183	P 1,870,564,914	P 1,950,339,026
Land cost	149,613,310	121,213,234	182,617,820
Borrowing cost	50,074,877	45,398,589	45,423,846
Other costs	30,917,939	21,052,138	92,522,793
	P 2,192,214,309	P 2,058,228,875	P 2,270,903,485

20. REAL ESTATE SALES

20.1 Disaggregation of Revenues

The Group derives revenues from sale of real properties and other income. An analysis of the Group's real estate sales is presented below and in the succeeding page.

	2019	2018	2017
Geographical areas			
Within Metro Manila	P 3,588,975,414	P 2,991,954,956	P 3,275,936,656
Outside Metro Manila	419,932,541	520,587,982	657,449,905
	P 4,008,907,955	P 3,512,542,938	P 3,933,386,561
Types of product or services			
Residential condominium	P 3,661,348,402	P 3,331,891,869	P 3,577,849,667
Residential lots and house and lots	347,559,553	180,651,069	355,536,894
	P 4,008,907,955	P 3,512,542,938	P 3,933,386,561

20.2 Contract Accounts

a. Contract Assets

The Group's contract assets are classified as follows:

	2019	2018
Current	P 1,602,894,215	P 1,437,840,430
Non-current	348,984,364	1,252,230,362
	P 1,951,878,579	P 2,690,070,792

The significant changes in the contract assets balance as of December 31 are as follows:

	2019	2018
Balance at beginning of year	P2,690,070,792	P 2,471,884,306
Transfers from contract assets recognized at the beginning of year to trade receivables	(1,321,385,012)	(367,007,051)
Increase as a result of changes in measurement of progress	583,192,799	585,193,537
Balance at end of year	P 1,951,878,579	P 2,690,070,792

b. *Contract Liabilities*

The Group's contract liabilities are classified as follows:

	<u>2019</u>		<u>2018</u>
Current	P 26,257,816	P	23,524,123
Non-current	<u>102,062,325</u>		<u>130,429,296</u>
	<u>P 128,320,141</u>	P	<u>153,953,419</u>

The significant changes in the contract liabilities balance as of December 31 are as follows:

	<u>2019</u>		<u>2018</u>
Balance at beginning of year	P 153,953,419	P	233,507,423
Revenue recognized that was included in contract liabilities at the beginning of year	(1,267,361,830)	(	690,165,902)
Increase due to cash received excluding amount recognized as revenue during the year	<u>1,241,728,552</u>		<u>610,611,898</u>
Balance at end of year	<u>P 128,320,141</u>	P	<u>153,953,419</u>

20.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and is presented as part of Prepayments and Other Current Assets in the consolidated statements of financial position. These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its revenue contracts. The total amount of amortization for 2019, 2018 and 2017 is presented as part of Commissions account under Cost and Expenses section of the consolidated statements of comprehensive income.

The movement in balances of deferred commission in 2019 and 2018 is presented below.

	<u>2019</u>		<u>2018</u>
Balance at beginning of year	P 116,416,946	P	105,254,618
Additional capitalized cost	<u>204,090,915</u>		<u>82,158,795</u>
Amortization for the period	(152,417,103)	(	70,996,467)
Balance at end of year	<u>P 168,090,758</u>	P	<u>116,416,946</u>

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2019 and 2018 is P1.1 billion and P1.3 billion, respectively. As of December 31, the Group expects to recognize revenue from unsatisfied contracts as follows:

	<u>2019</u>		<u>2018</u>
Within a year	P 871,074,067	P	923,038,265
More than one year to three years	<u>200,741,866</u>		<u>258,252,977</u>
More than three years to five years	<u>5,562,683</u>		<u>75,683,522</u>
Balance at end of year	<u>P 1,077,378,616</u>	P	<u>1,256,974,764</u>

21. OTHER INCOME AND EXPENSES

21.1 Other Income

The details of this account are shown below.

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Forfeited collections and deposits		P 160,252,102	P 257,888,426	P 207,043,220
Marketing and management fees	25.2	<u>412,247,010</u>	97,166,183	168,781,665
Tuition and miscellaneous fees		<u>52,091,228</u>	49,243,425	44,573,318
Miscellaneous		<u>260,876</u>	<u>12,409,434</u>	<u>3,852,412</u>
		<u>P 624,851,216</u>	<u>P 416,707,468</u>	<u>P 424,250,615</u>

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers, net of any loss on cancellations. This also includes portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrollment.

21.2 Other Expenses

The breakdown of other expenses is shown below.

	Notes	2019	2018	2017
Association dues		P 86,219,833	P 64,007,504	P 42,372,738
Provision for refund liability	18	44,969,122	22,732,643	24,680,738
Rentals	25.4, 28.2	37,426,421	156,028,437	228,366,889
Utilities		21,722,897	26,214,339	35,690,469
Security services		15,623,688	13,440,640	18,147,080
Janitorial services		11,045,464	4,624,572	8,825,231
Office supplies		7,444,386	1,562,233	4,461,909
Professional fees	25.4	7,005,085	5,354,107	24,044,029
Repairs and maintenance		5,636,188	8,677,885	6,558,596
Insurance		4,774,245	4,390,547	9,325,295
Outside services		4,676,853	5,474,414	5,575,081
Documentation		2,245,156	7,481,843	1,155,125
Marketing events and awards		1,969,163	488,161	1,035,515
Representation		148,487	4,449,506	714,027
Miscellaneous	6	15,564,477	19,904,619	18,758,634
		P 266,471,465	P 344,831,450	P 429,711,356

Miscellaneous expenses include impairment loss on receivables, bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.

22. FINANCE INCOME AND FINANCE COSTS

22.1 Finance Income

The breakdown of this account is shown below.

	Notes	2019	2018	2017
Interest income:				
Advances to related parties	25.1	P 211,040,685	P 170,272,035	P 165,880,061
Cash and cash equivalents	5	16,431,520	10,176,239	2,976,037
Trade and other receivables	6	3,261,112	11,591,540	12,012,411
Tuition fees		1,270,768	1,164,548	1,026,911
		232,004,085	193,204,362	181,895,420
Amortization of day-one loss on noninterest-bearing financial instruments	6	63,060,763	85,521,034	59,156,858
Dividend income	8	-	11,260,000	-
Foreign currency gains - net		337,574	196,310	118,980
		P 295,402,422	P 290,181,706	P 241,171,258

22.2 Finance Costs

The breakdown of Finance costs is shown below.

