COVER SHEET

9 4 0 0 7 1 6 0

SEC Registration Number

ARTHALAND CORPORATION

(Company's Full Name)

7F ARTHALAND CENTURY PACIFIC TOWER, 5TH AVENUE CORNER 30TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY, METRO MANILA 1634

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

FERDINAND A. CONSTANTINO	(+632) 8403-6910
(Contact Person)	(Company Telephone Number)

1 2	3 1	2019 1 7 - A	0 6	Last Fri
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,943		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **31 December 2019**

2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No.**126-004-450-721**

4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION**

5. **Metro Manila, Philippines** (SEC Use Only)
   Province, Country or other jurisdiction of incorporation or organization
   Industry Classification Code:

7. **7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City** **1634**
   Address of principal office Postal Code

8. **(+632) 8403-6910**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**
Preferred Shares – Series A	**12,500,000 (₱1.00 par value)**	**None**
Preferred Shares – Series B	**20,000,000 (₱1.00 par value)**	**None**
Preferred Shares – Series C	**10,000,000 (₱1.00 par value)**	**None**

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

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

12. Check whether the issuer:

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

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

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

Name of Shareholders	No. of Shares	Market Price (₱) (as of 31 March 2020)	Total Amount (₱)
1. Tina Keng	25,000,000	0.610	15,250,000.00
2. EQL Properties, Inc.	14,671,125	0.610	8,949,386.25
3. Urban Bank Trust Department – A/C No. 625	4,838,488	0.610	2,951,477.68
4. RBL Fishing Corporation	4,350,000	0.610	2,653,500.00
5. Veronica D. Reyes	3,799,272	0.610	2,317,555.92
6. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.610	1,618,977.21
7. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.610	1,525,762.50
8. Anito Tan and/or Lita Tan	2,027,049	0.610	1,236,499.89
9. Lourdes D. Dizon	1,740,000	0.610	1,061,400.00
10. Kwan Yan Dee and/or Christina Dee	1,631,250	0.610	995,062.50

Documents Incorporated by Reference:
Audited Financial Statements for the period ended as of 31 December 2019 (Consolidated)
Sustainability Report

- 0 -

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION (or "ALCO", for brevity) is a world-class boutique real estate developer of enduring and sustainable properties. It has built its mark in the Philippine real estate market by giving its commitment to sustainability and innovation, and by developing and managing properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects. Its principal office is at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City 1634[2].

ALCO instituted several corporate actions in 2007 which led to the entry of investors AO Capital Holdings 1, Inc. (AOCH1) and Elite Holdings, Inc., among others.

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

On 22 September 2016, ALCO's authorized capital stock was increased[3] to ₱2,996,257,135.82 divided into ₱2,946,257,135.82 of Common shares (consisting of 16,368,095,199 Common shares with a par value of ₱0.18 per share), and ₱50,000,000.00 of redeemable, non-voting and non-participating Preferred shares (consisting of 50,000,000 Preferred shares with a par value of ₱1.00 per share).

Of the ₱50,000,000.00 increase in capital stock, ALCO issued cumulative, non-voting, non-participating, non-convertible Peso-denominated 12,500,000 Preferred shares (the "Series A Preferred Shares") to Manchesterland Properties, Inc., and 20,000,000 Preferred shares (the "Series B Preferred Shares"), which are likewise cumulative, non-voting, non-participating, non-convertible and Peso-denominated, among other conditions, to the public. In June 2019, ALCO again issued to the public 10,000,000 Series C Preferred shares (the "Series C Preferred Shares") which are also cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions.

All of ALCO's issued and outstanding common shares, Series B and Series C Preferred shares are listed with and traded in the Philippine Stock Exchange (PSE) with the

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

[2] Approved by the SEC on 04 September 2018.

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

trading symbols “ALCO”, “ALCPB”, and “ALCPC”, respectively.

As of the date of this Report, CPG and AOCH1 continue to be the largest stockholders of ALCO with 40.29% and 26.02%, respectively, of the total issued and outstanding shares.

b. Business/Projects

ALCO’s main business activity is the development of premium, enduring and sustainable properties by bringing together a brain trust of experts in property development and management. It is focused on pursuing its defined niche developments independently and with its joint venture partners, as embodied by its key projects and developments in the pipeline.

In the last ten (10) years, ALCO has developed high-rise residential and office properties of around 110,000 square meters of gross floor area at a cost of around ₱10 billion. Its portfolio is targeted to expand five-fold to 550,000 square meters of a mix of horizontal and vertical residential and student accommodations, and commercial, office and retail developments, at a cost of around ₱32 billion.

ALCO is the country’s pioneer in premium green developments that adhere to both global and local standards. It has an established track record of dual-certified sustainable developments, both internationally, with the USGBC Leadership in Energy and Environmental Design (LEED), and locally, with the PHILGBC Building for Ecologically Responsive Design Excellence (BERDE), rating programs. ALCO’s adherence to these ratings demonstrates its strong commitment to environmentally responsible building practices. Sustainability is at the heart of each and every ALCO project.

ALCO is well known in the industry for its superior design, high quality standards with focus on sustainability, innovation and excellent property management services, as seen in the following projects:

Arya Residences in Bonifacio Global City is the first and only residential building in the country to date to have received dual certification – LEED Gold and BERDE 4-star certifications. It has garnered several national and international recognitions for design, quality and sustainability.

Arthaland Century Pacific Tower (ACPT), a premium grade office development also in Bonifacio Global City, was the recipient of the Best Green Development and Highly Commended in the Best Office Architectural Design categories of the Philippine Property Awards in 2018. It received both LEED Platinum rating and BERDE 5-star certification, the highest and most prestigious categories in green building rating standards. In October 2019, ACPT was certified as the world’s first Zero Carbon building under the EDGE green building rating program of the International Finance Corporation, a subsidiary of the World Bank.

Cebu Exchange, ALCO’s initial project in the Visayas region, is located at the gateway of the Cebu IT Park. It is positioned to be the best and biggest single tower business ecosystem and the single largest green office building in Southern Philippines with approximately 11 hectares of gross floor area. It is LEED pre-certified and is registered with the PHILGBC BERDE programs. It was awarded the Best Office Development in the Philippines by the 2018 Property Guru Asia Property Awards and Best Office Development in Cebu by the 2018 Property Guru Philippine Property Awards. Pre-selling is ongoing with turnover targeted for 2021.

Savya Financial Center is a grade-A midrise office development with a fully integrated retail component, envisioned to be the new capital address for business and commerce in Arca South, Taguig City. It will stand as a one-of-a-kind global address created to the highest standards. Both the North and South towers of Savya Financial Center are designed and will be built with leading edge sustainable building features, qualifying it to be registered for dual certification in both LEED and BERDE. Pre-selling just recently began and ground breaking immediately followed. The North tower is targeted for turnover to buyers by the end of 2021.

Courtyard Hall is a 400-bed student dormitory within an eight-hectare property in Biñan City, Laguna adjacent to the De La Salle University Science and Technology campus. Soon to be launched in this master planned community Sevina Park is a low density residential development to cater to families with children from schools in the nearby areas or executives from the industrial estates.

What makes ALCO different from other developers is that after a project is completed and/or turned over to the respective buyers or tenants thereof, ALCO continues to provide property management services to the condominium corporation or homeowners association. Post-completion involvement allows ALCO to maintain for years to come a high standard of maintenance quality in all its developments.

c. Subsidiaries

Below are the domestic companies in which ALCO has shareholdings. ALCO has 100% ownership interest in these companies with the exception of Cebu Lavana Land Corp. and Savya Land Development Corporation.

i. **Bhavana Properties, Inc.** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle ALCO used to purchase a parcel of land with a total area of 2,245 square meters, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, which will be the site of its next project in the Visayas.

ii. **Bhavya Properties, Inc.** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle ALCO will use for its forthcoming project in Makati City.

iii. **Cazneau Inc.** was incorporated on 31 July 2008, principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer, of residential, industrial or commercial property. In September 2016, Cazneau acquired the 8.1-hectare property in Biñan, Laguna where Courtyard Hall now stands.

iv. **Cebu Lavana Land Corp. (CLLC)** was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle ALCO used to acquire two parcels of adjacent land in Cebu City, Philippines, and to develop the same into an office building to be known as Cebu Exchange. In January 2016, Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands and managed by Arch Capital Management Company Limited, subscribed to 40% of CLLC's shares of stock.

v. **Emera Property Management, Inc.** was incorporated on 31 July 2008[4]. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO for Arya, ACPT and all its succeeding development projects to ensure the maintenance of high-quality standards therein.

vi. **Manchesterland Properties, Inc. (MPI)** was incorporated on 27 March 2008 and is presently the registered owner of the commercial units in The Plaza at Arya Residences and some non-appurtenant parking slots therein.

vii. **Pradhana Land, Inc.** was incorporated on 09 September 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle that will be used for ALCO's succeeding projects, the details of which will be disclosed at the appropriate time.

viii. **Savya Land Development Corporation (SLDC)** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle ALCO used to acquire Lots 9 and 10 in Arca South located in Barangay West Bicutan, Taguig City. In August 2019, the Securities and Exchange Commission (SEC) approved SLDC's application to merge with Arcosouth Development, Inc. ("Arcosouth"), with SLDC as the surviving entity. Arcosouth is the registered owner of the lot adjacent to SLDC's property, *i.e.* Lot 11. The objective of the merger is to jointly develop the three (3) lots into an office building to be known as Savya Financial Center.

ix. **Kashtha Holdings, Inc. (KHI)** was incorporated on 01 October 2019, with the objective of making it a 60-40 joint venture company ("JV Company") between ALCO and Mitsubishi Estate Company Limited ("MEC"), which will (i) acquire and thereafter, own and hold the 50% equity interest of ALCO in SLDC, thereby making KHI the direct 50% stockholder therein, and (ii) acquire by assignment the shareholder's advances made by ALCO to SLDC.

x. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. This plan may, however, change subject

[4] Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

to market conditions.

xi. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. It is the investment vehicle used by ALCO in the acquisition of certain condominium units in Mid-land Mansions Condominium located at 839 A. Arnaiz Avenue, Legazpi Village, 1200 Makati City.

Subject to matters disclosed in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Also, for the period covered by this Report, these subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, except as otherwise discussed herein.

d. Competition

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

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

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

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

ALCO considers two (2) direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have stronger brand equity, longer track record, and financial mileage. In the office development front, ALCO competes with both large and medium-scale developers such as Ayala Land, Inc., The Net Group, Daiichi Properties, and other local developers, particularly in Cebu City. These companies are considered to have the greater share of the market at the moment.

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

e. Industry Risk

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

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

The BPO industry, organized under the IT-Business Process Association of the Philippines (IBPAP), comprises primarily of contact centers, back office operations and medical transcription, among others. The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates. The fast paced growth of this industry in the past five (5) years as well as its prospects for the next five (5) to ten (10) years in Metro Manila and other emerging cities across the Philippines have become the major drivers of growth in the office sector of the property industry. The absorption rate of newly built office buildings in major central business districts and key cities remain high because of the requirements of these BPO companies.

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

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

f. Sources and availability of raw materials

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

g. Advances to Related Parties

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

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

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Office of the Philippines and was granted the exclusive use of the tradenames, logos and taglines "Arthaland Future Proof by Design", "Arthaland Century Pacific Tower" and "Cebu Exchange". The tradename "Arya Residences" now belongs to Arya Residences Condominium Corporation.

i. Government approval for principal products or services

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

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

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of all its projects and paid for the imposed dues.

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

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

k. Employees

As of 31 December 2019, ALCO has a total of 105 personnel, 49 of whom are in management and 56 are non-managers[5]. As of the same period, ALCO also engaged 84 sales agents.

The above personnel are not covered by a collective bargaining agreement.

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

l. Working Capital

Generally, ALCO finances its projects through internally generated funds, loans from banks and sometimes, support from its major shareholders, such as the non-interest bearing loans obtained from Centrobless Corporation[6], a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, ALCO's largest stockholder at present, and from Signature Office Property, Inc.[7], which is majority-owned and chaired by ALCO Director Jaime Enrique Y. Gonzalez.

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

ITEM 2. Properties

ALCO, by itself or through special purpose companies, has interests in various properties in the country as discussed in Item 1, paragraph c above.

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

Operating Lease Commitments as Lessee

ALCO was a lessee under non-cancellable operating lease where its previous principal office was situated. In 15 November 2018, ALCO transferred its principal office to ACPT. This resulted in the termination of its non-cancellable operating lease.

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

	2019	**2018**	2017
Within one (1) year	**N.A.**	**N.A.**	₱ 10,333,726
After one (1) year but not more than five years	**N.A.**	**N.A.**	46,766,678

[5] These employees do clerical, administrative and operational day to day tasks, are given directives, and do not have any authority to make decisions for the company.
[6] The loan amounting to ₱1,650,643,779.00 has a maturity date of 31 December 2018.
[7] This loan amounting to ₱207,051,912.00 also has a maturity date of 31 December 2018.

N.A.	₱ 57,100,404

Rent expense recognized from the foregoing operating lease amounted to nil in 2019, ₱14.5 million in 2018, and ₱13.9 million in 2017.

Operating Lease Commitments as Lessor

ALCO entered into various lease agreements for ACPT office units for periods ranging from five (5) years to 10 years. All lease agreements include an annual escalation clause of 5% of the existing lease rental but do not provide for any contingent rent.

In addition, MPI has various lease agreements for the retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The agreements also provide for various escalation rates for the duration of the lease.

Moreover, Cazneau entered into lease agreements for its dormitory units in Courtyard Hall, the term of which is renewable every four (4) months.

Leasing revenue recognized from these operating leases amounted to ₱321.9 million in 2019, ₱132.4 million in 2018 and ₱23.0 million in 2017. As at 31 December 2019 and 2018, respectively, lease receivables amounted to ₱45.0 million and ₱30.4 million; accrued rent receivable amounted to ₱99.0 million and ₱52.0 million; advance rent from tenants amounted to ₱73.1 million and ₱53.3 million; and security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱71.8 million and ₱70.3 million.

ITEM 3. Legal Proceedings

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

1. **Termination of Trust Account**

   In February 2015, ALCO filed a claim before the Regional Trial Court of Makati City, Branch 149 in relation to the petition for liquidation of Export and Industry Bank represented by the Philippine Deposit Insurance Corporation (PDIC). ALCO maintained a Trust Account with the bank prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three (3) transfer certificates of title which had been placed in the custody of the bank's Trust Department. ALCO does not have any interest in the remaining assets of the bank to be liquidated, but it was constrained to make this claim before the liquidation court given that PDIC refused to act on the matter.

   In an Order dated 08 May 2017, ALCO was directed to file the necessary complaint and for PDIC to submit its Answer in order that there is a separate docket and hearing of the same and thereby enable the court to have a full and complete resolution of the issues presented by ALCO.

   Management is presently looking at various options available to address this matter as it is of the opinion that filing a separate case is unnecessary.

2. Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations to several individual defendants by the City of Tagaytay covering UPHI's 33-hectare property registered in Calamba City. It also wanted to seek clarification with respect to which city UPHI is under legal obligation to pay real property taxes, *i.e.* Calamba City or Tagaytay City.

In a Decision dated 16 December 2019, the court dismissed the complaint for being premature considering both cities claim territorial jurisdiction over the property but there is no pending territorial dispute between them, *i.e.* no cloud over the title, and that said dispute may only be resolved through a joint session between their respective *Sangguniang Panlalawigan* (should be *Panglungsod*) pursuant to the Local Government Code. The court nevertheless ruled that UPHI should continue paying real property tax to Calamba City because of the admission of Tagaytay City that UPHI's property is titled under the Torrens System which categorically states that it is located in Calamba City. Also, both cities had stipulated that the title to the property is in the custodial jurisdiction and safe keeping of the Register of Deeds of Calamba City, and Tagaytay City did not make any claim or request for the transfer of said title to its own custodial jurisdiction and safe keeping. Thus, until such time when the *Sanggunian Panlalawigan* of both Laguna and Cavite in a joint session convene, discuss and agree on their respective territorial boundaries, (i) Tagaytay City was enjoined not to assess real property tax against UPHI and not to sell in public auction the whole or any part of the disputed property, while (ii) Calamba City was enjoined to make the initiative through its *Sanggunian Panlalawigan* to convene with the *Sangguniang Panlalawigan* of Tagaytay City in order to come to an agreement.