	Notes	2019	2018	2017
Interest expense on advances from related parties	25.1	P 265,222,159	P 248,283,000	P 193,256,870
Day-one loss on non-interest bearing financial instruments	6	76,438,736	63,060,762	85,521,035
Bank loans	14	38,953,861	-	-
Lease liabilities	17.3	7,865,015	-	-
Net interest expense on post-employment defined benefit obligation	23.2	21,530,445	31,651,201	26,090,295
		P 410,010,216	P 342,994,963	P 304,868,200

23. SALARIES AND EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Note	2019	2018	2017
Short-term benefits		P 441,972,438	P 386,038,599	P 368,962,676
Post-employment benefits	23.2	29,207,828	70,789,605	65,768,335
		P 471,180,266	P 456,828,204	P 434,731,011

23.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax-qualified, non-contributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service, but shall not be less than the regulatory benefit under the R.A. 7641, *The Retirement Pay Law*, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the latest actuarial valuation reports obtained from an independent actuary.

The amounts of post-employment benefit recognized in the consolidated statements of financial position are determined as follow:

	<u>2019</u>	<u>2018</u>
Present value of the obligation	P 474,380,430	P 387,550,743
Fair value of the assets	(128,598,104)	(82,267,116)
	P 345,782,326	P 305,283,627

The movements in the present value of the post-employment DBO recognized in the books are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 387,550,743	P 623,131,227
Current service cost	29,207,828	70,789,605
Interest expense	29,135,630	35,518,479
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	65,009,969	(248,657,353)
Experience adjustments	(29,432,740)	20,738,313
Changes in demographic assumptions	-	(107,979,278)
Benefits paid	(7,091,000)	(5,990,250)
Balance at end of year	P 474,380,430	P 387,550,743

The movements in the fair value of plan assets are presented below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 82,267,116	P 52,846,968
Interest income	7,605,185	3,867,278
Loss on plan assets (excluding amounts included in net interest)	(2,183,197)	(1,456,880)
Actual contribution	48,000,000	33,000,000
Benefits paid	(7,091,000)	(5,990,250)
Balance at end of year	P 128,598,104	P 82,267,116

The Group's plan assets are composed of cash and cash equivalents amounting to P84.7 million and P82.3 million as of December 31, 2019 and 2018, respectively, and investment in debt securities amounting to P43.9 million as of December 31, 2019. There was no investment in debt securities in the Group's plan assets in 2018.

The plan assets earned a return of P5.4 million and P2.4 million in 2019 and 2018, respectively.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan is as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in profit or loss:</i>				
Current service cost	23.1	P 29,207,828	P 70,789,605	P 65,768,335
Net interest expense	22.2	21,530,445	31,651,201	26,090,295
		P 50,738,273	P 102,440,806	P 91,858,630
<i>Reported in other comprehensive income (loss):</i>				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		(P 65,009,969)	P 248,657,353	P 70,875,767
- experience adjustments		29,432,740	(20,738,313)	-
- demographic assumption		-	107,979,278	(22,066,078)
Loss on plan assets (excluding amounts included in net interest)		(2,183,197)	(1,456,880)	(1,720,423)
		(P 37,760,426)	P 334,441,438	P 47,089,266

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses section in the consolidated statements of comprehensive income while the amounts of net interest expense is included under Finance Costs under Costs and Expenses section in the consolidated statements of comprehensive income.

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>BEELHI</i>			
Discount rates	5.22%	7.53%	5.70%
Expected rate of salary increases	6.00%	7.00%	10.00%
<i>EPHI</i>			
Discount rates	5.02%	7.45%	5.70%
Expected rate of salary increases	7.01%	7.51%	8.43%
<i>LEASST</i>			
Discount rate	5.17%	7.51%	5.70%
Expected rate of salary increases	2.00%	5.00%	5.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Group; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 and 65 for both males and females are shown below.

	Retirement Age	Average Remaining Working Life
EELHI	60	28.8
LBASSI	60	30
EPHI	65	18

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2019			
<i>EELHI</i>			
Discount rate	+10.40%/-12.40% (P)	40,538,974 (P)	48,252,329
Salary increase rate	+12.20%/-10.40%	47,377,204 (	40,616,893)
<i>EPHI</i>			
Discount rate	+/-0.50% (P)	4,005,895 (P)	4,447,001
Salary increase rate	+/-1.00%	8,752,712 (	7,462,155)
<i>LBASSI</i>			
Discount rate	+/-1.00% (	645,939)	767,420
Salary increase rate	+/-1.00%	785,097 (	670,356)
2018			
<i>EELHI</i>			
Discount rate	+9.70%/-11.40% (P)	31,541,948 (P)	37,039,191
Salary increase rate	+11.40%/-9.90%	36,864,432 (	31,962,061)
<i>EPHI</i>			
Discount rate	+/-0.50% (	2,681,727)	4,416,365
Salary increase rate	+/-1.00%	5,937,818 (	9,542,089)
<i>LBASSI</i>			
Discount rate	+/-1.00% (	660,178)	786,030
Salary increase rate	+/-1.00%	798,276 (	680,562)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P345.8 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The Group expect to make contribution of at least P53.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows:

	<u>2019</u>		<u>2018</u>
Within one year	P 18,638,465	P	13,949,452
More than one year to five years	174,254,768		174,820,077
More than five years to 10 years	155,723,305		148,477,732
More than 10 years to 15 years	34,047,586		29,619,476
More than 15 years to 20 years	57,670,896		62,276,756
More than 20 years	<u>363,568,972</u>		<u>450,176,566</u>
	<u>P 803,903,992</u>	P	<u>879,320,059</u>

The weighted average duration of the DBO at the end of the reporting period is 11.4 to 18 years.

24. TAXES

24.1 Registration with the Board of Investments (BOI)

On April 11, 2014, the BOI approved the Group's application for registration as a New Developer of Low Cost Mass Housing Project on a Non-pioneer Status relative to its various units of Kasara Urban Resort Residences (Tower 1 and Tower 2) project. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit the Group with certain incentives including income tax holiday (ITH) for a period of three years from the date of registration.

On April 10, 2017, the registration with the BOI expired. However, the Group is in the process of renewing its registration with the BOI as of the date the consolidated financial statements were authorized for issue by the BOD. The Group is not expected to obtain the renewal from the BOI before filing the 2019 annual income tax return with the BIR. Consequently, only the income earned for the taxable period January 1, 2017 to April 10, 2017 was considered as an incentive under ITH in determining the taxable income.

24.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	<u>2019</u>		<u>2018</u>		<u>2017</u>
<i>Reported in profit or loss</i>					
Current tax expense:					
Regular corporate income tax (RCIT) at 30% and 10%	P 200,731,023	P	110,219,020	P	200,123,871
Final tax at 20%, 15% and 7.5%	3,260,933		2,009,804		573,923
Deferred tax expense relating to origination and reversal of temporary differences	<u>102,668,785</u>		<u>122,070,099</u>		<u>83,059,383</u>
	<u>P 306,660,741</u>	P	<u>234,298,923</u>	P	<u>283,757,177</u>

<i>Reported in other comprehensive income (loss) –</i>					
Deferred tax income (expense) relating to origination and reversal of temporary differences					
	<u>P 11,535,073</u>	(P	<u>99,951,148</u>)	(P	<u>13,842,265</u>)

LBASSI, as an educational institution, is subject to 10% tax rate on its taxable income as defined under the tax regulations of the National Internal Revenue Code Section 27(B). LBASSI's deferred tax assets and deferred tax liabilities are, hence, recognized at 10%.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Tax on pretax profit at 30% and 10%	P 277,123,037	P	233,272,351	P	255,842,368
Adjustment for income subjected to lower income tax rates	(1,573,728)	(	959,654)	(	250,980)
Tax effects of:					
Nondeductible taxes and licenses	21,530,429		12,027,047		5,528,805
Unrecognized deferred tax assets	3,975,812		188,329		261,141
Nondeductible interest expense	1,591,798		977,826		265,263
Nontaxable income	-	(	3,396,387)		-
Nondeductible expenses	-		105,397		65,517
Income subject to ITH-ERO	-		-	(	20,547,117)
Others - net	<u>4,013,393</u>	(	<u>7,915,984</u>)		<u>42,592,180</u>
	<u>P 306,660,741</u>	P	<u>234,298,923</u>	P	<u>283,757,177</u>

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statement of Profit or Loss	
	2019	2018	2019	2018
Deferred tax assets:				
Retirement benefits obligation	P 10,860,351	P 89,020,990	P 524,297	(P 20,532,367)
Lease liability	45,729,663	-	13,187,807	-
Provision for related liability	37,984,439	25,487,327	12,496,612	(6,819,793)
Unamortized past service cost	18,120	36,279	(24,189)	77,553
Net operating loss carry over (NOLCO)	-	1,300,031	1,538,683	(1,500,631)
Account asset	-	-	-	812,253
Minimum corporate income tax (MCIT)	-	-	-	(286,899)
	<u>P 107,669,573</u>	<u>P 117,854,456</u>	<u>P 2,073,718</u>	<u>(P 28,788,754)</u>
Deferred tax liabilities:				
Unsettled retained gross profit	(1,892,763,995)	(1,804,499,110)	88,260,985	89,425,506
Capitalized borrowing cost	(229,616,622)	(212,948,981)	13,802,841	(7,041,449)
Deferred commission	(80,427,229)	(34,025,084)	13,802,814	3,340,698
Right of use asset - net	(43,533,347)	-	(14,511,082)	-
Unsettled foreign exchange gain - set	(101,772)	(58,816)	42,479	(24,200)
	<u>(2,216,423,965)</u>	<u>(2,097,532,021)</u>	<u>90,647,067</u>	<u>(10,830,854)</u>
Net Deferred Tax Expense				
Net Deferred Tax Liability - set	<u>(P 2,108,754,392)</u>	<u>(P 1,979,707,565)</u>	<u>P 102,668,785</u>	<u>(P 12,070,000)</u>

Upon effectivity of PFRS 16, the Company recognized right-of-use asset and lease liabilities which have different timing for tax purposes; hence, the tax portion for these items are properly accounted for as part of the Company's deferred tax assets and deferred tax liabilities. Accordingly, the Company recognized net deferred tax liabilities as of January 1, 2019 [see Note 2.2(a)(iv)].

The deferred tax income (expenses) presented in Other Comprehensive Income section in the consolidated statements of comprehensive income pertains to the tax effect of remeasurements of retirement benefit obligation which resulted to a tax income amounting to P11.5 million in 2019 and tax expense of P100.0 million and P13.8 million in 2018 and 2017, respectively.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher.

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiaries	Year Incurred	Amount	Valid Until
PCMI	2019	P 12,564,914	2022
	2018	13,242,786	2021
	2017	9,591,760	2020
EECI	2019	369,862	2022
	2018	304,035	2021
	2017	147,986	2020
SPLI	2019	203,802	2022
	2018	164,342	2021
	2017	175,174	2020
SOHI	2019	193,891	2022
	2018	153,939	2021
	2017	149,301	2020

Subsidiaries	Year Incurred	Amount	Valid Until
VVPI	2019	230,320	2022
	2018	155,588	2021
	2017	151,360	2020
20 th Century	2019	263,984	2022
	2018	209,061	2021
	2017	178,249	2020
EPHI	2018	5,102,103	2021

PCMI, EECI, SPLI, SOHI, VVPI and 20th did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2019 for which the related deferred tax asset has not been recognized amounted to a total of P13.8 million with a total tax effect of P4.1 million. In 2019, EPHI was able to utilize its NOLCO incurred in 2018.