UPHI filed a Motion for Partial Reconsideration of the foregoing Decision. While the court was correct in stating that it cannot rule that the tax declarations issued in favor of the individual defendants are superior to the title covering the property in possession of UPHI, it gravely erred in not making the categorical declaration that UPHI, being the registered owner, has superior rights over the property than the individual defendants who are in possession of mere tax declarations. It is also these tax declarations which cast a doubt on UPHI's title, not the boundary dispute. Evidence presented in court showed that the tax declarations of these defendants were issued as a result of void public auction sales and should therefore be invalidated. There is no resolution on the Motion to date

3. Expropriation

Petitioner National Power Corporation (NAPOCOR) filed in November 1995 before the Regional Trial Court of Calamba, Laguna, Branch 34, a Petition for Expropriation of Properties to be affected by the Tayabas-Dasmariñas 500 kV transmission line right, which included a portion of UPHI's property with an area of about one (1) hectare. The court issued a Writ of Possession in favor of NAPOCOR in 1996.

In July 1999, NAPOCOR and UPHI agreed to refer to commissioners the determination of just compensation for UPHI. UPHI did not question the propriety of expropriation any further but continued to participate in the proceedings having found NAPOCOR's valuation unreasonable and to enable it to submit evidence as and when the commissioners required the same. The matter was eventually elevated before the Court of Appeals in 2015 and is still pending resolution to date.

4. Claim for Refund

a. A buyer[8] offered to purchase a unit in Arya Residences, paid the reservation fee and signed the Reservation Agreement, which reads, in part, that should the buyer "fail to pay any of the amounts due xxx, the Seller shall have the sole option to (i) cancel the sale and forfeit in its favor all payments made xxx." A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made, as well attorney's and appearance fees, by filing a complaint before the Housing and Land Use Regulatory Board (HLURB) on May 2017.

   In a Decision dated 19 January 2018, the HLURB dismissed the complaint for lack of merit, primarily because of Republic Act No. 6552, otherwise known as the "Realty Installment Buyer Protection Act". For a buyer to be entitled to refund, he or she must have paid at least two (2) years of installments, and even then, only the cash surrender value of the payments shall be refunded, which is equivalent to 50% of the total payments made.

b. Another buyer[9] offered to purchase a unit in Arya Residences in November 2012, paid the reservation fee but failed to pay the final amortization and other charges which became due in January 2014, on the ground that a viewing of the unit was not allowed beforehand, notwithstanding that pursuant to the Contract to Sell signed, full payment of the account is required prior to turnover of the unit. A viewing of the unit is not scheduled until the account is fully paid since inspection is the initial step of the turnover process. All buyers of Arya Residences were treated in the same manner.

   In November 2017, the buyer filed a complaint before the HLURB and demanded the return of all payments made in a span of one (1) year amounting to ₱942,718.53.

   In a Decision dated 05 April 2019, ALCO was directed to refund to the buyer ₱942,718.53 and pay attorney's fees and actual damages in the total amount of ₱70,000.00.

   On 15 May 2019, ALCO appealed the foregoing Decision arguing, among others, that Republic Act No. 6552 should have been applied as it is the special law governing transactions that involve, subject to certain exceptions, the sale on installment basis of real property. However, the adverse Decision was affirmed. ALCO will elevate the matter to the Court of Appeals accordingly.

[8] The complainant is Ms. Bernadette Villaseñor.
[9] The complainant is Ms. Anita Medina-Yu.

5. **Labor**

a. In an Order dated on 03 July 2017, the Department of Labor and Employment (DOLE) found ALCO non-compliant with certain labor standards per Rules 1020, 1030, 1040, 1050 and 1065. Records, however, show that ALCO is in fact compliant. A Memorandum of Appeal was filed in October 2017 because serious errors in the finding of facts were committed by DOLE which, if not corrected, would cause grave or irreparable damage or injury to ALCO. Among the reliefs sought are the recall of the Order for Compliance and a finding that ALCO is fully compliant with labor laws and occupational health and safety standards. As of the date of this Report, there is no resolution to the Appeal.

b. In an Order dated 29 November 2017, the DOLE found that ALCO did not comply and failed to effect corrective actions on noted deficiencies per Rules 1050, 1060 and 1065 within the period prescribed by the Labor Laws Compliance Officer. A Memorandum of Appeal was filed in February 2018 seeking, among others, the recall of the Order for Compliance and a finding that ALCO is fully compliant. ALCO did institute corrective measures and in fact completed the noted deficiencies prior to the issuance of the Order for Compliance. As of the date of this Report, there is no resolution to the Appeal.

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

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

With the exception of the election of the members of the Board of Directors for the year 2019-2020 to hold office as such and until their respective successors are duly nominated, elected and qualified, there was no other matter submitted to a vote of and approval by the stockholders during the Annual Stockholders' Meeting held on 28 June 2019.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

a. Market Information

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

The following are the highlights of quarterly trading:

	2019			2018			2017		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.83	0.82	0.82	0.86	0.84	0.86	1.28	1.24	1.24
2	0.88	0.84	0.85	0.77	0.76	0.76	1.22	1.12	1.17
3	0.92	0.87	0.90	0.68	0.68	0.65	1.06	1.03	1.04
4	0.81	0.78	0.81	0.98	0.84	0.96	0.90	0.87	0.90

b. Security Holders

The total shares issued and outstanding are as follows:

Common	-	5,318,095,199
Preferred Series A	-	12,500,000
Preferred Series B	-	20,000,000
Preferred Series C	-	10,000,000.

As of 31 December 2019, the number of shareholders of record is as follows:

Common	-	1,943
Preferred Series A	-	1
Preferred Series B	-	12
Preferred Series C	-	3

ALCO's public ownership percentage as of said period is 29.9961%.

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

ALCO's top 20 stockholders of Common shares as of 31 December 2019 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,357,788,532	25.531
4. PCD Nominee Corporation – Non-Filipino	307,439,318	5.781
5. Elite Holdings, Inc.	119,809,996	2.253
6. Tina Keng	25,000,000	0.470
7. EQL Properties, Inc.	14,671,125	0.276
8. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
9. RBL Fishing Corporation	4,350,000	0.082
10. Veronica D. Reyes	3,799,272	0.071
11. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
12. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
13. Anito Tan and/or Lita Tan	2,027,049	0.038
14. Lourdes D. Dizon	1,740,000	0.033
15. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
16. Dante Garcia Santos	1,631,250	0.031
17. Luciano H. Tan	1,505,950	0.028
18. Samuel Uy	1,087,500	0.020
19. Datacom Systems Corp.	1,004,394	0.019
20. Mitsu Machine Phils Inc.	998,313	0.019
TOTAL	5,255,827,658	98.828

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

ALCO's top stockholders of Preferred shares Series B as of 31 December 2019 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,564,860	97.824
2. PCD Nominee Corporation – Non-Filipino	196,040	0.980
3. Dominic G. Hing	114,000	0.570
4. Antonio T. Chua	35,100	0.176
5. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
6. Chiong Ping Go Ching and/or Chiong Bio Go	29,000	0.145
7. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
8. Christopher Chua W. Kawpeng	600	0.003
9. Daniel Chua W. Kawpeng	600	0.003
10. David Chua W. Kawpeng	600	0.003
11. Edwin Chua W. Kawpeng	600	0.003
12. Tomas Chua W. Kawpeng	600	0.003
TOTAL	20,000,000	100.000

ALCO's top stockholders of Preferred shares Series C as of 31 December 2019 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	9,795,500	97.955
2. Manfel Cargo Shipping Corporation	180,000	1.800
3. PCD Nominee Corporation – Non-Filipino	24,500	0.245
TOTAL	10,000,000	100.000

c. Dividends

ALCO declared cash dividends to Common stockholders, as follows:

Declaration Date	Record Date	Payment Date	Amount/Share
28 June 2013	26 July 2013	22 August 2013	₱0.012
10 March 2014	28 March 2014	22 April 2014	₱0.036
09 March 2015	23 March 2015	08 April 2015	₱0.012
28 February 2017	14 March 2017	07 April 2017	₱0.012
21 March 2018	06 April 2018	02 May 2018	₱0.012
21 June 2019	08 July 2019	31 July 2019	₱0.012

ALCO declared cash dividends to holders of Preferred shares Series B, as follows:

Declaration Date	Record Date	Payment Date	Amount/Share
08 February 2017	24 February 2017	06 March 2017	₱1.76145
10 May 2017	25 May 2017	06 June 2017	₱1.76145
09 August 2017	23 August 2017	06 September 2017	₱1.76145
26 October 2017	24 November 2017	06 December 2017	₱1.76145
10 January 2018	09 February 2018	06 March 2018	₱1.76145
09 May 2018	23 May 2018	06 June 2018	₱1.76145
01 August 2018	16 August 2018	06 September 2018	₱1.76145
24 October 2018	12 November 2018	06 December 2018	₱1.76145

21 February 2019	01 March 2019	06 March 2019	₱1.76145
23 October 2019	15 November 2019	06 December 2019	₱1.76145

ALCO declared cash dividends to holders of Preferred Shares Series C, as follows:

Declaration Date	Record Date	Payment Date	Amount/Share
08 August 2019	06 September 2019	27 September 2019	₱1.7319
23 October 2019	29 November 2019	27 December 2019	₱1.7319

No dividends were declared in 2016.

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

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.
>
> "Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

d. Recent Sales of Unregistered or Exempt Securities

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

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

FINANCIAL POSITION
31 December 2019 vs. 31 December 2018

	31 Dec 2019	31 Dec 2018	Change
Cash and cash equivalents	**407,214,384**	285,413,332	43%
Financial assets at fair value through profit or loss (FVPL)	**772,186,717**	196,094,319	294%
Trade and other receivables	**389,687,736**	236,463,779	65%
Contract Assets	**3,250,482,689**	785,197,944	314%
Real estate for sale	**5,410,062,969**	3,412,713,425	59%

Creditable withholding tax	**338,105,363**	259,819,891	30%
Investment properties	**7,280,000,267**	5,901,514,575	23%
Property and equipment	**282,549,715**	237,452,955	19%
Deferred tax assets - net	**-**	16,197,731	-100%
Other Assets	**1,345,542,152**	1,005,597,812	34%
Total Assets	**₱19,475,831,992**	₱12,336,465,763	58%
Loans payable	**6,925,381,746**	4,169,976,102	66%
Accounts payable and other liabilities	**2,488,916,877**	1,655,848,013	50%
Contract liabilities	**32,179,674**	20,385,280	58%
Due to a related party	**1,144,586,297**	386,666,691	196%
Retirement liability	**99,880,460**	66,088,998	51%
Net deferred tax liabilities	**1,309,495,052**	779,222,593	68%
Total Liabilities	**₱12,000,440,106**	₱7,078,187,677	70%
Capital stock	**999,757,136**	989,757,136	1%
Additional paid-in capital	**3,008,959,878**	2,031,441,541	48%
Retained earnings	**3,161,789,766**	2,214,144,875	43%
Cumulative re-measurement gains on retirement liability – net of tax	**(207,724)**	18,169,495	-101%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
Total equity attributable to the Parent Company	**7,157,799,056**	5,241,013,047	37%
Non-controlling interest	**317,592,830**	17,265,039	1740%
Total Equity	**7,475,391,886**	5,258,278,086	42%
Total Liabilities and Equity	**₱19,475,831,992**	₱12,336,465,763	58%

ALCO's total resources as of 31 December 2019 amounting to ₱19.48 billion is 58% higher than the 31 December 2018 level of ₱12.34 billion due to the following:

43% Increase in Cash and Cash Equivalents
The increase is accounted for by the proceeds from various loans, advances from shareholders, and sales collections.

294% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was due to investments in money market placements of the additional cash from loan proceeds and sales collections.

65% Increase in Trade and Other Receivables
The increase was largely due to the sale of office units in Cebu Exchange, first-time revenue recognition from the sale of office units in Savya Financial Center, and receivables from ACPT tenants.

314% Increase in Contract Assets
This pertains to the increase in receivables from the additional sale of office units in Cebu Exchange and Savya Financial Center representing the excess of cumulative revenues from real estate sales over total collections received from buyers.

59% Increase in Real Estate for Sale
The increase is mainly due to the acquisition of various properties for development and the additional construction costs incurred during the year for ongoing projects.

30% Increase in Creditable Withholding Tax
This represents the increase in taxes withheld on the additional collections from buyers of office units in Cebu Exchange and Savya Financial Center.

23% Increase in Investment Properties
The increase is mainly attributable to the appraisal gain of ACPT and other investment properties.

19% Increase in Property and Equipment
The increase is due to the completion of fit-out costs of ALCO's new corporate office in ACPT, and to additional transportation and office equipment.

100% Decrease in Deferred Tax Assets
The decrease is due to the realization of net income in CLLC resulting to the full utilization of its NOLCO.

34% Increase in Other Assets
The increase is largely attributable to the down payment made to contractors of ongoing projects as well as to VAT Input payments.

66% Increase in Loans Payable
The increase is largely due to additional drawdowns from bank loan facilities availed of in order to partly fund ALCO's working capital and project financing requirements.

50% Increase in Accounts Payable and Other Liabilities
The increase is mainly attributable to payables to contractors/suppliers for ongoing projects.

58% Increase in Contract Liabilities
The increase pertains to collections received from buyers of office units in Cebu Exchange and Savya Financial Center the related revenue of which is not yet recognized.

196% Increase in Due to a Related Party
This pertains to advances made by shareholders of CLLC and SLDC.

51% Increase in Retirement Liability
The increase is due to the additional retirement expense recognized for the year and remeasurement loss from the change in financial assumptions used in the valuation of retirement plan.

68% Increase in Net Deferred Tax Liabilities
The increase is due mainly to the gain resulting from the change in fair value of investment properties.

48% Increase in Additional Paid-in Capital
This is due to the excess of the proceeds over par value of the Preferred Shares Series C that was issued during the year, net of stock issuance costs.

43% Increase in Retained Earnings
The increase is due to the net income for the year, net of dividends declared.

101% Decrease in Cumulative re-measurement gains (losses) on retirement liability
The decrease is due to the current year's cumulative remeasurement losses as against last year's gains in valuation of ALCO's retirement liability.

1740% Increase in Non-Controlling Interests
The increase is mainly due to the higher net income of CLLC for the current year as compared to the prior year.

FINANCIAL POSITION
31 December 2018 vs. 31 December 2017

	31 Dec 2018	31 Dec 2017 *As Restated*	Change
Cash and cash equivalents	**₱326,679,590**	₱721,795,236	-55%
Financial assets at fair value through profit or loss (FVPL)	**154,828,061**	387,879,631	-60%
Trade and other receivables	**742,932,730**	186,274,230	299%
Contract Assets	**785,197,944**	-	100%
Real estate for sale	**3,412,713,425**	2,646,731,618	29%
Creditable withholding tax	**259,819,891**	253,188,078	3%
Investment properties	**5,901,514,575**	6,457,315,253	-9%
Property and equipment	**237,452,955**	39,743,166	497%
Deferred tax assets - net	**16,197,731**	61,212,233	-74%
Other Assets	**499,128,861**	492,672,321	1%
Total Assets	**₱12,336,465,763**	₱11,246,811,766	10%
Loans payable	**4,169,976,102**	4,268,892,416	-2%
Accounts payable and other liabilities	**1,655,848,013**	702,744,459	136%
Contract liabilities	**20,385,280**	121,712,461	-83%
Due to a related party	**386,666,691**	286,666,691	35%
Retirement liability	**66,088,998**	50,668,546	30%
Net deferred tax liabilities	**779,222,593**	752,508,368	4%
Total Liabilities	**₱7,078,187,677**	₱6,183,192,941	14%
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,214,144,875**	2,085,398,501	6%
Cumulative re-measurement gains on retirement liability – net of tax	**18,169,495**	7,448,391	144%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
Total equity attributable to the Parent Company	**5,241,013,047**	5,101,545,569	3%

Non-controlling interest	**17,265,039**	(37,926,744)	146%
Total Equity	**₱5,258,278,086**	5,063,618,825	4%
Total Liabilities and Equity	**₱12,336,465,763**	₱11,246,811,766	10%

ALCO's total resources as of 31 December 2018 amounting to ₱12.34 billion is 10% higher than the 31 December 2017 level of ₱11.25 billion due to the following:

55% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to disbursements for operations, debt servicing, acquisition of properties and project related costs, net of inflows from loan availments and revenue collections.

60% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)
The reduction is due to the termination of money market placements which were subsequently used to fund the operating requirements of ALCO, including its ongoing projects.

299% Increase in Trade and Other Receivables
The increase is accounted for by the receivables from the ACPT leasing operations and down payment made to contractors for the construction of the Group's real estate projects.

100% Increase in Contract Assets
This pertains to receivables from the sale of office units in Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers which were previously recognized as liability.

29% Increase in Real Estate for Sale
The increase is due to the acquisition of a property in Makati City, the consolidated cost of the property of Arcosouth in Taguig City, and the additional construction costs for the projects in Laguna and Cebu, net of the remaining residential units in Arya Residences sold and those office units in Cebu Exchange.

9% Decrease in Investment Properties
The decrease is mainly due to the settlement of loans through *dacion en pago* of certain floors in ACPT and the reclassification of the ALCO corporate office to Property and Equipment account.

497% Increase in Property and Equipment
The increase is due to the reclassification of the ALCO corporate office from investment properties to Property and Equipment, as abovementioned.

74% Decrease in Deferred Tax Assets
The decrease is due to the realization of net income in CLLC.

136% Increase in Accounts Payable and Other Liabilities
The increase is largely due to the effect of consolidated payables to stockholders of Arcosouth and the deferred VAT payables from the sales of office units in Cebu Exchange.

83% Decrease in Contract Liabilities
The decrease pertains to down payment received subsequently recognized as revenues

from real estate sales, as mentioned under Contract Assets.

35% Increase in Due to a Related Party
This pertains to additional advances made by stockholders CLLC.

30% Increase in Retirement Liability
The increase is due to the new retirement plan which changed the benefits payable and resulted in the recognition of past service cost.

6% Increase in Retained Earnings
The increase is due to the net income for the year, net of dividends declared.

144% Increase in Cumulative re-measurement gains (losses) on retirement liability
The difference is due to the change in financial assumptions and experience adjustments based on the new retirement plan as mentioned above.

146% Increase in Non-Controlling Interests
The increase is due to CLLC's net income recognized for the year.

FINANCIAL POSITION
31 December 2017 vs. 31 December 2016

	31 Dec 2017	31 Dec 2016	Change
Cash and cash equivalents	**₱721,795,236**	₱990,742,203	-27%
Financial assets at fair value through profit or loss (FVPL)	**387,879,631**	2,050,075,279	-81%
Trade and other receivables	**186,274,230**	301,089,586	-38%
Real estate for sale	**2,646,731,618**	1,722,192,699	54%
Creditable withholding taxes (CWT)	**253,188,078**	243,216,792	4%
Investment properties	**6,457,315,253**	4,534,143,705	42%
Property and equipment	**39,743,166**	20,071,668	98%
Deferred tax assets	**61,212,233**	15,282,811	301%
Other assets	**492,672,321**	184,828,088	167%
Total Assets	**₱11,246,811,766**	₱10,061,642,831	12%
Loans payable	**4,268,892,416**	3,111,038,703	37%
Accounts payable and other liabilities	**824,456,920**	899,207,290	-8%
Due to a related party	**286,666,691**	249,789,836	15%
Retirement liability	**50,668,546**	47,244,365	7%
Net deferred tax liabilities	**752,508,368**	644,775,603	17%
Total Liabilities	**₱6,183,192,941**	₱4,952,055,797	25%
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,085,398,501**	2,098,281,063	-1%
Cumulative re-measurement gains on retirement liability – net of tax	**7,448,391**	3,022,025	146%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%

Total equity attributable to the Parent Company	**5,101,545,569**	5,110,001,765	-0.2%
Non-controlling interest	**(37,926,744)**	(414,731)	-9045%
Total Equity	**5,063,618,825**	5,109,587,034	-1%
Total Liabilities And Equity	**₱11,246,811,766**	₱10,061,642,831	12%

ALCO's total resources as of 31 December 2017 was at ₱11.25 billion, or about 12% higher than the 31 December 2016 level of ₱10.06 billion, due to the following:

27% Decrease in Cash and Cash Equivalents
The decrease is due to normal operating and project related disbursements including final payment for the Cebu property.

81% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)
The reduction is due to partial termination of money market placements which were subsequently used to fund property acquisition and on-going projects of the Group.

38% Decrease in Trade and Other Receivables
The decrease is largely due to the collection of maturing accounts, as well as the application of previous advances to contractors against their 2017 progress billings.

54% Increase in Real Estate for Sale
The increase is mainly accounted for by the cost of the property acquired in Q1 2017 and the on-going development in Cebu.

42% Increase in Investment Properties
The increase is largely attributable to the appraisal increment and additional construction costs of ACPT recognized and recorded during the year.

98% Increase in Property and Equipment
The increase is basically due to the new office and transportation equipment acquired as well as leasehold improvements made during the year.

301% Increase in Deferred Tax Assets
This refers to the net operating loss of a subsidiary for the previous and current years which were recognized in full as NOLCO in 2017.

167% Increase in Other Assets
The increase is largely accounted for by VAT inputs from property acquired and advance payments made to suppliers and contractors.

37% Increase in Loans Payable
Net increase is attributable to borrowings made during the year to finance on-going projects, particularly ACPT and Cebu Exchange.

8% Decrease in Accounts Payable and Other Liabilities
The net decrease is largely due to payments made to suppliers as well as contractors and the full payment of the purchase price of the Cebu property in Q3 2017.

15% Increase in Due to a Related Party
This pertains to additional advances made by shareholders for CLLC.

7% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19.

17% Increase in Net Deferred Tax Liabilities
The increase is directly attributable to the additional gain on change in fair value of investment properties that was recognized during the year.

146% Increase in Cumulative re-measurement gains (losses) on retirement liability
The difference represents year-end adjustments on cumulative re-measurement gains on ALCO's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

9045% Decrease in Non-Controlling Interests
Significant decrease in non-controlling interest is attributed to pre-income losses incurred in CLLC.

RESULTS OF OPERATIONS
31 December 2019 vs. 31 December 2018

	31 Dec 2019	31 Dec 2018	Change
Revenues	**3,847,857,424**	1,132,470,086	240%
Cost of sales and services	**(2,145,739,457)**	(618,799,239)	247%
Gross income	**₱1,702,117,967**	₱513,670,847	231%
Administrative expenses	**409,806,713**	325,187,083	26%
Selling and marketing expenses	**256,010,229**	72,423,411	253%
Operating expenses	**665,816,942**	397,610,494	67%
Income from operations	**₱1,036,301,025**	₱116,060,353	793%
Finance costs	**(124,839,604)**	(73,647,288)	70%
Gain on change in fair value of investment properties	**1,180,724,811**	172,819,094	583%
Other income – Net	**31,106,679**	339,120,693	-91%
Income before income tax	**₱2,123,292,911**	₱554,352,852	283%
Income tax expense	**636,145,034**	165,735,606	284%
Net income	**₱1,487,147,877**	388,617,246	283%
Other comprehensive income (loss)			
Change in actuarial gain (loss)	**(₱26,253,170)**	₱15,315,863	-271%
Income tax benefit (expense) relating to item that will not be reclassified	**7,875,951**	(4,594,759)	-271%
Total comprehensive income	**₱1,468,770,658**	₱399,338,350	268%

Results of Operations for the year ended 31 December 2019 compared to the year ended 31 December 2018.

240% Increase in Revenues
The increase is mainly attributable to revenue recognized from the sale of office units in Cebu Exchange and the first-time revenue recognition for sale of office units in Savya Financial Center.

247% Increase in Cost of Sales and Services
The increase in cost of sales is directly related to the increase in revenues.

26% Increase in Administrative Expenses
The increase is due to professional fees, personnel related expenses, and taxes.

253% Increase in Selling and Marketing Expenses
The increase is mainly due to amortized commissions from the sale of office units in Cebu Exchange and Savya Financial Center, as well as the increased marketing activities for ongoing and new projects.

70% Increase in Finance Costs
The increase is mainly due to non-capitalization of interest expense from loans due to the completion of ACPT in 2019, and interests from additional working capital loans.

583% Increase in Gain on Change in Fair Value of Investment Properties
The increase is attributable to the appraisal gain of ACPT and other investment properties.

91% Decrease in Other Income – Net
The decrease is largely due to realized gain on the settlement of loans through *dacion en pago* realized in 2018.

284% Increase in Income Tax Expense
The increase is due to higher net income recognized for the year.

271% Decrease in Change in Actuarial Gain (Loss)
The decrease is due to the remeasurement loss from change in financial assumptions used in the valuation of retirement plan as mentioned under Retirement Liability.

31 December 2018 vs. 31 December 2017

	31 Dec 2018	31 Dec 2017	Change
Revenues	**1,132,470,086**	463,538,594	144%
Cost of sales and services	**(618,799,239)**	(332,825,401)	86%
Gross income	**₱513,670,847**	₱130,713,193	293%
Administrative expenses	**325,187,083**	273,749,586	19%
Selling and marketing expenses	**72,423,411**	48,493,636	49%
Operating expenses	**397,610,494**	322,243,222	23%
Income (loss) from operations	**₱116,060,353**	(₱191,530,029)	-161%
Finance costs	**(73,647,288)**	(80,663,240)	-9%

Gain on change in fair value of investment properties	**172,819,094**	428,390,699	-60%
Other income – Net	**339,120,693**	67,443,318	403%
Income before income tax	**₱554,352,852**	₱223,640,748	148%
Income tax expense	**165,735,606**	85,240,763	94%
Net income	**₱388,617,246**	₱138,399,985	181%
Other comprehensive income			
Change in actuarial gain - Net of tax	**15,315,863**	6,323,380	142%
Income tax benefit (expense) relating to item that will not be reclassified	**(4,594,759)**	(1,897,014)	142%
Total comprehensive income	**₱399,338,350**	₱142,826,351	180%

Results of Operations for the year ended 31 December 2018 compared to the year ended 31 December 2017.

144% Increase in Revenues
The increase is mainly attributable to revenue recognized from the sale of office units in Cebu Exchange offices.

86% Increase in Cost of Sales and Services
The increase in cost of sales is directly related to the increase in revenues from the sales of office units in Cebu Exchange.

19% Increase in Administrative Expenses
The increase is mainly due to the recognition of past service costs as mentioned under Retirement Liability, as well as salaries paid to additional personnel employed.

49% Increase in Selling and Marketing Expenses
The increase is due to sales commissions, travel and advertising expenses for Cebu Exchange.

9% Decrease in Finance Costs
The decrease is largely accounted for by the settlement in November 2017 of an interest-bearing loan under the Parent company.

60% Decrease in Gain on Change in Fair Value of Investment Properties
The decrease pertains to the reversal of unrealized gain on investment properties due to the effect of the *dacion en pago* executed during the year.

403% Increase in Other Income – Net
The increase is largely due to realized gain on the settlement of loans through *dacion en pago*, offsetting the decrease in unrealized gain in investment properties as mentioned above.

94% Increase in Income Tax Expense
The increase is due to higher net income recognized for the year.

142% Increase in Change in Actuarial Gain – Net of tax and Income tax expense relating to item that will not be reclassified

The increase is due to the remeasurement gains based on the new retirement plan as mentioned under Retirement Liability.

RESULTS OF OPERATIONS
31 December 2017 vs. 31 December 2016

	31 Dec 2017 *As restated*	31 Dec 2016 *As restated*	Change
Revenues	**463,538,594**	451,075,061	3%
Cost of sales and services	**(332,825,401)**	(396,312,817)	-16%
Gross income	**130,713,193**	54,762,244	139%
Administrative expenses	**273,749,586**	295,722,649	-7%
Selling and marketing expenses	**48,493,636**	66,767,530	-27%
Operating expenses	**322,243,222**	362,490,179	-11%
Income (loss) from operations	**(191,530,029)**	(307,727,935)	-38%
Gain on change in fair value of investment properties	**428,390,699**	1,417,865,206	-70%
Finance costs	**(80,663,240)**	(80,348,345)	0%
Other income – Net	**67,443,318**	147,643,198	-54%
Income before income tax	**223,640,748**	1,177,432,124	-81%
Income tax expense	**85,240,763**	355,015,749	-76%
Net income	**138,399,985**	822,416,375	-83%
Other comprehensive income			
Change in actuarial gain - Net of tax	**4,426,366**	2,031,514	118%
Total comprehensive income	**142,826,351**	824,447,889	-83%

Results of Operations for the year ended 31 December 2017 compared to the year ended 31 December 2016.

17% Decrease in Cost of Sales and Services
The decrease in cost of sales is due to the decrease in revenues from sales of the few remaining units in Arya Residences Tower 2.

7% Decrease in Administrative Expenses
The decline is attributable to less manpower related cost, taxes and licenses, insurance premium, and utility expenses paid during the year.

27% Decrease in Selling and Marketing Expenses
The decrease is mainly attributable to lower commission expenses and lesser marketing efforts in 2017 as compared to the previous year.

70% Decrease in Gain on Change in Fair Value of Investment Properties
The decrease is due to first time adoption of fair valuation for investment properties in 2016 and thus substantial appraisal gain was recognized in the previous year as compared to the current year.

54% Decrease in Other Income – Net
The decrease is attributable to the "Day 1 Gain" on a larger loan acquired in 2016 as compared to 2017.

76% Decrease in Income Tax Expense
The decrease is attributable to the tax effect of gain on change in fair value of investment properties in 2016.

118% Increase in Change in Actuarial Gain – Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 based on the latest actuarial valuation report.

FINANCIAL RATIO

	December 2019	December 2018	December 2017
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**1.94:1**	**2.45:1**	**1.55:1**
Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	**0.13:1**	**0.06:1**	**0.02:1**
Debt-to-equity Ratio (Total debt to total equity)	**1.61:1**	**1.35:1**	**1.22:1**
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	**0.93:1**	**0.79:1**	**0.52:1**
Asset-to-equity Ratio (Total assets over total equity)	**2.61:1**	**2.35:1**	**2.22:1**
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	**18.08:1**	**8.61:1**	**3.87:1**
Profitability Ratio (Net income over total equity)	**0.20:1**	**0.07:1**	**0.03:1**

There is no event that will trigger any direct or contingent financial obligation that is material to ALCO, including any default or acceleration of an obligation.

There is no material off-balance sheet transaction, arrangement, obligation and other relationship of ALCO with unconsolidated entities or other persons created during the reporting period.

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

On 16 March 2020, the Philippine Government declared the entire Luzon island under an Enhanced Community Quarantine (ECQ) due to the increasing corona virus (COVID-19) cases in the country. The Cebu Province followed suit several weeks later. The ECQ resulted in the closure of non-essential businesses and strict home quarantine, as well as the stoppage of construction works for ALCO's on-going projects, namely Savya Financial Center, Sevina Park and Cebu Exchange. This notwithstanding, Management continues to monitor subsequent developments on the COVID-19 pandemic in order to assess business strategies moving forward, and its impact on ALCO's operations and financial performance which cannot be reasonably determined as of the date of this Report.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2019 were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26/F Citibank Tower 8741 Paseo de Roxas, Makati City 1226
Certifying Partner	:	Ms. Michelle R. Mendoza-Cruz
C.P.A. Reg. No.	:	97380
TIN No.	:	201-892-183-000
PTR No.	:	8116478 issued on 06 January 2020 at Makati City
SEC Accreditation No.	:	Partner – No. 1499-AR-1 Group A (Valid until 17 July 2021)
BIR Accreditation No.	:	08-005144-012-2020 (Valid until 01 January 2023)

ALCO's consolidated financial statements for the period ended as of 31 December 2019 is hereto attached and incorporated herein by reference.

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

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

Reyes Tacandong & Co. (RT&Co) was first appointed as ALCO's external auditor in 2012 and remains such to date. Ms. Carolina P. Angeles was the Certifying Partner for the years 2012-2016.