The aggregated amounts of assets, deficit, revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

	Assets	Deficit	Revenues	Net Loss
2019				
PCMI	P 3,656,498,649	P 101,956,311	P 24,717	P 12,545,140
EECI	25,251,078	208,338,597	205	369,698
SPLI	512,008,159	10,374,278	-	203,802
SOHI	16,893,152	8,974,384	-	193,891
VVPI	90,978,603	4,245,732	-	230,320
20 th Century	1,313,266	61,128,535	-	263,984
	<u>P 4,302,942,907</u>	<u>P 395,017,837</u>	<u>P 24,922</u>	<u>P 13,806,835</u>
2018				
PCMI	P 2,429,036,789	P 89,411,171	P -	P 13,242,786
EPHI	2,191,576,274	-	112,516,507	-
EECI	25,205,038	207,968,899	204	655,195
SPLI	511,991,748	10,170,476	-	164,342
SOHI	16,806,530	8,780,493	-	153,939
VVPI	90,944,264	4,015,412	-	155,588
20 th Century	1,294,653	60,864,551	-	209,061
	<u>P 5,266,855,096</u>	<u>P 381,211,002</u>	<u>P 112,516,711</u>	<u>P 14,580,911</u>

In 2019, 2018 and 2017, the Group opted to claim itemized deductions in computing for its income tax due.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associates, related parties under common ownership, key management personnel, and the Group's retirement plan as described below and in the succeeding page.

The summary of the Group's significant transactions and outstanding balances with its related parties are follows:

Related Party Category	Notes	Amount of Transactions			Outstanding Balance	
		2019	2018	2017	2019	2018
Ultimate Parent:						
Financial assets at FVOCI	8	P 27,024,009	P 461,660,000	P 362,272,000	P 1,312,916,000	P 1,339,940,000
Dividend income	8, 22.1	-	11,260,000	-	-	-
Parent:						
Availment of advances	25.1, 25.5	(223,937,720)	(1,209,232,131)	(181,621,201)	(3,996,101,925)	(3,682,164,205)
Rendering of services	25.2	144,494,332	181,473,041	116,299,228	605,771,952	649,255,070
Obtaining of services	25.4	829,920	933,660	-	-	-
Associates –						
Availment of advances	25.1	1,019,005	256,255,249	19,762,003	(386,937,980)	(387,956,985)
Under common ownership						
Equipment (availment)						
of advances	25.1	24,147,958	30,000,000	(304,000,000)	(483,833,731)	(507,981,689)
Granting of advances	25.1	1,94,903,477	424,850,002	191,098,512	4,122,409,792	2,972,236,315
Rendering of services	25.2	405,730,341	71,434,364	129,799,869	310,883,408	181,540,002
Obtaining of services	25.4	-	(62,014)	(33,795,311)	-	-
Sale of land	25.3	-	-	-	40,643,067	40,643,067
Key management personnel –						
Compensation	25.6	51,492,157	67,299,168	56,295,455	-	-

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from interest-bearing and noninterest-bearing advances, joint venture agreements, lease of property and cash advances to related party are unsecured, collectible or payable on demand, and are generally settled in cash or through offsetting arrangements with the related parties (see Note 30.2).

There were no impairment losses recognized on the outstanding receivables from related parties in 2019, 2018 and 2017 based on management's ECL assessment.

25.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its parent company, stockholders, associates and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. Some of the advances to related parties are noninterest-bearing. The interest income arising from this interest-bearing advances is presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 22.1). The change in the Advances to Related Parties account are shown in the succeeding page.

	Note	2019	2018
Balance at beginning of year		P 2,927,206,315	P 2,502,356,313
Interest income	22.1	211,040,685	170,272,035
Additional advances		983,862,792	254,577,967
Balance at end of year		P 4,122,109,792	P 2,927,206,315

The Advances from Related Parties account represents the outstanding balances arising from cash advances obtained by the Group from its parent company, associates and certain related parties under common ownership. The details as at December 31 are as follow:

	2019	2018
Parent	P 3,906,101,925	P 3,682,164,205
Associate	386,937,980	387,956,985
Other related parties	483,833,731	507,981,689
	P 4,776,873,636	P 4,578,102,879

The movement in the Advances from Related Parties account are shown below.

	Notes	2019	2018
Balance at beginning of year		P 4,578,102,879	P 3,678,125,997
Additions		13,129,665	965,658,750
Interest expense	22.2	265,222,159	248,283,000
Repayments		(79,581,067)	(82,991,682)
Elimination of PCMI advances	10	-	(239,146,146)
Additional advances due to consolidation of PCMI	10	-	8,172,960
Balance at end of year		P 4,776,873,636	P 4,578,102,879

Cash advances from parent company bears fixed interest rate ranging between 7% and 12% per annum in 2019, 2018 and 2017. Interest expense is presented as part of Finance Costs account in the consolidated statements of comprehensive income.

25.2 Rendering of Services

The summary of services offered by the Group is presented below.

		Amount of Transactions	
		2019	2018
Management services	P	359,818,838	P 71,434,364
Commission income		134,220,853	112,516,507
Lease of property		56,174,982	48,956,534
	P	550,214,673	P 232,907,405
			P 206,608,997

The Group handled the administrative functions of certain related parties under common ownership for the latter's ongoing construction and development activities. The amount of revenue earned from such transaction is recorded as part of Marketing and management fees under Other Income account in the consolidated statements of comprehensive income (see Note 21.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the 2019 and 2018 consolidated statements of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commission Income under Revenues and Income section in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group leases certain investment property to Megaworld and a related party under common ownership. The revenues earned from the lease are included as part of Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income (see Note 28.1). The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

25.3 Sale of Land

In prior years, the Group sold, on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest, from this sale is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

25.4 Obtaining of Services

The summary of services obtained by the Group as of December 31 is presented below.

	Amount of Transactions		
	2019	2018	2017
Management fee	P 829,920	P 933,660	P 17,907,218
Lease of showroom and parking space	-	62,014	15,889,093
	<u>P 829,920</u>	<u>P 995,674</u>	<u>P 33,796,311</u>

In 2017, the Group incurred management fees for accounting and marketing services obtained from its parent company and related parties under common ownership, and is presented as part of Professional fee under Other Expenses in the consolidated statements of comprehensive income (see Note 21.2). There was no outstanding payable from this transaction as of December 31, 2019 and 2018.

The Group's showroom and parking space are being leased from its related parties under common ownership. The related rental expenses are shown as part of Rentals under Other Expenses account in the consolidated statements of comprehensive income (see Note 21.2). There was no similar transaction in 2019.

25.5 Joint Development Agreement with Parent company

The Group, together with Megaworld, executed a joint development agreement for the development of a mixed-use condominium project; whereby the Group shall contribute land and the parent company shall develop and sell the property. The entities shall be entitled to a certain percentage of the total saleable area based on the agreed sharing. The land contributed to the joint venture is presented as part of the Real Estate Inventories under Property development cost in the consolidated statements of financial position (see Note 7). As of the end of the reporting periods, the property is still being developed and there are no profits received yet from this agreement.

25.6 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2019	2018	2017
Short-term benefits	P 45,764,610	P 41,286,364	P 37,312,790
Post-employment benefits	<u>5,727,547</u>	<u>26,012,804</u>	<u>19,082,665</u>
	<u>P 51,492,157</u>	<u>P 67,299,168</u>	<u>P 56,395,455</u>

These are presented as part of Salaries and Employee Benefits account under Cost and Expenses section in the consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017 (see Note 23.1).

25.7 Retirement Plan

The Group has a formal retirement plan established separately for the Company, EPHI and LBASSI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2019 and 2018 are presented in Note 23.2. As of December 31, 2019 and 2018, the Group's retirement fund do not include any investments in any debt or equity securities issued by the Group or any of its related parties.

The Group's transactions with the fund mainly pertains to contributions, benefit payments and interest income.

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

26. EQUITY

26.1 Capital Stock

Capital stock as of December 31, 2019 and 2018 consists of:

	No. of Shares	Amount
Common shares – P1 par value		
Authorized	<u>31,495,200,000</u>	<u>P31,495,200,000</u>
Issued	14,803,455,238	P14,803,455,238
Treasury shares – at cost	<u>(127,256,071)</u>	<u>(102,106,658)</u>
Total outstanding	<u>14,676,199,167</u>	<u>P14,701,348,580</u>
Preferred shares – P1 par value		
Authorized	<u>2,000,000,000</u>	<u>P 2,000,000,000</u>

Megaworld has 81.72% ownership interest in the Group as of December 31, 2019 and 2018.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements. There are no subscribed and issued preferred shares as of December 31, 2019 and 2018.

On April 24, 1996, the SEC approved the listing of the Group's shares totaling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2019, 2018, and 2017, there are 12,424, 12,432 and 12,499 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.43, P0.49 and P0.65 per share as of December 31, 2019, 2018 and 2017, respectively.

26.2 Additional Paid-in Capital

The additional paid-in capital (APIC) pertains to the excess of the total proceeds received from the Group's shareholders over the total par value of the common shares. There were no movements in the Group's APIC accounts in 2019 and 2018.

26.3 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Group's shares of common stock within a 24-month period under certain terms and conditions as the Group's senior management may deem beneficial to the Group and its stockholders.

As of December 31, 2019 and 2018, the Group's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

26.4 Revaluation Reserves

Revaluation reserves of the Group is composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's financial assets at FVOCI (see Notes 8 and 23.2).

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown in the succeeding page.

	Financial Assets at FVOCI (see Note 8)	Retirement Benefit Obligation (see Note 23)	Total
Balance as of January 1, 2019	P 88,720,031	P 724,825,236	P 636,105,205
Remeasurement of retirement benefit obligation	-	(37,950,126)	(37,950,126)
Fair value losses on FVOCI	(27,024,000)	-	(27,024,000)
Other comprehensive income (loss) before tax	(27,024,000)	(37,950,126)	(64,974,126)
Tax income	-	11,535,073	11,535,073
Other comprehensive income (loss) after tax	(27,024,000)	(26,415,053)	(53,439,053)
Balance as of December 31, 2019	P 115,744,031	P 698,410,183	P 582,666,152
Balance as of January 1, 2018	P 372,939,969	P 490,684,456	P 863,624,425
Remeasurement of retirement benefit obligation	-	334,091,928	334,091,928
Fair value losses on FVOCI	(461,660,000)	-	(461,660,000)
Other comprehensive income (loss) before tax	(461,660,000)	334,091,928	(127,568,072)
Tax income	-	(99,951,148)	(99,951,148)
Other comprehensive income (loss) after tax	(461,660,000)	(234,140,780)	(695,800,780)
Balance as of December 31, 2018	P 88,720,031	P 724,825,236	P 636,105,205
Balance as of January 1, 2017	P 10,367,969	P 457,698,260	P 468,066,229
Remeasurement of retirement benefit obligation	-	46,828,461	46,828,461
Fair value gains on FVOCI	362,572,000	-	362,572,000
Other comprehensive income (loss) before tax	362,572,000	46,828,461	409,400,461
Tax income	-	(13,812,265)	(13,812,265)
Other comprehensive income (loss) after tax	362,572,000	33,016,196	395,588,196
Balance as of December 31, 2017	P 372,939,969	P 490,684,456	P 863,624,425

26.5 Other Reserves

Other reserves of the Group pertains to the difference between the fair value of consideration paid and the relevant share in the carrying value of the net assets of PCMI as a result of obtaining de facto control over PCMI in 2018 and any subsequent change in ownership interest in the subsidiary (see Notes 1.2 and 2.11).

26.6 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

27. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit attributable to parent Group's shareholders	P 622,021,871	P 534,218,365	P 569,029,689
Number of issued and outstanding common shares	<u>14,676,199,167</u>	<u>14,676,199,167</u>	<u>14,676,199,167</u>
Basic and diluted earnings per share	<u>P 0.042</u>	<u>P 0.036</u>	<u>P 0.039</u>

Diluted earnings per share equals the basic earnings per share since the Group does not have dilutive shares as of December 31, 2019, 2018 and 2017.

28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

28.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. The leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates of 3% to 10%.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Within one year	P 85,683,312	P 43,300,784	P 74,454,775
After one year but not more than five years	<u>182,411,386</u>	<u>97,335,775</u>	<u>185,623,464</u>
More than five years	<u>37,942,336</u>	<u>47,718,733</u>	<u>87,042,341</u>
	<u>P 306,037,034</u>	<u>P 188,355,292</u>	<u>P 347,120,580</u>

The total rentals from these operating leases amounts to about P154.5 million, P111.1 million, and P146.4 million in 2019, 2018 and 2017, respectively, in which are recognized as Rental Income account under Revenues and Income section in the consolidated statements of comprehensive income.