ALCO has not had any disagreement with its external auditor.

<u>Fees and Other Arrangements</u>

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

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

2015	-	₱750,000.00
2016	-	₱950,000.00
2017	-	₱1,500,000.00

2018	-	₱1,650,000.00
2019	-	₱1,750,000.00

RT&Co rendered services to ALCO's subsidiaries with the exception of CLLC[10], and its audit fees are as follows:

	2019	2018	2017
Bhavana Properties, Inc.	₱100,000.00	N.A.	N.A.
Bhavya Properties, Inc.	₱100,000.00	N.A.	N.A.
Cazneau Inc.	₱300,000.00	₱180,000.00	₱120,000.00
Emera Property Management, Inc.	₱160,000.00	₱150,000.00	₱140,000.00
Kashtha Holdings, Inc.	₱100,000.00	N.A.	N.A.
Manchesterland Properties, Inc.	₱350,000.00	₱330,000.00	₱300,000.00
Pradhana Land, Inc.	₱100,000.00	N.A.	N.A.
Savya Land Development Corporation	₱250,000.00	₱180,000.00	₱110,000.00
Urban Property Holdings, Inc.	₱130,000.00	₱120,000.00	₱10,000.00
Zileya Land Development Corporation	₱160,000.00	₱120,000.00	₱100,000.00

RT&Co did not charge ALCO for non-audit work for the years 2013, 2014, 2015, 2017 and 2018. In 2016, however, RT&Co charged ALCO for non-audit work in the amount of ₱1.50MM in relation to the public offering of ALCO's Preferred Series B shares. In 2019, RT&Co also charged ALCO for non-audit work in the amount of ₱1.00MM in relation to the public offering of ALCO's Preferred Series C shares.

In October 2019, ALCO with the SEC a Registration Statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds which was approved in January 2020. The initial tranche of these bonds equivalent to ₱3.0 billion was listed with the Philippine Dealing and Exchange Corp. on 06 February 2020. RT&Co charged ALCO for non-audit work on these bonds in the amount of ₱0.60MM.

The foregoing fees are all exclusive of VAT.

PART III – CONTROL AND COMPENSATION INFORMATION

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

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

Name of Director	Directorship	Date of First Appointment	Age
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	74
Jaime C. Gonzalez	Executive	21 May 2007	74
Jaime Enrique Y. Gonzalez	Non-Executive	24 June 2011	44
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	49
Leonardo Arthur T. Po	Executive	01 August 2016	43
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	52

[10] The external auditor of CLLC is Isla Lipana & Co., a PwC member firm. Its fees for 2019, 2018 and 2017 amount to ₱520,000.00, ₱500,000.00, and ₱430,000.00, respectively, all of which are net of VAT.

Fernan Victor P. Lukban	Independent	25 April 2011[11]	59
Hans B. Sicat	Independent	30 June 2017	59
Andres B. Sta. Maria	Independent	24 June 2016	71

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

Jaime C. González, Filipino, presently ALCO's Vice Chairman and President, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, with degrees in B.A. Economics (*cum laude*) and B.S. Commerce (*cum laude*). Mr. González led the transition of ALCO in 2008 and started the vision of what the company is now. He is also the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies and is the Chairman of IP E-Game Ventures, Inc. which is involved in information technology and new media, retail/food and beverage, natural resources, and real estate and resort development. Apart from these, Mr. González is active in socio-cultural organizations such as the Philippine Map Collectors Society where he is the President, the World Presidents' Organization Philippine Chapter, Harvard Club New York Chapter, Philippine Institute of Certified Public Accountants, and the International Wine and Food Society. He was previously an independent director of Euromoney Institutional Investment PLC (a UK publicly listed media company) and the Southeast Asia Cement Holdings, Inc. (a subsidiary of Lafarge S.A.). He was the Vice Chairman and President of the Philippine International Trading Corporation and at one time, a special trade negotiator of the country's Ministry of Trade. Mr. González was once a partner of SGV & Co. with principal focus on assisting clients in establishing and/or in arranging funding for projects throughout the Asian region.

Jaime Enrique Y. González, Filipino, is the founder and currently the CEO of IP Ventures, Inc., a leading venture group that owns businesses that represent large retail brands such as Highlands Coffee, NBA Retail and Western Union. He is also the founder of IPVG Corp., E-games, and IP-Converge, Inc., which all listed on the Philippine Stock Exchange. He is a partner in the Kaikaku Fund (a Softbak-led fund), a venture capital focused on SE Asia, and a shareholder and director of Retail Specialist Inc., the exclusive retailer of Naturalizer and Florsheim brands in the Philippines. Enrique was IT Executive of the Year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year in 2011. He is also part of the Young Presidents Organization and sits on the Board of Trustees of Asia Society Philippines. He continues to hold the record of being the youngest person to have listed a company on the Philippine Stock Exchange at 27 years old. He has structured profitable exits such as PCCW

[11] Mr. Lukban ceased to be a director of ALCO in 2016 but was re-elected anew on 28 June 2019.

Teleservices (sold to PCCW of Hong Kong), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US$ 300.0MM), and Level-up Games (sold to Asiasoft). Enrique is a columnist for Philippine Star covering entrepreneurship and business under Business Life section. He is an active evangelist for attracting foreign capital and partners into the Philippines, and has joined state visits under President Gloria Arroyo and most recently, President Rodrigo Duterte's state visit to China. He was instrumental in bringing in China Railway Engineering Corp (CREC), a Fortune 100 company, and Tianjin SULI cable (a Fortune 500 company) into the Philippines. Enrique went to Middlebury College, Asian Institute of Management and Harvard Business School. He is a Kauffman Fellow and part of the Class 21 Batch.

Christopher Paulus Nicolas T. Po, Filipino, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF. He concurrently serves as Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business trading under the symbol PIZZA. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines and retail. He graduated *summa cum laude* from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University as well as a member of the Board of Asia Society Philippines, and is the President of the CPG-RSPo Foundation.

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

Ricardo Gabriel T. Po, Filipino, is the Vice Chairman of Century Pacific Food, Inc., and concurrently serves as Vice Chairman of Shakey's Pizza Asia Ventures, Inc. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated *magna cum laude* from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

Hans B. Sicat, Filipino, has been involved with the global capital market for about three decades, being a trained mathematician and economist. He is currently the Country Manager for ING Bank, N. V., Manila Branch where he joined as a Managing Director in 2017. At present, he is a Director of the Investment House Association of the Philippines. He is also affiliated with the Philippines Executive Committee of YPO Gold (a global organization) and is the incoming Philippines Chairman for 2020-2021.

Prior to this, he was the President and CEO of the Philippine Stock Exchange (PSE) which he assumed in 2011. He also served as its Chairman and Independent Director for about eighteen months beforehand. He was President and CEO of the Securities Clearing Corporation of the Philippines, a role he held concurrent with the PSE post, and was a Member of the Board of Director of PSE and the Bankers Association of the Philippines from 2018-2019. Mr. Sicat finished his coursework for Ph.D. Economics Program at the University of Pennsylvania, Philadelphia, and earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University in Thailand. Mr. Sicat has diverse interests on the private side too, spanning financial services, Knowledge Process Outsourcing and real estate. He was Acting Chairman of LegisPro Corporation, Independent Director of Serica Balanced Fund & Master Fund, and Skycable Corporation. He was also a Director in List Sotheby's Philippines and was on the Advisory Board of Fintonia Fund, which has an Asian FinTech focus. For over two decades, he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong & the Philippines.

Andres B. Sta. Maria, Filipino, was senior partner and a member of the executive committee of the law firm SyCip Salazar Hernandez & Gatmaitan. For over 25 years until he retired, he headed the firm's Special Projects Group, which focused on acquisitions, privatization, power and energy, and industrial and infrastructure projects. He studied at the University of the Philippines, Cornell University and New York University and holds Bachelor of Science in Business Administration, Bachelor of Laws, and Master of Laws degrees. Before SyCip, he worked with the New York law firms Cleary Gottlieb Steen & Hamilton and Coudert Brothers. Mr. Sta. Maria maintains a private practice in commercial and corporate law.

Fernan Victor P. Lukban, Filipino, is a leading consultant in Family Business, Strategy, Entrepreneurship and Governance. He advises family boards of over a dozen of the most progressive and better governed family businesses in the country. Over the recent years, he has put special focus in developing Base of the Pyramid Initiatives in various provinces in the Philippines. He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer. Mr. Lukban obtained a degree in Mechanical and Industrial Engineering from the De La Salle University. He received his MBA from *Instituto de Estudios Superiores de la Empresa* and MSc in Industrial Economics from the University of Asia & the Pacific.

Term of Office

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

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

The following are the incumbent principal corporate officers of ALCO:

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

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

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year, and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO. Further, any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

c. Significant Employees

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

Christopher G. Narciso, Filipino, is an Executive Vice President who heads and supervises the Business and Project Development Department, the Sales & Leasing Administration Department, and the Marketing Department. Prior to joining ALCO, Mr. Narciso was an Executive Director of the Philippine Transmarine Carriers Group and the Concurrent Chief Operating Officer of ACM Landholdings, Inc. He was also at one time the Chief Operating Officer of Taft Property Ventures Development Corporation, a member of Metro Gaisano, Vicsal Development Corporation. He worked at Robinsons Land Corporation from 2007 until 2013, and Narel Realty and Development Corporation from October 1995 to March 2007. Mr. Narciso graduated from the De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minor in Chemical Engineering, and also earned units in Masters in Business Administration from the University of Western Australia. He is a past National President of the Subdivision and Housing Developers Association.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining

ALCO, he was the Property Manager of Ayala Property Management Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over 35 years of professional experience in architectural and project management practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and worked on Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas Architects. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower Ayala and Salcedo Park Towers Makati.

Sheryll P. Verano, Filipino, is the Head of Strategic Funding and Investments and is ALCO's Investor Relations Officer. She is a finance professional with 20 years-experience in financial advisory, debt and equity capital raising, debt restructuring and mergers and acquisitions. Prior to joining ALCO, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated *cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

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

Leilani G. Kanapi, Filipino, joined the Corporation in March 2008 initially as part of the Technical Services team. She was eventually tasked to head the Procurement Department in August 2009. She worked previously with Rockwell Land Corporation where she took on roles in Estate Management, Handover and Project Development. Prior to that, she was with CB Richard Ellis as Business Development and Operations Manager for the Property and Facilities Management Group. Ms. Kanapi graduated from the University of Santo Tomas with a Bachelor of Science degree in Civil Engineering and obtained a Masters Degree in Business Administration from Pepperdine University, USA where she also had the opportunity to join the Student Exchange Program in Marseille, France.

Clarence P. Borromeo, Filipino, has been the Head of the Information Technology (IT) Department since 2009, and was appointed as ALCO's Data Privacy Officer concurrently on 09 May 2018. Before joining ALCO, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines), and before that, the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut). He started his career in Information Technology as IT Helpdesk Supervisor at

Zuellig Interpharma Holdings. Mr. Borromeo finished college at the Ateneo de Manila University with a degree in AB Interdisciplinary Studies.

Ma. Angelina B. Magsanoc, Filipino, the Head of the Marketing Department, has more than 25 years experience working at various positions linked to financial and real estate industries. A greater part of her career in Standard Chartered Bank, Jardine Fleming Exchange Capital Securities, Belle Corporation, Highlands Prime, and Terra Nostra, was dedicated to marketing, business development and finance. Prior to joining ALCO, she held the position of Vice President for Business Development and Marketing of ACM Landholdings, Inc. Ms. Magsanoc took up A.B. Management Economics from the Ateneo de Manila University and earned masteral units from the Ateneo Graduate School of Business.

Edgar V. Sabidong, Filipino, a registered Civil Engineer from the Mapua Institute of Technology, is a Vice President of the Technical Services Department with over thirty years of experience in construction, facilities and project management, 12 years of which were spent in the Caribbean and in the Middle East. He was Project Director of the biggest project in Trinidad and Tobago and while with Saudi Aramco, he handled various facilities like office building, hospital, laboratory and community housing renovation and upgrade works. Locally, he worked with D.M.Consunji, and in its joint venture with the British John Laing International, he worked on the five Rockwell west tower condominium buildings – Hidalgo, Rizal, Luna, and Amorsolo East and West. Engr Sabidong was elected as the Chairman of the Philippine Green Building Council from 2019 to 2020. As a member of the Board of Trustees, he also sits in the BERDE PR and Internal Policy Committees. Given its commitment to greening the industry, ALCO gave Engr. Sabidong the task to head and lead all project undertakings and sustainability efforts with his concurrent appointment as its Chief Sustainability Officer[12].

d. Family Relationship

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

e. Involvement in Certain Legal Proceedings

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

The above notwithstanding, a director and an officer of ALCO are currently parties to legal proceedings which neither involves ALCO directly nor their acts as such director and officer. There is no final resolution on these proceedings at this time and ALCO

[12] Engr. Sabidong was appointed by the Board as such on 20 March 2019.

believes that their involvement in said proceedings is not material to an evaluation of the ability or integrity of such person to become a director or officer of ALCO.

1. In 2013, the PDIC had filed one and the same complaint against Mr. Jaime C. Gonzalez, among other former officers of then Export and Industry Bank, before (a) the Department of Justice (DOJ), and (b) the *Bangko Sentral ng Pilipinas* (BSP) for violation of Section 21 (f)(10) of Republic Act (R.A.) No. 3591, Section 21 (f)(4) of R.A. No. 3591, and Sections 55, 56 and 66 of R.A. No. 8791 in relation to Section 36 of R.A. No. 7653. PDIC alleged that the respondents committed acts which constituted doing business in an unsafe and unsound manner, essentially having concealed from PDIC the engagement as the bank's financial advisor of a company which Mr. Gonzalez was an officer of, simultaneously with being an officer of the bank. All respondents denied PDIC's accusation and submitted documentary evidence that there was in fact full disclosure to all concerned parties.

   In 2014, the DOJ found no probable cause to hold Mr. Gonzalez and his co-respondents liable for the charges of PDIC against them and dismissed the complaint. PDIC's Motion for Reconsideration was likewise denied. PDIC filed a Petition for Review before the Secretary of Justice but there is no decision on the matter to date.

   In March 2016, PDIC filed a civil complaint for sum of money against Mr. Gonzalez, among others, arising from the same set of allegations and circumstances stated in the above complaint PDIC filed with the DOJ. Trial is currently ongoing with the presentation of defense evidence.

   Insofar as the administrative case before the BSP, in a Resolution dated 13 June 2019, the Monetary Board approved the *Report* prepared by the Office of the General Counsel and Legal Services finding Mr. Gonzalez, among others, administratively liable for violation of banking laws and imposing upon him a fine of ₱20,000.00. Mr. Gonzalez had filed a Motion for Reconsideration on 09 July 2019.

   Further, in a letter dated 18 July 2019, Mr. Gonzalez was directed by BSP's Financial Supervision Department III to explain why he should not be temporarily disqualified and included in the BSP's Watchlist File pursuant to Section 138 of the Manual of Regulations for Banks. While he submitted his response on 05 September 2019, he nevertheless paid the ₱20,000.00 under protest, *i.e.* without abandoning his Motion for Reconsideration or waiving his legal right to question the Monetary Board Resolution before the proper courts and eventually claim reimbursement for the payment of the fine should said Resolution be set aside.

   There is no resolution to date on both the Motion for Reconsideration and the matter of temporary disqualification.

2. In 2015, PDIC filed one and the same complaint against Mr. Gonzalez, Ms. Angela de Villa Lacson, ALCO's former President and CEO, Mr. Froilan Q. Tejada, ALCO's former Chief Finance Officer, and Ms. Riva Khristine V. Maala, Assistant Corporate Secretary of ALCO then, among other former officers of then Export and Industry Bank, before (a) the DOJ for violation of Article 315 of the Revised Penal

Code in relation to Presidential Decree No. 1689 and of Section 21(f)(10) of R.A. No. 3591, as amended, and (b) before the BSP for violation of Section 37 of R.A. No. 7653. PDIC alleged that the respondents conspired and fraudulently caused the bank to make advances in favor of ALCO for the alleged purchase by ALCO of one of the bank's non-performing assets in the sum of ₱13 million. All respondents denied PDIC's charges against them in their respective counter-affidavits.