28.2 Operating Lease Commitments – Group as Lessee (2018)

In 2018 and prior years, the Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 5% to 10%. In 2019, the Group recognized a right-of-use asset and lease liability for leases that will mature over 12 months (see Notes 11 and 17.1).

The future minimum rental payable under these non-cancellable operating leases as of December 31 2018 and 2017 are presented below.

	<u>2018</u>	<u>2017</u>
Within one year	P 61,017,245	P 80,753,199
After one year but not more than five years	<u>179,860,730</u>	<u>277,659,269</u>
Balance at end of year	<u>P 240,877,975</u>	<u>P 358,412,468</u>

The total rentals from these operating leases which was charged to Rentals under Other Expenses account in the consolidated statements of comprehensive income amounted to P37.4 million, P156.0, and P228.4 million in 2019, 2018 and 2017, respectively (see Note 21.2). Rentals in 2019 pertain to expenses incurred for leases entered into by the Group with remaining lease term of less than 12 months.

28.3 Legal Claims

As of December 31, 2019 and 2018, the Group does not have any litigations within and outside the normal course of its business.

28.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P4,020.0 million as of December 31, 2019 and 2018. The Group has unused lines of credit amounting to P1,220.0 million and P720.0 million as of December 31, 2019 and 2018, respectively.

28.5 Capital Commitments

As of December 31, 2019 and 2018, the Group has commitments amounting to P1.5 billion and P2.1 billion, respectively, for the construction expenditures in relation to the Group's joint venture (see Note 9).

28.6 Others

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements, taken as a whole.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Group is exposed to are described below and in the succeeding pages.

29.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

There is no significant exposure to foreign currency risks since most of the Group's transactions are denominated in Philippine peso, which is its functional currency. The Group's financial asset denominated in foreign currency only pertains to cash and cash equivalents. However, the amount is insignificant to the financial statements as of December 31, 2019 and 2018. The Group has no financial liabilities denominated in foreign currency (see Note 22.1).

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually obtained and negotiated at fixed rates. At December 31, 2019 and 2018, the Group is only exposed to changes in market interest through its cash and cash equivalents and long-term borrowings, which are deemed by management to be not significant.

All other financial assets and liabilities have either short-term maturities, noninterest-bearing or are subject to fixed rates (e.g. related party advances).

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as financial assets at FVOCI). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 31.65% and 26.90% has been observed during 2019 and 2018, respectively. If quoted price for these securities increased or decreased by that percentage, the equity would have increased or decreased by P415.6 million in 2019 and P360.4 million in 2018.

The investments in quoted equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is not subject to commodity price risk.

29.2 Credit Risk

The maximum credit risk exposure of the Group is the carrying amount of the financial assets and contract assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	2019	2018
Cash and cash equivalents	5	P 1,145,332,574	P 1,816,898,287
Trade and other receivables - net (excluding advances to suppliers and contractors and advances to condominium associations)	6	5,996,733,160	4,826,222,183
Contract assets	20.2	1,951,878,579	2,690,070,792
Advances to related parties	25.1	4,122,109,792	2,927,206,315
		<u>P 13,216,054,105</u>	<u>P 12,260,397,577</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, and trade receivables, as described below and in the succeeding pages.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Assets

Trade and other receivables (excluding Advances to suppliers and contractors and advances to condominium associations) and contract assets are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade receivables and contract assets, as the amounts recognized resemble a large number of receivables from various customers. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

Credit risk of receivables from sale of real estate properties is managed primarily through credit reviews and analyses of receivables on a regular basis. The Group undertakes credit review procedures for all installment payment terms. Customer payments are facilitated through the use of post-dated checks. Exposure to doubtful accounts is not substantial as title to real estate properties are not transferred to the buyers until full payment of the amortization has been made and the requirement for remedial procedures is negligible considering the Group's buyers' profile.

The Group has used the simplified approach in measuring ECL and has calculated ECL based on lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate based on days past due of all customers as they have similar loss patterns. The credit enhancements such as advance payment and value of the real estate for sale are considered in the calculation of impairment as recoveries.

The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. Furthermore, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The management determined that there is no required ECL to be recognized since the real estate sold is collateralized to the related receivable arising from sale. Therefore, expected loss given default is nil as the recoverable amount from subsequent resale of the real estate is sufficient. The estimated fair value of the security enhancements held against contract receivables and contract assets is presented below.

		<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
2019					
Contact assets	P	1,951,878,579	P 5,639,279,071	P -	P 1,951,878,579
Contact receivables		4,272,368,810	11,083,450,000	-	4,272,368,810
	P	6,224,247,389	P 16,722,729,071	P -	P 6,224,247,389
2018					
Contact assets	P	2,690,070,792	P 7,625,342,387	P -	P 2,690,070,792
Contact receivables		3,284,116,421	10,984,963,253	-	3,284,116,421
	P	5,974,187,213	P 18,610,305,640	P -	P 5,974,187,213

Other components of receivables such as rental receivables and others are also evaluated by the Group for impairment and assessed that no ECL should be provided. A significant portion of the Group's rental receivables are from Megaworld, wherein the impairment of receivables is assessed using the latter's ability to pay [see Note 29.2(c)]. The remaining rental receivables are secured to the extent of advance rental and rental deposit received from the lessees, which are in average equivalent to six months.

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	<u>2019</u>	<u>2018</u>
Not more than three months	P 94,750,304	P 91,737,267
More than three months but not more than six months	161,439,766	165,370,461
More than six months but Not more than one year	186,364,489	180,162,027
More than one year	63,913,761	59,687,465
	P 506,468,320	P 496,957,220

(e) *Advances to Related Parties and Rent Receivable and Management Fee Receivable from Related Parties*

ECL for advances to related parties, including rent and management fee receivables, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Group does not consider any significant risks in the advances to other related parties with financial difficulty since Megaworld, whose credit risk for liquid funds is considered negligible, have committed to financially support these related parties as part of AGI and its long-term corporate strategy. As of December 31, 2019 and 2018, the aggregate impairment allowance on balances from Megaworld and other related parties is identified to be not material.

The table below shows the credit quality by class of financial assets and contract assets as of December 31, 2019.