In March 2017, the DOJ charged Mr. Gonzalez and Ms. Maala, among other respondents in this case, for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended, while the charges for the violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 were dismissed. Mr. Gonzalez and Ms. Maala filed their respective Motions for Partial Reconsideration in December 2018, and in February 2019, the DOJ dismissed altogether the criminal complaint against the respondents for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended. PDIC filed a Petition for Review of the said dismissal before the Office of the DOJ Secretary on 14 May 2019 and there is no decision on the matter to date.

On the other hand, in May 2017, the BSP issued a Decision formally charging Mr. Gonzalez, Ms. Maala and the other respondents for committing irregularities under Section 37 of R.A. No. 7653, and committing unsafe or unsound banking practices under Section 56 of R.A. No. 8791 in relation to Section 37 of R.A. No. 7653. Presently, the case is pending with the Office of the General Counsel and Legal Services of the BSP. As of the date of the filing of this Prospectus, the case is pending resolution.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

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

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

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

The current members of ALCO's various committees are:

Audit Committee	Fernan Victor P. Lukban, Chairman Hans B. Sicat Andres B. Sta. Maria

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

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

2018

	Salary[14]	Bonus	Others
Directors and Executives	₱81.72M	₱19.48M	None
Officers (As a group unnamed)	₱48.69M	₱5.63M	None

2019

	Salary[15]	Bonus	Others
Directors and Executives[16]	₱83.46M	₱8.75M	None
Officers (As a group unnamed)[17]	₱51.60M	₱9.35M	None

Estimated Compensation for 2020 (Collective)

	Salary[18]	Bonus	Others
Directors and Executives Officers (As a group unnamed)	₱135.06M	None[19]	None

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

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

[14] Rounded-off.

[15] *Ibid*.

[16] Includes all Directors and employees with the rank of Vice President and higher. In addition to the President, the four (4) highest paid executive officers of ALCO in 2019 are the following:

i. Executive Vice President and Treasurer
ii. Executive Vice President
iii. Head, Technical Services, and
iv. Head, Strategic Funding and Investments.

[17] Includes all employees with the rank of Manager up to Senior Assistant Vice President.

[18] Rounded-off.

[19] Whether bonuses will be given in 2020 is uncertain at this time.

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 531,809,519 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Qualified employees eligible to participate under the plan are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[20].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

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

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

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

In 2010, options equivalent to 164,800,000 were granted but none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012.

On 14 December 2018, ALCO's Board of Directors approved granting options equivalent to not more than 90.0 million common shares to its qualified employees as above defined. The Stock Option and Compensation Committee was tasked to administer the implementation of this grant, which will include to whom and when the Options are to be granted and the effectivity dates thereof, and the number and class of shares to be allocated to each qualified employee, after considering the performance evaluation of said qualified employees vis-a-vis the result of the achievement of the company's objectives for 2018.

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[20]ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

The Stock Option and Compensation Committee pegged the price the option is to be exercised at the five-day volume weighted average price per share beginning 17 December 2018, or until 21 December 2018. Said price was at ₱0.85 per share.

On 25 March 2020, the price of the options granted as abovementioned was changed to ₱0.50 per share.

As of the date of this Report, none of the qualified employees exercised their respective rights.

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

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (*as of 31 December 2019*)

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**CPG Holdings, Inc.**	Filipino	2,017,619,910 Direct 125,000,000 Indirect	40.289
Common	**AO Capital Holdings I, Inc.**	Filipino	1,383,730,000 Direct	26.019

PCD Nominee Corporation (Filipino) is the holder of 1,357,788,532 Common shares, or 25.531 % of the total issued and outstanding Common shares of ALCO.

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

(2) Security Ownership of Management (*as of 31 December 2019*)

Title of Class	*Name and Position of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**Ernest K. Cuyegkeng** *Chairman of the Board*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Jaime C. Gonzalez** *Vice Chairman and President*	Filipino	76,715,151 Direct and Beneficial Owner	1.44 %

Common	**Jaime Enrique Y. Gonzalez** *Director*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Christopher Paulus Nicolas T. Po** *Director*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Leonardo Arthur T. Po** *Executive Vice President and Treasurer*	Filipino	1 Direct and Beneficial Owner	N.A.
Common	**Ricardo Gabriel T. Po** *Director/Vice Chairman*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Hans B. Sicat** *Independent Director*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Andres B. Sta. Maria** *Independent Director*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director*	Filipino	1 Direct and Beneficial Owner	0.00 %
None	**Riva Khristine V. Maala** *Corporate Secretary and General Counsel*	Filipino	0	N.A.

		TOTAL	**76,715,159 shares**	

ITEM 12. Certain Relationships and Related Transactions

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

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

PART IV – CORPORATE GOVERNANCE

ALCO's compliance with its Manual of Corporate Governance, as revised as of 31 May 2017, is monitored by its Compliance Officer who is tasked, among others, to determine and measure such compliance with the said Manual. As of 31 December 2019, ALCO adopted substantially all the provisions of its Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

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

a. Supplementary Schedules with separate independent auditors' opinion are appended to the Audited Financial Statements hereto attached.

b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in page 3 of this Report.

c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2019.

ITEM 14. Sustainability Report

ALCO's Sustainability Report for 2019 (Reporting Template for Sustainability Report) is hereto attached and incorporated herein by reference.

- Nothing follows. -

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of ALCO in **Taguig City** on the date stated below.

ARTHALAND CORPORATION
By:

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. P7236847A
Issued on 19 May 2018 in NCR South

JAIME C. GONZALEZ
Vice Chairman and President
Passport No. P5521740A
Issued on 05 January 2018 in Manila

FERDINAND A. CONSTANTINO
Chief Finance Officer
Passport No. EC5969532
Issued on 13 November 2015 in NCR South

SUBSCRIBED AND SWORN to before me this on 20 MAY 2020 at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

Doc. No.
Page No.
Book No.
Series of **2020**.

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City 1634.

DOC NO 139
PAGE NO 29
BOOK NO 12
SERIES OF 2020

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. A-4762374 / 1-2-2020 / TAGUIG CITY
IBP NO. 095971 / 11-28-2019 RSM (FOR YR. 2020)
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 32(2019-2020)

COVER SHEET

for

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

A R T H A L A N D C O R P O R A T I O N A N D S U B S I D I A R I E S

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
–	**(02) 8-403-6910**	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
1,943	**Last Friday of June**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Riva Khristine V. Maala	**rvmaala@arthaland.com**	**(02) 8-403-6910**	–

CONTACT PERSON'S ADDRESS

21 J. Paredes Street, B.F. Homes Diliman, Quezon City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

NOTE 2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

ARTHALAND
BUILDING SUSTAINABLE LEGACIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of **ARTHALAND CORPORATION (the "Parent Company") and its Subsidiaries (collectively, the "Group")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2019, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible in 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.

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

Signed this **25th** day of **March 2020, Taguig City, Philippines**.

ERNEST K. CUYEGKENG
Chairman of the Board

JAIME C. GONZALEZ
Vice Chairman and President

FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this **25th day of March 2020**, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

Name	Type of ID	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. P7236847A	19 May 2018/NCR South
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	Passport No. P4925207B	24 February 2020/NCR East

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc No. 76;
Page No. 17;
Book No. 12;
Series of 2020.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. A-4762374 / 1-2-2020 / TAGUIG CITY
IBP NO. 095971 / 11-28-2019 RSM (FOR YR. 2020)
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 32(2019-2020)

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation 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 the years ended December 31, 2019, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of 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 the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Fair Value Measurement

The Group's investment properties amounted to ₱7,280.0 million as at December 31, 2019.

We focused our audit on the determination of the fair value of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value. Moreover, fair value measurement is significant to our audit as the investment properties account for 37.4% of the Group's total assets as at December 31, 2019 (see Notes 3 and 10 to the consolidated financial statements).

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the reasonableness of the assumptions used to estimate the fair value of the Group's investment properties by: (1) testing the underlying lease agreements on a sample basis, (2) testing raw land's value by comparison with similar properties, and (3) verifying valuation inputs such as yields, occupancy rates and discount rates to external industry data to ascertain if these are reasonably appropriate.

Revenue from Real Estate Sales

For the year ended December 31, 2019, the Group recognized revenue of ₱3,515.8 million from real estate sales using the percentage of completion (POC) method.

We focused our audit on the revenue recognition as significant judgment is required when estimating POC, total project costs and the estimated costs to complete the real estate project that are used to determine POC at the end of the reporting period. In our view, this is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2019 is material to the consolidated financial statements (see Notes 3 and 16 to the consolidated financial statements).

We obtained an understanding of the relevant processes and controls over the accounting for customer contracts and project reviews performed by management to be able to come up with estimates. We also obtained and reviewed component auditors' work and reports, reconciled revenue reported at a Group level to supporting documentations on a sample basis, validated estimates of costs to complete, and tested the mathematical accuracy of calculations and the adequacy of project accounting.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 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 audit 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, these 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 audits 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 audits 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 Michelle R. Mendoza-Cruz.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

March 25, 2020
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Cash and cash equivalents	6	**₱407,214,384**	₱285,413,332
Financial assets at fair value through profit or loss (FVPL)	7	**772,186,717**	196,094,319
Receivables	8	**389,687,736**	236,463,779
Contract assets	5	**3,250,482,689**	785,197,944
Real estate for sale	9	**5,410,062,969**	3,412,713,425
Creditable withholding taxes		**338,105,363**	259,819,891
Investment properties	10	**7,280,000,267**	5,901,514,575
Property and equipment	11	**282,549,715**	237,452,955
Net deferred tax asset	22	**–**	16,197,731
Other assets	12	**1,345,542,152**	1,005,597,812
		₱19,475,831,992	₱12,336,465,763
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	**₱6,925,381,746**	₱4,169,976,102
Accounts payable and other liabilities	14	**2,488,916,877**	1,655,848,013
Contract liabilities	5	**32,179,674**	20,385,280
Due to related parties	23	**1,144,586,297**	386,666,691
Net retirement liability	20	**99,880,460**	66,088,998
Net deferred tax liabilities	22	**1,309,495,052**	779,222,593
Total Liabilities		**12,000,440,106**	7,078,187,677
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	**999,757,136**	989,757,136
Additional paid-in capital		**3,008,959,878**	2,031,441,541
Retained earnings		**3,161,789,766**	2,214,144,875
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	20	**(207,724)**	18,169,495
Parent Company's preferred shares held by a subsidiary - at cost	15	**(12,500,000)**	(12,500,000)
		7,157,799,056	5,241,013,047
Non-controlling Interests	4	**317,592,830**	17,265,039
Total Equity		**7,475,391,886**	5,258,278,086
		₱19,475,831,992	₱12,336,465,763

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2019	2018	2017
REVENUES	16			
Real estate sales		**₱3,515,804,028**	₱992,593,844	₱433,964,838
Leasing operations		**321,918,256**	132,436,268	22,997,690
Project management fees		**10,135,140**	7,439,974	6,576,066
		3,847,857,424	1,132,470,086	463,538,594
COST OF SALES AND SERVICES				
Cost of real estate sales	9	**2,037,976,792**	599,734,444	320,515,983
Cost of leasing operations	10	**100,539,773**	15,260,471	7,993,692
Cost of services		**7,222,892**	3,804,324	4,315,726
		2,145,739,457	618,799,239	332,825,401
GROSS INCOME		**1,702,117,967**	513,670,847	130,713,193
OPERATING EXPENSES	17	**665,816,942**	397,610,494	322,243,222
INCOME (LOSS) FROM OPERATIONS		**1,036,301,025**	116,060,353	(191,530,029)
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	**1,180,724,811**	172,819,094	428,390,699
FINANCE COSTS	18	**(124,839,604)**	(73,647,288)	(80,663,240)
OTHER INCOME – Net	19	**31,106,679**	339,120,693	67,443,318
INCOME BEFORE INCOME TAX		**2,123,292,911**	554,352,852	223,640,748
PROVISION FOR INCOME TAX	22	**636,145,034**	165,735,606	85,240,763
NET INCOME		**1,487,147,877**	388,617,246	138,399,985
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gains (losses) on net retirement liability	20	**(26,253,170)**	15,315,863	6,323,380
Income tax benefit (expense) relating to item that will not be reclassified	22	**7,875,951**	(4,594,759)	(1,897,014)
		(18,377,219)	10,721,104	4,426,366
TOTAL COMPREHENSIVE INCOME		**₱1,468,770,658**	₱399,338,350	₱142,826,351

(Forward)

		Years Ended December 31		
	Note	**2019**	2018	2017
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱1,187,016,033**	₱333,479,516	₱191,850,580
Non-controlling interests	4	**300,131,844**	55,137,730	(53,450,595)
		₱1,487,147,877	₱388,617,246	₱138,399,985
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱1,168,638,814**	₱344,200,620	₱196,276,946
Non-controlling interests	4	**300,131,844**	55,137,730	(53,450,595)
		₱1,468,770,658	₱399,338,350	₱142,826,351
EARNINGS PER SHARE - Basic and diluted	25	**₱0.1902**	₱0.0362	₱0.0096

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
CAPITAL STOCK	15			
Common - at ₱0.18 par value - issued and outstanding		**₱957,257,136**	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding				
Balance at beginning of year		**32,500,000**	32,500,000	32,500,000
Issuance of preferred shares		**10,000,000**	–	–
Balance at end of year		**42,500,000**	32,500,000	32,500,000
		999,757,136	989,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL	15			
Balance at beginning of year		**2,031,441,541**	2,031,441,541	2,031,441,541
Issuance of preferred shares		**990,000,000**	–	–
Stock issuance costs		**(12,481,663)**	–	–
Balance at end of year		**3,008,959,878**	2,031,441,541	2,031,441,541
RETAINED EARNINGS	15			
Balance at beginning of year		**2,214,144,875**	2,085,398,501	2,098,281,063
Net income for the year		**1,187,016,033**	333,479,516	191,850,580
Dividends declared during the year		**(239,371,142)**	(204,733,142)	(204,733,142)
Balance at end of year		**3,161,789,766**	2,214,144,875	2,085,398,501
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON NET RETIREMENT LIABILITY - net of tax	20			
Balance at beginning of year		**18,169,495**	7,448,391	3,022,025
Remeasurement gains (losses) on net retirement liability		**(26,253,170)**	15,315,863	6,323,380
Income tax benefit (expense) relating to other comprehensive income for the year		**7,875,951**	(4,594,759)	(1,897,014)
Balance at end of year		**(207,724)**	18,169,495	7,448,391
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	15	**(12,500,000)**	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**₱7,157,799,056**	₱5,241,013,047	₱5,101,545,569

(Forward)

	Note	Years Ended December 31 2019	2018	2017
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		**₱17,265,039**	(₱37,926,744)	(₱414,731)
Share in total comprehensive income (loss) during the year		**300,131,844**	55,137,730	(53,450,595)
Subscription to a subsidiary		**250,000**	–	15,938,582
Effect of consolidation of Arcosouth Development Inc. (Arcosouth)	3	**(54,053)**	54,053	–
Balance at end of year		**317,592,830**	17,265,039	(37,926,744)
		₱7,475,391,886	₱5,258,278,086	₱5,063,618,825

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,123,292,911**	₱554,352,852	₱223,640,748
Adjustments for:				
Net gain on change in fair value of investment properties	10	**(1,180,724,811)**	(172,819,094)	(428,390,699)
Interest expense	13	**124,339,961**	72,872,660	77,918,542
Depreciation and amortization	11	**26,722,029**	15,449,610	9,330,955
Retirement expense	20	**22,541,961**	35,736,315	9,747,561
Realized gain on disposals of financial assets at FVPL	7	**(16,784,004)**	(14,190,431)	(37,576,414)
Interest income	6	**(13,489,356)**	(6,088,906)	(14,245,251)
Amortization of initial direct leasing costs	10	**5,410,930**	1,126,823	249,952
Unrealized holding losses (gains) on financial assets at FVPL	7	**617,582**	6,385,529	(1,874,352)
Unrealized foreign exchange losses (gains)	19	**605,121**	(906,754)	(83,998)
Loss (gain) on sale of property and equipment	11	**(322,744)**	–	475,131
Gain on settlement of loans payable	13	**–**	(319,553,431)	–
Loss on disposal of investment properties	10	**–**	8,334,033	–
“Day 1” gain on loan discounting	13	**–**	–	(2,907,783)
Operating income (loss) before working capital changes		**1,092,209,580**	180,699,206	(163,715,608)
Decrease (increase) in:				
Receivables		**(151,911,398)**	(556,576,406)	115,652,434
Contract assets		**(2,465,284,745)**	(785,197,944)	–
Real estate for sale		**(1,859,170,852)**	(423,556,692)	(888,977,768)
Other assets		**(339,944,340)**	(6,456,540)	(307,844,233)
Increase (decrease) in:				
Accounts payable and other liabilities		**788,245,948**	240,318,176	19,945,138
Contract liabilities		**11,794,394**	(101,327,181)	(100,425,968)
Net cash used for operations		**(2,924,061,413)**	(1,452,097,381)	(1,325,366,005)
Interest paid		**(285,688,190)**	(174,354,580)	(118,691,181)
Income taxes paid		**(137,401,701)**	(103,536,471)	(35,305,720)
Contribution to retirement plan assets	20	**(15,003,669)**	(5,000,000)	–
Interest received		**12,176,797**	6,006,812	13,408,173
Net cash used in operating activities		**(₱3,349,978,176)**	(₱1,728,981,620)	(₱1,465,954,733)

(Forward)

	Note	Years Ended December 31 **2019**	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	7	**(₱4,542,390,465)**	(₱1,176,084,250)	(₱1,041,573,727)
Investment properties	10	**(154,046,731)**	(486,818,962)	(1,422,318,493)
Property and equipment	11	**(71,949,144)**	(36,917,708)	(30,651,541)
Proceeds from disposal of:				
Financial assets at FVPL		**3,982,464,489**	1,507,648,191	2,611,246,414
Property and equipment		**453,099**	623,878	1,173,957
Investment properties		**–**	20,462,000	–
Net cash provided by (used in) investing activities		**(785,468,752)**	(171,086,851)	117,876,610
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	13	**3,480,084,116**	1,846,036,912	2,050,662,463
Issuance of preferred shares		**987,518,337**	–	–
Due to a related party	23	**757,919,606**	100,000,000	36,876,855
Payments of loans payable	13	**(728,331,864)**	(152,000,000)	(951,520,000)
Payment of dividends	15	**(238,484,518)**	(204,273,545)	(204,884,469)
Subscription of non-controlling interest		**–**	–	15,938,582
Net cash provided by financing activities		**4,258,705,677**	1,589,763,367	947,073,431
EFFECT OF CONSOLIDATION	4	**(852,576)**	4,990,173	–
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		**(605,121)**	906,754	83,998
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**121,801,052**	(304,408,177)	(400,920,694)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**285,413,332**	589,821,509	990,742,203
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱407,214,384**	₱285,413,332	₱589,821,509

(Forward)

	Note	Years Ended December 31 2019	2018	2017
COMPONENTS OF CASH AND CASH EQUIVALENTS	6			
Cash on hand		**₱80,000**	₱80,000	₱35,000
Cash in banks		**344,377,842**	46,526,688	70,690,170
Cash equivalents		**62,756,542**	238,806,644	519,096,339
		₱407,214,384	₱285,413,332	₱589,821,509
NONCASH FINANCIAL INFORMATION:				
Capitalized borrowing costs	13	**₱186,255,249**	₱172,826,857	₱104,822,854
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	**22,456,601**	216,890,959	1,092,000
Settlement of loans payable through dacion en pago	13	**–**	1,847,539,634	–
Recognition of property of Arcosouth	3	**–**	490,983,477	–
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	**–**	176,865,569	–

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B and C preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 37.9% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In June 2019, the Parent Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series C preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share.

In August 2019, the SEC approved the Merger of Savya Land Development Corporation (SLDC), a 98%-owned subsidiary, and Arcosouth Development, Inc. (Arcosouth) with SLDC as the surviving entity.

In October 2019, the Board of Directors (BOD) of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN green bonds (Bonds), and the offer and issuance of up to ₱3.0 billion initial tranche of the Bonds. The offer consisted of ₱2.0 billion Bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the shelf registration of ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The initial tranche of the Bonds shall have a term ending five (5) years from the issue date of February 6, 2020 (the "Issue Date"), or on February 6, 2025 (the "Maturity Date"), with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date. In relation to the offering, the oversubscription option was exercised in full.

The registered office and principal place of business of the Parent Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City.

The Parent Company amended its Articles of Incorporation for its new registered office and principal place of business which was approved by the SEC on September 4, 2018.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective % of Ownership	
		2019	2018
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	**100%**	–
Bhavya Properties, Inc. (Bhavya)	Philippines	**100%**	–
Pradhana Land, Inc. (PLI)*	Philippines	**100%**	–
Kashtha Holdings, Inc. (KHI)*	Philippines	**100%**	–
SLDC	Philippines	**98%**	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	**60%**	60%

**Incorporated in 2019 and have not yet commenced any development as at December 31, 2019*

All of the subsidiaries were established to engage primarily in real estate development, except for EPMI which is a property management company, Cazneau and MPI which are engaged in property leasing and KHI which is an investments holding company.

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya, PLI and KHI. These companies are also engaged in real estate development except for KHI.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig City. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification and a 4-star rating from the Philippine Green Building Council's (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which was set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue was designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. In 2018, ACPT received both LEED Platinum rating and BERDE 5-star certification, the highest and most prestigious categories in green building rating standards. In September 2019, it was certified under the Excellence in Design for Greater Efficiencies green building rating tool of the International Finance Corporation as the world's first Zero Carbon building. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 square meters (sqm), Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Garden Villas at Sevina Park. This project will be catering to start-ups, incubators, students, faculty population and starter families within the area. The entire project is expected to be completed in phases within 2021 to 2024.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the party that has acquired the remaining 52.6% of the property, plans to develop a high-rise luxury residential property subject to the finalization of the terms of the joint venture.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,763 sqm which will be developed in Arca South, Taguig City. The North Tower (of the Savya Financial Tower) is expected to be completed in 2021 while the South Tower is expected to be completed in 2022.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop the property into a high-end residential condominium. The property is approximately 1,000 sqm and is expected to be developed into approximately 15,000 sqm of gross floor area and approximately 11,000 sqm of net saleable area.

In August 2019, Bhavana purchased a prime property with a total area of 2,245 sqm, located in Cebu Business Park at the Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. The property will be developed into the first premier, dual certified, sustainable residential condominium in Cebu City. The project is expected to be launched in the 4th quarter of 2020.

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company (the “JV Company”) to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% equity interest of ALCO in SLDC, thereby making the JV Company the direct 50% stockholder in SLDC, and (ii) acquire by assignment the shareholder’s advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the JV Company. As at December 31, 2019, KHI has not yet acquired the shares of ALCO in SLDC and the advances by ALCO to SLDC.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the BOD on March 25, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investments in money market fund and investment properties, which are carried at fair value, and net retirement liability, which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at FVPL
- Note 10 - Investment Properties
- Note 27 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from 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).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC)-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Group does not have non-cancellable lease commitments as at January 1, 2019. Moreover, the Group opted not to apply the requirements to recognize ROU asset and finance liability for leases with terms of one (1) year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at December 31, 2019. Accordingly, PFRS 16 has no significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost [or, depending on the business model, at fair value through other comprehensive income (FVOCI)].

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations,* clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements,* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- o Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

- SEC Memorandum Circular No. 14 Series of 2018, *Philippine Interpretations Committee (PIC) Q&A No. 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

- SEC Memorandum Circular No. 4, Series of 2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods* – The circular provides relief to the real estate industry by deferring the implementation of IFRIC Agenda decision which provides an adequate basis for an entity to determine whether to capitalize borrowing costs. Effective January 1, 2021, real estate companies will adopt the IFRIC interpretations and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of influence retained.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at December 31, 2019 and 2018, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these asset.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2019 and 2018, the Group classified its investments in money market fund under this category (see Note 7).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Group’s cash and cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), contract assets, amounts held in escrow, deposits and investment in time deposits are classified under this category (see Notes 5, 6, 8 and 12).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Group's loans payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due related parties are classified under this category (see Notes 5, 13, 14 and 23).

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for ECL based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Classification of Assets and Liabilities between Current and Noncurrent
The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

Current Assets. The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

- It holds the asset primarily for the purpose of trading;

- It expects to realize the asset within 12 months after the reporting period; or

- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

Current Liabilities. The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

Cost to Obtain a Contract with a Customer

The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Contract Balances

Contract Assets. A contract asset represents the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

Receivables from Sale of Real Estate. A receivable from sale of real estate represents the Group's right to a consideration that is unconditional. A right to a consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract Liabilities. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received a consideration from the customer. If a customer pays a consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Creditable Withholding Taxes (CWT)
CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. These are carried at cost less any impairment in value.

Investment Properties
Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, income approach and cost approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Building and building improvements	50
Transportation and other equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further charge for depreciation is made in respect to those assets.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

Other Assets

Other assets include advances for project development, input value-added tax (VAT), prepayments, amounts held in escrow, deposits, deferred input VAT, materials and supplies, and investment in time deposits.

Advances for Project Development. Advances for project development are recognized whenever the Group pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of “Other assets” or “Accounts payable and other liabilities” accounts, respectively, in the consolidated statements of financial position.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Deferred Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, as amended by RR. No. 13-2018, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Materials and Supplies. The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

Amounts held in escrow, deposits and investment in time deposits qualify as financial assets.

Impairment of Nonfinancial Assets
The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Payable to Buyers
Payable to buyers consist of amounts received by the Group from its tenants as reservation fee for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance Rent
Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Other Comprehensive Income (OCI)

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. OCI pertains to cumulative remeasurement gains (losses) on net retirement liability.

Parent Company's Shares Held by a Subsidiary

Shares of the Parent Company held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Non-controlling Interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

A. Revenue from Contract with Customers

Revenue from Real Estate Sales. Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Project Management Fees. Revenue is recognized in profit or loss when the related services are rendered.

B. Revenue from Other Sources

Leasing Operations. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

Cost of Leasing Operations. Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of properties of the Group which includes ACPT, Cazneau's Dormitory Hall and MPI's commercial units, is recognized as expense when incurred.

Cost of Services. Cost of services, which constitute direct cost incurred in relation to personnel costs of project management services and EPMI's provision of property management services, is recognized as expense when the related services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

i. there is a change in contractual terms, other than a renewal or extension of the arrangement;

ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

iv. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (i), (iii) or (iv) and at the date of renewal or extension period for scenario (ii).

The Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

b. Accounting policies beginning January 1, 2019

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,

ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessor. Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforwards of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized under OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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 includes: (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; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

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

The key management personnel of the Group are also considered to be related parties.

It is the Group's policy that all material related party transactions, either individually, or in aggregate over the year with the same related party, amounting to ten percent (10%) or higher of the Group's total assets based on its latest audited consolidated financial statements, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors' voting to approve the transaction. In case that a majority of the independent directors' vote is not secured, the transaction may be ratified by the vote of the stockholders representing 2/3 of the outstanding capital stock. Moreover, there are no limits in the amount of related party transactions.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments presented in Note 29 to the consolidated financial statements is consistent with the segments reported to the BOD.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

Events After 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 are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be Philippine Peso, the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2019 and 2018, it has the ability to exercise control over these investees.

Recognizing Property of Arcosouth under Real Estate for Sale. In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent Company shall nominate the Chairman of SLDC's BOD and the stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC. Management assessed that the Group has control over the property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at December 31, 2019 and 2018.

The merger of SLDC and Arcosouth was approved on September 19, 2018 by the BOD and the stockholders of SLDC. The Merger was subsequently approved by the SEC on August 22, 2019.

Determining Revenue and Cost Recognition. Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that real estate for sale of office units of Cebu Exchange and Savya Financial Center is recognized over time. The Group also determined that input method is the appropriate method in measuring the POC of Cebu Exchange and Savya Financial Center. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities. On the other hand, revenue from sale of condominium units of Arya Residences is recognized at a point in time, when control is transferred.

Revenue from real estate sales of Cebu Exchange and Savya Financial Center recognized based on POC amounted to ₱3,515.8 million in 2019, ₱845.0 million in 2018 and nil in 2017. Revenue from sale of real estate inventories of Arya Residences amounted to nil in 2019, ₱147.6 million in 2018 and ₱434.0 million in 2017 (see Note 16). Related cost of real estate sales amounted to ₱2,038.0 million in 2019, ₱599.7 million in 2018 and ₱320.5 million in 2017 (see Note 9).

Classifying Real Estate for Sale, Investment Properties and Property and Equipment. The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

Real estate for sale amounted to ₱5,410.1 million and ₱3,412.7 million as at December 31, 2019 and 2018, respectively (see Note 9). Investment properties amounted to ₱7,280.0 million and ₱5,901.5 million as at December 31, 2019 and 2018, respectively (see Note 10). Property and equipment amounted to ₱282.5 million and ₱237.5 million as at December 31, 2019 and 2018, respectively (see Note 11).

Determining the Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Investment properties amounted to ₱7,280.0 million and ₱5,901.5 million as at December 31, 2019 and 2018, respectively (see Note 10).

Determining Lease Commitments - Group as a Lessor. The Group entered into various lease contracts for its office units in ACPT, commercial units in Arya Residences and dormitory units in Courtyard Hall. The Group has determined that the risks and rewards of ownership related to the leased properties are retained by the Group. Accordingly, the leases were accounted for as operating leases.

Revenue from leasing operations recognized from these operating leases amounted to ₱321.9 million in 2019, ₱132.4 million in 2018 and ₱23.0 million in 2017 (see Note 21).

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements as a lessee for its office space until October 2018. The Group has determined that the significant risks and rewards of ownership of these sites are not transferred to the Group under operating lease arrangements. Accordingly, these leases were accounted for as operating lease.

Rent expense amounted to ₱14.5 million in 2018 and ₱13.9 million in 2017 (see Note 21).

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

Rent expense amounted to ₱1.7 million in 2019 (see Note 21).

Accounting Estimates and Assumptions

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

Recognizing Revenue and Cost of Real Estate Sales. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate of Cebu Exchange and Savya Financial Center recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

Revenue from real estate sales recognized based on POC amounted to ₱3,515.8 million in 2019, ₱845.0 million in 2018 and nil in 2017. Related cost of real estate sales amounted to ₱2,038.0 million in 2019 and ₱553.2 million in 2018.

Estimating the Fair Value of Investment Properties. Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

Investment properties amounted to ₱7,280.0 million and ₱5,901.5 million as at December 31, 2019 and 2018, respectively (see Note 10).

Determining the NRV of Real Estate for Sale. Real estate for sale is stated at lower of cost or NRV. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory obsolescence was recognized in 2019, 2018 and 2017. The carrying amount of real estate for sale amounted to ₱ 5,410.1 million and ₱ 3,412.7 million as at December 31, 2019 and 2018, respectively (see Note 9).

Assessing ECL on Trade Receivables and Contract Assets. The Group initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

No provision for ECL was recognized in 2019, 2018 and 2017. The Group's receivables and contract assets aggregated ₱3,640.2 million and ₱1,021.7 million as at December 31, 2019 and 2018, respectively (see Notes 5 and 8).

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized in 2019, 2018 and 2017.

The carrying amounts of financial assets are as follows:

Asset Type	Note	2019	2018
Cash and cash equivalents*	6	**₱407,134,384**	₱285,333,332
Due from related parties	8	**53,841,382**	36,052,873
Receivable from non-affiliated entity	8	**12,172,935**	9,587,986
Advances to employees	8	**7,971,657**	5,067,899
Interest receivable	8	**3,430,504**	2,117,945
Other receivables	8	**264,390**	19,658,432
Amounts held in escrow	12	**85,402,876**	56,514,398
Deposits	12	**62,270,945**	59,239,173
Investment in time deposits	12	**–**	21,032,000

**Excluding Cash on Hand amounting to P45,000 as at December 31, 2019 and 2018*

Determining Fair Value of Investments in Money Market Fund. The Group classifies its investments in money market fund as financial asset at FVPL in the consolidated statements of financial position. The Group determined the fair value of investments in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

The fair value and carrying amount of investments in money market fund amounted to ₱772.2 million and ₱196.1 million as at December 31, 2019 and 2018, respectively (see Note 7).