	<u>Neither Past Due nor Specifically Impaired</u>			<u>Past Due or Individually Impaired</u>	<u>Total</u>
	<u>High Grade</u>	<u>Standard Grade</u>	<u>Substandard Grade</u>		
Cash and cash equivalents	P 1,145,332,574	P -	P -	P -	P 1,145,332,574
Trade and other receivables	-	5,490,264,840	-	506,468,320	5,996,733,160
Contact assets	-	1,951,878,579	-	1,951,878,579	3,903,757,158
Advances to related parties	-	4,122,109,792	-	-	4,122,109,792
	P 1,145,332,574	P 11,564,253,211	P -	P 506,468,320	P 13,216,054,105

This compares with the credit quality by class of financial assets as of December 31, 2018.

	<u>Neither Past Due nor Specifically Impaired</u>			<u>Past Due or Individually Impaired</u>	<u>Total</u>
	<u>High Grade</u>	<u>Standard Grade</u>	<u>Substandard Grade</u>		
Cash and cash equivalents	P 1,816,898,287	P -	P -	P -	P 1,816,898,287
Trade and other receivables	-	4,329,264,963	-	496,957,220	4,843,222,183
Contact assets	-	2,690,070,792	-	2,690,070,792	5,380,141,584
Advances to related parties	-	2,927,206,315	-	-	2,927,206,315
	P 1,816,898,287	P 9,946,546,070	P -	P 496,957,220	P 12,260,397,577

The Group uses an internal credit rating concept based on the counterparties' overall credit worthiness as follows:

High Grade – Rating given to counterparties who have very strong capacity to meet their obligations.

Standard Grade – Rating given to counterparties whose outstanding obligation is within the acceptable age of group.

Substandard Grade – Rating given counterparties whose outstanding obligation is nearing to be past due or impaired.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

29.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years
Interest-bearing loans and borrowings	P 811,207,266	P 721,232,438
Trade and other payables	1,606,335,760	-
Lease liabilities	55,465,664	119,389,841
Advances from related parties	4,776,873,636	-
Other current liabilities	789,754,303	-
	P 8,039,636,629	P 840,622,279

As at December 31, 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years
Interest-bearing loans and borrowings	P 791,836,059	P 1,477,853,425
Trade and other payables	1,726,090,300	-
Advances from related parties	4,578,102,879	-
Other current liabilities	702,502,850	-
	P 7,798,532,088	P 1,477,853,425

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2019		2018	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
Financial assets at amortized cost					
Cash and cash equivalents	5	P 1,145,332,574	P 1,145,332,574	P 1,816,899,287	P 1,816,899,287
Trade and other receivables - net	6	5,596,733,169	5,596,733,169	4,826,222,183	4,826,222,183
Contract assets	20.2(a)	1,951,878,579	1,951,878,579	2,690,070,792	2,690,070,792
Advances to related parties	25.1	4,122,109,792	4,122,109,792	2,927,206,315	2,927,206,315
		13,216,054,105	13,216,054,105	12,260,397,577	12,260,397,577
Financial assets at FVOCI	8	1,312,916,000	1,312,916,000	1,339,240,000	1,339,240,000
		P 14,528,970,105	P 14,528,970,105	P 13,600,337,577	P 13,600,337,577
Financial Liabilities at amortized cost					
Interest-bearing					
loans and borrowings	14	P 1,416,666,685	P 1,309,648,990	P 2,056,736,482	P 1,979,681,875
Trade and other payables	13	1,606,335,760	1,606,335,760	1,726,090,300	1,726,090,300
Lease liabilities	17.1	159,698,877	159,698,877	-	-
Advances from related parties	25.1	4,776,873,636	4,776,873,636	4,578,102,879	4,578,102,879
Other current liabilities	18	789,754,303	789,754,303	702,502,850	702,502,850
		P 8,748,729,361	P 8,641,681,566	P 9,063,432,511	P 8,986,377,034

Management considers that the fair values of the above enumerated financial assets and financial liabilities measured at amortized costs approximate their carrying values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material (except for interest-bearing loans and borrowings).

See Notes 2.4 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 2.9.

30.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts not set-off in the consolidated statement of financial position		Net amount
	Financial assets	Financial liabilities set-off		Financial instruments received	Collateral	
December 31, 2019						
Advances to related parties	P 4,122,109,801	(P 6,283,011)	P 4,122,109,792	P -	P -	P 4,122,109,792
December 31, 2018						
Advances to related parties	P 2,927,206,315	(P 4,600,000)	P 2,927,206,315	P -	P -	P 2,927,206,315

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statement of financial position		Net amount presented in the consolidated statement of financial position	Related amounts set off in the consolidated statement of financial position		Net amount
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral provided	
December 31, 2019						
Interest-bearing loans and borrowings	P 1,416,666,685	P -	P 1,416,666,685	P 47,283,037	P 28,498,690	P 1,340,884,956
Advances from related parties	4,716,873,636	-	4,716,873,636	-	247,320	4,716,626,316
	P 6,193,540,321	P -	P 6,193,540,321	P 47,283,037	P 28,746,010	P 6,117,511,284
December 31, 2018						
Interest-bearing loans and borrowings	P 2,056,736,482	P -	P 2,056,736,482	P 14,667,275	P 59,292,576	P 1,982,776,631
Advances from related parties	4,578,100,879	-	4,578,100,879	-	344,130	4,577,756,749
	P 6,634,837,361	P -	P 6,634,837,361	P 14,667,275	P 59,636,710	P 6,560,533,376

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

31. FAIR VALUE MEASUREMENT AND DISCLOSURES

31.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy are shown below.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

31.2 Financial Instruments Measured at Fair Value

As of December 31, 2019 and 2018, only the equity securities classified as financial assets at FVOCI in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period (see Note 8). There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2019 and 2018.

There were no transfers between Levels 1 and 2 in both years.

31.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Management considers that due to the short duration of these financial assets (except long-term receivables) and financial liabilities measured at amortized cost, their carrying amounts as of December 31, 2019 and 2018 approximate their fair value. Except for cash and cash equivalents which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

The fair values of the financial assets and financial liabilities included in Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

31.4 Fair Value Measurement of Non-Financial Assets

The table below and in the succeeding page shows the Levels within the hierarchy of investment properties for which fair value is disclosed as of December 31, 2019 and 2018.

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Land	P -	P -	P 40,320,000	P 40,320,000
Buildings and office/commercial units	-	-	2,774,265,646	2,774,265,646
	P -	P -	P 2,814,705,646	P 2,814,705,646

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Land	P -	P -	P 40,130,000	P 40,130,000
Buildings and office/commercial units			2,540,513,838	2,540,513,838
	P -	P -	P 2,580,643,838	P 2,580,643,838

As at December 31, 2019 and 2018, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Group determines the fair value of the investment property using market-based approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019 and 2018.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2019	2018
Interest-bearing loans and borrowings	P 1,416,666,685	P 2,056,736,482
Total equity	28,603,725,056	27,695,089,807
Debt-to-equity ratio	0.05 : 1.00	0.07 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings (See Note 14)	Advances from Related Parties (See Note 14)	Lease Liabilities (See Note 15)	Accrued Interest Payable (See Note 15)	Total
Balance as at January 1, 2019	P 2,056,736,482	P 4,578,102,879	P -	P 6,402,956	P 6,641,302,317
Cash flows from financing activities:					
Repayment of loans and borrowings	(640,065,797)	(79,581,667)	(52,824,440)	(125,733,749)	(898,205,653)
Additional loans and borrowing	-	13,129,660	-	-	13,129,660
Non-cash financing activities	-	-	-	-	-
Effect of adoption of PFRS 16	-	-	204,058,302	-	204,058,302
Accrual of interest	-	205,222,310	2,655,013	122,010,470	305,887,644
Balance as at December 31, 2019	P 1,416,666,685	P 4,776,873,646	P 189,959,671	P 2,739,677	P 6,485,479,679
Balance as at January 1, 2018	P 2,005,412,976	P 3,678,125,997	P -	P 474,479	P 5,684,013,452
Cash flows from financing activities:					
Additional loans and borrowings	800,000,000	965,658,750	-	-	1,765,658,750
Repayment of loans and borrowings	(744,676,494)	(82,991,682)	-	(108,738,077)	(1,636,406,253)
Non-cash financing activities:					
Elimination of PCMI advances	-	(239,146,146)	-	-	(239,146,146)
Additional advances due to reclassification of PCMI	-	8,172,960	-	-	8,172,960
Accrual of interest	-	748,283,000	-	114,729,554	863,009,554
Balance as at December 31, 2018	P 2,056,736,482	P 4,578,102,879	P -	P 6,402,956	P 6,641,302,317

In 2019, PCMI issued its subscribed shares to AGI for a total consideration of P930.0 million. There was no similar transaction in 2018.

34. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's financial statements.

35. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group and other businesses have been significantly exposed to the risks brought about by the outbreak of the new coronavirus disease, COVID-19. Governmental efforts being implemented to control the spread of the virus include travel bans, quarantines, social distancing and suspension of non-essential services. The management of the Group is carefully reviewing all rules, regulations, and orders and is responding accordingly.

Though the disruption is currently expected to be temporary, the Group anticipates that these will have an adverse impact on economic and market conditions and affect various segments of its business. Work stoppage on construction sites and slowdown on the supply chain may potentially lead to delays on the targeted completion and turnover of projects. Community quarantine also requires closure of educational institutions.

While management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19, the ultimate impact of the pandemic is highly uncertain and subject to change. The severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, valuation of assets, and impact on the Group's customers, suppliers, and employees. Specifically, demand for the Group's real estate properties for sale is negatively affected due to reduced liquidity of potential customers and slowdown of construction progress. Collection of receivables may be affected due to possible negative impact to the finances of the customers. Leasing operations shall likewise be affected due to limited operating hours and tenants' liquidity. Revenue from tuition fees will decline due to uncertainty of the timing of school resumptions. Financial consequences of aforementioned impact are uncertain and cannot be predicted as of the date of the issuance of the Group's consolidated financial statements. Accordingly, management is not able to reliably estimate the impact of the outbreak on the Group's financial position and results of operation for future periods.

The Group would continue to conduct its business while placing paramount consideration on the health and welfare of its employees, customers, and other stakeholders. The Group has implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. The Group has also activated business continuity plans, both at the corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

BOARD OF DIRECTORS



Dr. Andrew L. Tan
Chairman of Empire East Land Holdings, Inc.
And Chairman of Alliance Global Inc.



Mr. Kevin Andrew L. Tan
Chief Executive Officer of
Alliance Global Inc.



Atty. Anthony Charlemagne C. Yu
President and Chief Executive Officer



Mr. Enrique Santos L. Sy
Director



Mr. Cresencio P. Aquino
Lead Independent Director



Mr. Alejo L. Villanueva, Jr.
Independent Director



Mrs. Evelyn G. Cacho
Chief Financial Officer, Corporate
Information Officer and Compliance Officer

EMPIRE EAST LAND HOLDINGS, INC. OFFICERS

Anthony Charlemagne C. Yu

President and CEO

Ricky S. Libago

Executive Vice President

Evelyn G. Cacho

Senior Vice President

Ricardo B. Gregorio

First Vice President for Human Resources
And General Administration Services

Jhoanna T. Llaga

First Vice President for Marketing

Dennis E. Edaño

Corporate Secretary

Celeste Z. Sioson-Bumatay


Assistant Corporate Secretary



AUDITORS

Punongbayan & Araullo
Grant Thornton International

BANKERS



Banco de Oro Unibank
Metropolitan Bank and Trust Company
Philippine National Bank
Rizal Commercial Banking Corporation
United Coconut Planters Bank
Unionbank of the Philippines

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Eastwood Cyberpark City Bagumbayan Quezon City

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Sherman Oak Holdings, Inc. (SOHI)
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Uptown Bonifacio, Taguig City 1634 Metro Manila

Empire East Communities, Inc. (EECI)
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Laguna BelAir Science School, Inc. (LBASSI)
Laguna BelAir Subdivision
Barangay Don Jose, Sta. Rosa, Laguna

Sonoma Premier Land, Inc. (SPLI)
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20th Century Nylon Shirt Co. Inc. (20th Century)
632 Shaw Boulevard Brgy. Highway Hills
Mandaluyong City

Pacific Coast Mega City Inc. (PCMI)
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