Estimating the Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment in 2019, 2018 and 2017. The carrying amount of property and equipment amounted to ₱ 282.5 million and ₱237.5 million as at December 31, 2019 and 2018, respectively (see Note 11).

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2019, 2018 and 2017.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	**2019**	2018
Accrued rent receivable*	8	**₱99,004,111**	₱51,961,813
CWT		**338,105,363**	259,819,891
Property and equipment	11	**282,549,715**	237,452,955
Other assets**	12	**1,197,868,331**	868,812,241

**Presented under "Receivables" account.*
***Excluding deposits, amounts held for escrow and investment in time deposits aggregating ₱147.7 million and ₱136.8 million as at December 31, 2019 and 2018, respectively.*

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 20 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

Retirement expense amounted to ₱22.5 million in 2019, ₱35.7 million in 2018 and ₱9.7 million in 2017. Net retirement liability amounted to ₱99.9 million and ₱66.1 million as at December 31, 2019 and 2018 (see Note 20).

Assessing the Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of recognized deferred tax assets amounted to ₱ 110.2 million and ₱94.5 million as at December 31, 2019 and 2018, respectively. Unrecognized deferred tax assets amounted to ₱5.7 million and ₱3.7 million as at December 31, 2019 and 2018, respectively, as management assessed that these may not be realized in the future (see Note 22).

Assessing Provisions and Contingencies. The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱317.6 million, ₱17.3 million and (₱37.9 million) as at December 31, 2019, 2018 and 2017, respectively, pertains to CLLC and SLDC.

CLLC

The Group has 40% non-controlling interests in CLLC. The net income (loss) of CLLC allocated to non-controlling interests amounting to ₱ 295.9 million in 2019, ₱ 55.1 million in 2018 and (₱53.5 million) in 2017 is distributed based on the Parent Company's profit sharing agreement of 50:50 with Rock & Salt B.V.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Current assets	**₱5,937,595,017**	₱2,865,334,534	₱1,398,361,844
Noncurrent assets	**19,325,977**	40,704,383	76,414,030
Current liabilities	**(3,562,434,070)**	(1,568,748,542)	(885,380,958)
Noncurrent liabilities	**(1,753,020,892)**	(1,287,620,000)	(650,000,000)
Net assets (liabilities)	**₱641,466,032**	₱49,670,375	(₱60,605,084)

	2019	2018	2017
Revenue	**₱2,870,054,489**	₱844,954,725	₱–
Expenses	**(2,028,066,337)**	(688,069,994)	(166,614,114)
Income (loss) before income tax	**841,988,152**	156,884,731	(166,614,114)
Other income – net	**3,851,740**	1,135,423	1,669,588
Benefit from (provision for) income tax	**(254,044,235)**	(47,744,695)	49,563,596
Net income (loss)	**591,795,657**	110,275,459	(115,380,930)
Other comprehensive income	**–**	–	–
Total comprehensive income (loss)	**₱591,795,657**	₱110,275,459	(₱115,380,930)

	2019	2018	2017
Cash flows from (used in):			
Operating activities	**(₱1,028,862,911)**	(₱946,673,203)	(₱394,817,385)
Investing activities	**(332,083,162)**	(15,266,432)	(15,381,620)
Financing activities	**1,367,901,683**	862,479,332	440,502,235
Net increase (decrease) in cash	**6,955,610**	(99,460,303)	30,303,230
Cash at beginning of year	**51,970,224**	151,430,527	121,127,297
Cash at end of year	**₱58,925,834**	₱51,970,224	₱151,430,527

SLDC
On September 19, 2018, the BOD of SLDC approved the merger of SLDC and Arcosouth with SLDC as the surviving entity. The stockholders of SLDC confirmed, ratified and approved the merger on the same date. The Plan of Merger between SLDC and Arcosouth was filed with the SEC on October 12, 2018. In February 2019, SLDC started to develop Savya Financial Center on the Property owned by Arcosouth. This project is expected to be completed in 2021. Management has assessed that SLDC has control over Arcosouth considering the rights arising from the Agreement and the planned merger. Assets and liabilities of Arcosouth were recognized by SLDC in 2018 amounting to ₱496.0 million and ₱495.9 million, respectively.

On August 22, 2019, the SEC approved the Plan of Merger between SLDC and Arcosouth. Pursuant to the agreement, SLDC issued common shares equivalent to ₱250,000 net of subscription receivable, as a consideration to the principal stockholders of Arcosouth.

5. Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities are as follows:

	2019	2018
Contract assets	**₱3,250,482,689**	₱785,197,944
Contract liabilities	**32,179,674**	20,385,280
Net contract assets	**₱3,218,303,015**	₱764,812,664

Contract assets pertain to receivables from the sale of office units of Cebu Exchange and Savya Financial Center representing the excess of cumulative revenues from real estate sales over total collections received from the buyers as at December 31, 2019 and 2018. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally over five (5) years. Increase in contract assets pertains to the additional booked units of Cebu Exchange in which there was an excess of revenue from real estate sale over total collection received from the buyer.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange and Savya Financial Center at the inception of the contracts in which the related revenue is not yet recognized as at December 31, 2019 and 2018.

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱80,000**	₱80,000
Cash in banks	**344,377,842**	46,526,688
Cash equivalents	**62,756,542**	238,806,644
	₱407,214,384	₱285,413,332

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are made for varying periods up to three (3) months or less and earn interest at the respective prevailing short-term investment rates.

Interest income is earned from the following (see Note 19):

	Note	**2019**	2018	2017
Cash equivalents		**₱8,340,308**	₱4,898,195	₱11,459,532
Cash in banks		**4,678,550**	1,070,232	2,503,854
Investment in time deposits	12	**470,498**	120,479	281,865
		₱13,489,356	₱6,088,906	₱14,245,251

7. **Financial Assets at FVPL**

This account pertains to investments in money market fund. Movements in this account are as follows:

	Note	**2019**	2018
Balance at beginning of year		**₱196,094,319**	₱519,853,358
Additions		**4,542,390,465**	1,176,084,250
Disposals		**(3,965,680,485)**	(1,493,457,760)
Unrealized holding losses	19	**(617,582)**	(6,385,529)
Balance at end of year		**₱772,186,717**	₱196,094,319

Realized gain on disposals of financial assets at FVPL amounted to ₱16.8 million in 2019, ₱14.2 million in 2018 and ₱37.6 million in 2017 (see Note 19).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 27).

8. **Receivables**

This account consists of:

	Note	**2019**	2018
Trade receivables from:			
Sale of real estate		**₱167,966,505**	₱81,631,132
Leasing	21	**45,036,252**	30,385,699
Accrued rent receivable	21	**99,004,111**	51,961,813
Due from related parties	23	**53,841,382**	36,052,873
Receivable from non-affiliated entity		**12,172,935**	9,587,986
Advances to employees		**7,971,657**	5,067,899
Interest receivable		**3,430,504**	2,117,945
Other receivables		**632,682**	20,026,724
		390,056,028	236,832,071
Allowance for impairment loss		**(368,292)**	(368,292)
		₱389,687,736	₱236,463,779

Trade receivables from sale of real estate pertain to receivables from sale of office units of Cebu Exchange and Savya Financial Center that were already billed. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

Receivable from non-affiliated entity pertains to cash advances to non-affiliated entity, which is unsecured, noninterest-bearing and collectible on demand.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Interest receivable includes accrual of interest income from the Group's cash equivalents.

Others mainly include other charges and advances which are noninterest-bearing and collectible on demand.

9. Real Estate for Sale

This account consists of:

	2019	2018
Raw land	**₱914,882,768**	₱222,234,768
Assets under construction	**3,510,260,784**	2,784,187,240
Condominium units for development	**984,919,417**	336,548,323
Pre-construction costs	**–**	69,743,094
	₱5,410,062,969	₱3,412,713,425

Movements of this account follow:

	Note	**2019**	2018	2017
Balance at beginning of year		**₱3,412,713,425**	₱2,646,731,618	₱1,722,192,699
Construction costs incurred		**2,533,671,949**	764,212,815	196,891,625
Cost of real estate sold		**(2,037,976,792)**	(599,734,444)	(320,515,983)
Purchase of raw land		**715,104,601**	–	942,804,763
Purchase of condominium units for development		**648,371,094**	259,078,321	69,797,363
Capitalized borrowing costs	13	**159,586,770**	68,332,597	36,653,151
Transfers to investment properties	10	**(22,456,601)**	(216,890,959)	(1,092,000)
Effect of consolidation of Arcosouth		**1,048,523**	490,983,477	–
Balance at end of year		**₱5,410,062,969**	₱3,412,713,425	₱2,646,731,618

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

In 2019, the Group purchased from a local bank a parcel of land with a total area of 2,245 sqm, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, for ₱673.5 million, excluding other directly attributable costs. This will be developed to a residential building with condominium units for sale.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating ₱22.5 million and ₱216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD (see Note 10).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2019 and 2018, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

In 2017, CLLC entered into an Omnibus Loan and Security Agreement (OLSA) with a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. The outstanding balance of the loan amounting to ₱2,166.7 million and ₱1,287.6 million as at December 31, 2019 and 2018, respectively, is secured by parcels of land, together with any improvements thereon, located in Cebu City, aggregating ₱931.8 million as at December 31, 2019 and 2018 (see Note 13).

In 2019, SLDC launched the development of Savya Financial Center which includes the property of Arcosouth located in Arca South, Taguig City (see Notes 1 and 3). This property has a carrying amount of ₱492.0 million and ₱491.0 million as at December 31, 2019 and 2018, respectively. The merger of SLDC and Arcosouth was approved on September 19, 2018 by the BOD and the stockholders. The Plan of Merger was subsequently approved by the SEC on August 22, 2019.

In 2018, SLDC entered into a Medium-Term Loan (MTL) with a credit line of ₱1,440.0 million with a local bank to partially finance the acquisition and development of its land in Arca South, Taguig City. The MTL with outstanding balance amounting to ₱1,082.7 million and ₱684.9 million as at December 31, 2019 and 2018, respectively, is secured by the same property with carrying amount of ₱1,434.8 million and ₱1,433.8 million as at December 31, 2019 and 2018 (see Note 13).

Condominium Units for Development

Condominium units for development pertain to condominium units acquired in San Lorenzo Village and Legazpi Village in Makati City. These units are intended for future development and sale.

Borrowing Cost

General and specific borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs amounting to ₱159.6 million in 2019, ₱68.3 million in 2018 and ₱36.7 million in 2017 were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 and 2017 (see Note 13).

As at December 31, 2019 and 2018, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2019 and 2018.

10. **Investment Properties**

Investment properties consist of:

	2019	2018
ACPT	**₱4,676,027,598**	₱3,438,420,267
Arya Residences:		
Commercial units	**1,194,379,000**	1,194,379,000
Parking slots	**184,984,000**	184,984,000
Raw land:		
UPHI's Laguna and Tagaytay properties	**603,819,003**	577,277,508
Cazneau's Laguna properties	**291,822,498**	211,713,162
Parent Company's Batangas and Tagaytay properties	**147,761,482**	141,898,400
Courtyard Hall	**181,206,686**	152,842,238
	₱7,280,000,267	₱5,901,514,575

Movements of this account follow:

	Note	**2019**	2018	2017
Balance at the beginning of year		**₱3,300,506,608**	₱3,984,127,753	₱2,502,376,038
Construction costs incurred		**148,183,650**	474,788,616	1,412,490,012
Capitalized borrowing costs	13	**26,668,479**	104,494,260	68,169,703
Transfers from real estate for sale	9	**22,456,601**	216,890,959	1,092,000
Settlement of loans payable	13	**–**	(1,330,035,528)	–
Transfer to property and equipment	11	**–**	(131,937,452)	–
Disposals		**–**	(17,822,000)	–
		3,497,815,338	3,300,506,608	3,984,127,753
Cumulative gain on change in fair value		**3,757,800,121**	2,577,075,310	2,460,158,366
		7,255,615,459	5,877,581,918	6,444,286,119
Unamortized initial direct leasing costs		**24,384,808**	23,932,657	13,029,134
Balance at end of year		**₱7,280,000,267**	₱5,901,514,575	₱6,457,315,253

Movements of the cumulative gain on change in fair value are as follow:

	Note	**2019**	2018	2017
Balance at beginning of year		**₱2,577,075,310**	₱2,460,158,366	₱2,031,767,667
Net gain on change in fair value		**1,180,724,811**	172,819,094	428,390,699
Transfer to property and equipment	11	**–**	(44,928,117)	–
Disposals		**–**	(10,974,033)	–
Balance at end of year		**₱3,757,800,121**	₱2,577,075,310	₱2,460,158,366

Movements of the unamortized initial direct leasing costs are as follow:

	2019	2018
Balance at beginning of year	**₱23,932,657**	₱13,029,134
Additions	**5,863,081**	12,030,346
Amortization	**(5,410,930)**	(1,126,823)
Balance at end of year	**₱24,384,808**	₱23,932,657

ACPT

ACPT is an office building that is intended for leasing operations (see Note 1).

In 2018, the Parent Company transferred its office to ACPT. Accordingly, investment properties with a carrying amount of ₱176.9 million (₱131.9 million original cost) was reclassified to "Property and equipment" (see Note 11).

Loans aggregating ₱1,847.5 million payable to Centrobless Corporation (Centrobless) and Signature Office Property, Inc. (SOPI) were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million in 2018 (see Note 13). The cumulative fair value gain on these ACPT office units and parking slots amounted to ₱402.7 million in 2018. This resulted in a gain on settlement of these loans amounting to ₱319.6 million in 2018 (see Note 19).

ACPT is used as collateral for loans payable under OLSA with outstanding balance amounting to ₱1,957.5 million and ₱1,779.8 million as at December 31, 2019 and 2018, respectively (see Note 13).

Arya Residences' Commercial Units and Parking Slots

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations. These were used as collateral for loans payable with outstanding balance amounting to nil and ₱230.0 million as at December 31, 2019 and 2018, respectively (see Note 13).

The Parent Company and MPI sold parking slots with carrying amount of ₱28.8 million (₱17.8 million cost) for a total consideration of ₱20.5 million in 2018. This resulted to a loss on disposal amounting to ₱8.3 million in 2018 (see Note 19).

Raw Land and Courtyard Hall

UPHI's raw land, with fair value amounting to ₱603.8 million and ₱577.3 million as at December 31, 2019 and 2018, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2019 and 2018, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating ₱22.5 million and ₱216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD (see Note 9).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱147.8 million and ₱141.9 million as at December 31, 2019 and 2018, respectively.

Courtyard Hall of Cazneau used for leasing operations were recognized at fair value amounting to ₱181.2 million and ₱152.8 million as at December 31, 2019 and 2018, respectively.

Leasing Operations

The Group recognized revenue from leasing operations amounting to ₱321.9 million in 2019, ₱132.4 million in 2018 and ₱23.0 million in 2017 (see Note 21) and incurred direct cost of leasing amounting to ₱100.5 million in 2019, ₱15.3 million in 2018 and ₱8.0 million in 2017.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

			Range	
Class of Property	Valuation Technique	Significant Inputs	**2019**	2018
ACPT	Discounted cash flow (DCF) approach/ Land development approach	Discount rate	**8.25%**	8.74%
		Rental rate for an office unit per square meter (per sqm)	**₱1,500**	₱1,350
		Rental rate per slot	**₱6,500**	₱6,000
		Calculated no. of net leasable area (total sqm)	**18,059**	20,923
		Vacancy rate	**5% - 10%**	5% - 10%
Arya Residences:				
Commercial units	DCF approach	Rental rate per sqm	**₱3,000**	₱3,000
		Rent escalation rate per annum (p.a.)	**7%**	7%
		Discount rate	**8.74%**	8.74%
		Vacancy rate	**2%**	2%
Parking slots	DCF approach	Rental rate per slot	**₱6,500**	₱6,500
		Rent escalation rate p.a.	**7%**	7%
		Discount rate	**8.74%**	8.74%
		Vacancy rate	**2%**	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	**₱1,820**	₱1,740
		Value adjustments	**5% - 10%**	0% - 30%
Cazneau's Laguna properties	Market data approach	Price per sqm	**₱11,300**	₱10,200
		Value adjustments	**0% - 10%**	0% - 5%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	**₱1,350**	₱1,300
		Value adjustments	**5% - 15%**	5% - 15%
Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	**₱143,117,000**	–
		Remaining economic life	**38 years**	–

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Land Development Approach

Under this approach, the investment property is treated as office and commercial units development and the gross rental income that may be expected from the proposed leasable units are then estimated in accordance with the prevailing prices of comparable office and commercial units development within the immediate vicinity. Overhead and operating expenses, and developer's profit are deducted from the gross rental income. The resulting residual income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.

- Establishment of total rental income from lease of office and commercial units based on the current rental rates in similar office building within the immediate vicinity.

- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.

- Estimation of overhead and operating expenses such as promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Discounted Cash Flow Approach
Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Sensitivity Analysis. Generally, significant increases (decreases) in rental rate per sqm or per slot and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

In 2019, the Group changed its method of valuation in ACPT from land development approach to DCF approach after its completion on the first quarter of 2019.

Market Data Approach
Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

Depreciated Replacement Cost Method
Depreciated replacement cost method is used to estimate valuation of Courtyard Hall by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

		2019		
	Note	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Balance at beginning of year		**₱1,083,731,309**	**₱4,817,783,266**	**₱5,901,514,575**
Gain on change in fair value		**140,878,361**	**1,039,846,450**	**1,180,724,811**
Construction costs incurred		**–**	**148,183,650**	**148,183,650**
Capitalized borrowing costs	13	**–**	**26,668,479**	**26,668,479**
Transfers		**–**	**22,456,601**	**22,456,601**
Initial direct leasing costs		**–**	**452,151**	**452,151**
Balance at end of year		**₱1,224,609,670**	**₱6,055,390,597**	**₱7,280,000,267**

		2018		
	Note	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253
Settlement of loans payable	13	–	(1,330,035,528)	(1,330,035,528)
Construction costs incurred		–	474,788,616	474,788,616
Net gain on change in fair value		306,281,350	(133,462,256)	172,819,094
Capitalized borrowing costs	13	–	104,494,260	104,494,260
Transfers		216,890,959	(176,865,569)	40,025,390
Disposals		–	(28,796,033)	(28,796,033)
Initial direct leasing costs		–	10,903,523	10,903,523
Balance at end of year		₱1,083,731,309	₱4,817,783,266	₱5,901,514,575

There are no transfers between the levels of fair value hierarchy in 2019 and 2018.

11. **Property and Equipment**

The balances and movements of this account consist of:

		2019						
	Note	**Building and Building Improvements**	**Transportation Equipment**	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of year		**₱26,917,349**	**₱54,833,018**	**₱49,932,812**	**₱8,790,764**	**₱78,500**	**₱177,062,444**	**₱317,614,887**
Additions		**32,940,578**	**25,382,624**	**7,160,880**	**6,465,062**	**–**	**–**	**71,949,144**
Disposals		**–**	**(13,404,464)**	**(52,813)**	**–**	**–**	**–**	**(13,457,277)**
Reclassification		**177,062,444**	**–**	**–**	**–**	**–**	**(177,062,444)**	**–**
Balance at end of year		**236,920,371**	**66,811,178**	**57,040,879**	**15,255,826**	**78,500**	**–**	**376,106,754**
Accumulated Depreciation and Amortization								
Balance at beginning of year		**4,256,821**	**28,199,886**	**39,820,930**	**7,882,114**	**2,181**	**–**	**80,161,932**
Depreciation and amortization	17	**3,111,095**	**13,017,905**	**3,663,085**	**6,903,777**	**26,167**	**–**	**26,722,029**
Disposals		**–**	**(13,312,252)**	**(14,670)**	**–**	**–**	**–**	**(13,326,922)**
Balance at end of year		**7,367,916**	**27,905,539**	**43,469,345**	**14,785,891**	**28,348**	**–**	**93,557,039**
Carrying Amount		**₱229,552,455**	**₱38,905,639**	**₱13,571,534**	**₱469,935**	**₱50,152**	**₱–**	**₱282,549,715**

		2018						
	Note	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year		₱1,321,706	₱42,352,941	₱43,503,108	₱8,075,858	₱48,390,120	₱13,222,876	₱156,866,609
Transfer from investment properties	10	–	–	–	–	–	176,865,569	176,865,569
Additions		471,775	16,817,917	6,715,418	736,231	78,500	12,097,867	36,917,708
Disposals		–	(4,337,840)	(285,714)	(21,325)	–	–	(4,644,879)
Reclassification		25,123,868	–	–	–	–	(25,123,868)	–
Write-off		–	–	–	–	(48,390,120)	–	(48,390,120)
Balance at end of year		26,917,349	54,833,018	49,932,812	8,790,764	78,500	177,062,444	317,614,887
Accumulated Depreciation and Amortization								
Balance at beginning of year		–	23,196,764	37,926,370	7,647,608	48,352,701	–	117,123,443
Depreciation and amortization	17	4,256,821	8,717,084	2,180,274	255,831	39,600	–	15,449,610
Disposals		–	(3,713,962)	(285,714)	(21,325)	–	–	(4,021,001)
Write-off		–	–	–	–	(48,390,120)	–	(48,390,120)
Balance at end of year		4,256,821	28,199,886	39,820,930	7,882,114	2,181	–	80,161,932
Carrying Amount		₱22,660,528	₱26,633,132	₱10,111,882	₱908,650	₱76,319	₱177,062,444	₱237,452,955

As at December 31, 2019 and 2018, fully depreciated property and equipment that are still being used by the Group amounted to ₱49.2 million and ₱49.1 million, respectively.

In 2018, leasehold improvements with cost and accumulated amortization amounting to ₱48.4 million was written-off as a result of the termination of the Parent Company's non-cancellable operating lease (see Note 21).

The Parent Company sold property and equipment with carrying amount of ₱0.1 million in 2019, ₱0.6 million in 2018 and ₱1.6 million in 2017 resulting in gain (loss) on disposal of ₱0.3 million in 2019, nil in 2018 and (₱0.5 million) in 2017 (see Note 19).

12. **Other Assets**

This account consists of:

	2019	2018
Advances for project development	**₱630,789,051**	₱506,468,951
Input VAT	**401,576,866**	242,016,373
Prepaid:		
Commissions	**79,836,952**	46,414,871
Taxes	**55,663,293**	34,694,439
Debt issuance cost	**5,625,000**	5,625,000
Insurance	**3,106,123**	3,046,177
Others	**15,622,152**	5,363,162
Amounts held in escrow	**85,402,876**	56,514,398
Deposits	**62,270,945**	59,239,173
Deferred input VAT	**4,129,087**	23,663,461
Materials and supplies	**1,519,807**	1,519,807
Investment in time deposits	**–**	21,032,000
	₱1,345,542,152	₱1,005,597,812

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of prepaid commissions amounted to ₱126.5 million in 2019 and ₱16.4 million in 2018.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount of which is equivalent to a quarterly principal and interest amortization.

Breakdown of amounts held in escrow is as follows (see Note 13):

	2019	2018
OLSA	**₱55,266,376**	₱26,377,898
MTL	**30,136,500**	30,136,500
	₱85,402,876	₱56,514,398

The outstanding loan balance under OLSA amounted to ₱1,957.5 million and ₱1,779.8 million as at December 31, 2019 and 2018, respectively. The outstanding loan balance of MTL amounted to ₱1,082.7 million and ₱684.9 million as at December 31, 2019 and 2018, respectively (see Note 13).

Deposits pertain to utility deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects. Deposits are refunded upon completion of the documentary requirements.

Materials and supplies are the excess construction materials and supplies from the construction of Arya Residences.

Investment in time deposits pertains to US Dollar-denominated time deposits with terms of two (2) years and fixed interest rates ranging from 1.75% to 2.50% per annum (p.a.). These time deposits are subject to a holding period of six (6) months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time deposits amounted to ₱0.5 million in 2019, ₱0.1 million in 2018 and ₱0.3 million in 2017 (see Note 6).

13. **Loans Payable**

This account consists of:

	2019	2018
Local bank loans	**₱6,840,657,776**	₱4,082,252,132
Private funders	**84,723,970**	87,723,970
	₱6,925,381,746	₱4,169,976,102

Movements of this account follow:

	2019	2018
Balance at beginning of year	**₱4,197,257,971**	₱4,355,741,750
Availments	**3,486,252,129**	1,851,211,912
Payments	**(728,331,864)**	(152,000,000)
Dacion en pago	**–**	(1,857,695,691)
Balance at end of year	**6,955,178,236**	4,197,257,971
Unamortized debt issue cost	**(29,796,490)**	(27,281,869)
	6,925,381,746	4,169,976,102
Less current portion of loans payable	**2,448,042,005**	417,723,970
Long term portion of loans payable	**₱4,477,339,741**	₱3,752,252,132

Movements in debt issue cost are as follows:

	2019	2018
Balance at beginning of year	**₱27,281,869**	₱25,606,565
Additions	**6,168,013**	5,175,000
Amortization	**(3,653,392)**	(3,499,696)
Balance at end of year	**₱29,796,490**	₱27,281,869

Movements in “Day 1” gain are as follows:

	2018
Balance at beginning of year	₱61,242,769
Amortization	(51,086,712)
Dacion en pago	(10,156,057)
Balance at end of year	₱–

Future repayment of the principal is as follows:

	2019	2018
Within one year	**₱2,448,042,005**	₱417,723,970
After one year but not more than three years	**2,493,169,370**	285,614,250
More than three years	**2,013,966,861**	3,493,919,751
	₱6,955,178,236	₱4,197,257,971

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 5.12% to 8.58% in 2019 and 3.50% to 7.15% in 2019.

Details and outstanding balances of loans from local banks as at December 31 follow:

Purpose	Security	Nominal interest rate (p.a.)	2019	2018
Construction of Cebu Exchange	Payable on a quarterly basis after two (2) years from the date of initial drawdown until July 2021; secured by a land, together with improvements, amounting to ₱931.8 million as at December 31, 2019 and 2018 (see Note 9).	5.77%	**₱2,166,666,000**	₱1,287,620,000
Construction of ACPT	Payable on a quarterly basis starting 4th quarter of 2019 until July 2025; secured by ACPT with carrying amount of ₱ 4,676.0 million and ₱ 3,438.4 million as at December 31, 2019 and 2018, respectively (see Note 10), and an escrow account amounting to ₱55.3 million and ₱26.4 million as at December 31, 2019 and 2018, respectively (see Note 12).	5.81%	**1,957,452,294**	1,779,758,041
Construction of Savya Financial Center	Payable on a quarterly basis within three (3) years from the date of initial drawdown until August 2023; secured by raw land of SLDC with carrying amount of ₱1,434.8 million and ₱1,433.8 million as at December 31, 2019 and 2018, respectively (see Note 9) and an escrow account amounting to ₱30.1 million as at December 31, 2019 and 2018 (see Note 12).	8.58%	**1,082,656,498**	684,874,091
Working fund	Payable in full on February 17, 2020.	6.38%	**500,000,000**	–
Construction of Cebu Exchange	Payable in full on November 23, 2020.	8.00%	**335,728,189**	–
Working fund	Payable in full on June 15, 2020.	5.75%	**298,154,795**	–
Working fund	Payable in full on January 27, 2020.	6.13%	**250,000,000**	–
Working fund	Payable in full on January 10, 2020	6.25%	**100,000,000**	–
Working fund	Payable in full on September 25, 2020.	5.50%	**100,000,000**	–
Construction of Cebu Exchange	Payable in full on April 8, 2020.	7.00%	**50,000,000**	–
Acquisition of land	Payable on a quarterly basis until July 5, 2019; secured by commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,379.4 as at December 31, 2018 (see Note 10).	5.12%	**–**	230,000,000
Working fund	Payable in full on August 16, 2019; secured by commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,379.4 million as at December 2018 (see Note 10).	6.00%	**–**	100,000,000
			₱6,840,657,776	₱4,082,252,132

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by a land, together with improvements amounting to ₱931.8 million as at December 31, 2019 and 2018, together with any improvements thereon, located in Cebu City (see Note 9); and

- A pledge of shares of the Parent and Rock and Salt B.V., non-controlling interest, in CLLC in which shall be evidenced by that Contract of Pledge to be executed by the pledgers in favor of the lender in form and substance, acceptable to the latter, to secure the payment of the drawdowns on the loan, including the interest, penalties, fees and other charges thereon, as well as all sums due and payable by CLLC to the bank.

The outstanding balance of this loan amounted to ₱2,166.7 million and ₱1,287.6 million as at December 31, 2019 and 2018, respectively.

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The loan is supported by 23 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;

- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements amounting to ₱55.3 million and ₱26.4 million as at December 31, 2019 and 2018, respectively (see Note 12);

- The Parent Company is required to maintain, at most, the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱1,957.5 million and ₱1,779.8 million as at December 31, 2019 and 2018, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity.

The Parent Company's debt to equity ratio as at December 31 is as follows:

	2019	2018
Total liabilities	**₱3,290,331,059**	₱2,197,482,011
Total equity	**5,921,524,670**	4,404,224,615
	0.56:1.00	0.50:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2019 and 2018.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders. Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown.

The loan facility is secured by the following:

(i) unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million and ₱1,433.8 million as at December 31, 2019 and 2018, respectively (see Note 9);

(ii) corporate continuing suretyship of the Parent Company until completion of construction of Tower 1 of the SLDC's project and 100% sale of units therein; and,

(iii) A ₱30.1 million deposit in the name of the SLDC. Carrying amount of the deposit amounted to ₱30.1 million as at December 31, 2019 and 2018 and is presented as "Amounts held in escrow" in "Other Assets" account in the consolidated statements of financial position (see Note 12).

The outstanding balance of this loan amounted to ₱1,082.7 million and ₱684.9 million as at December 31, 2019 and 2018, respectively.

Private Funders

Details of outstanding balances of loans from private funders as at December 31 follow:

Purpose	Terms	Nominal interest rate (p.a.)	**2019**	2018
Working fund	Payable in full on June 1, 2020, unsecured	3.50%	**₱40,000,000**	₱40,000,000
Working fund	Payable in full on January 20, 2020, unsecured	3.50%	**16,302,970**	16,302,970
Working fund	Payable in full on March 30, 2020, unsecured	3.50%	**16,276,000**	16,276,000
Working fund	Payable in full on January 20, 2020, unsecured	3.50%	**12,145,000**	15,145,000
			₱84,723,970	₱87,723,970

Construction of ACPT. The Parent Company entered into noninterest-bearing loan agreements for ₱1,650.6 million with Centrobless in 2015 and for ₱207.1 million with SOPI in 2017. Both are related parties under common management with the Parent Company (see Note 23).

The loans are payable in cash or in kind at the option of Centrobless and SOPI. In the event Centrobless and SOPI elect to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago:

- Centrobless - seven (7) floors and 150 parking slots of ACPT
- SOPI - one (1) floor and 10 parking slots of ACPT

"Day 1" gain of ₱2.9 million in 2017 was recognized on this loan and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 19).

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. Accordingly, the cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed (see Note 10). This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018 (see Note 19).

Capitalized Borrowing Costs
Borrowing costs capitalized are as follows:

	Note	2019	2018	2017
Real estate for sale	9	**₱159,586,770**	₱68,332,597	₱36,653,151
Investment properties	10	**26,668,479**	104,494,260	68,169,703
		₱186,255,249	₱172,826,857	₱104,822,854

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 (see Note 9).

Interest Expense
Total interest expense charged under "Finance costs" consists of the following (see Note 18):

	2019	2018	2017
Interest expense on interest-bearing loans and due to a related party	**₱124,339,961**	₱21,785,948	₱19,750,114
Amortization of "Day 1" gain on loan discounting	**–**	51,086,712	58,168,428
	₱124,339,961	₱72,872,660	₱77,918,542

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2019	2018
Accounts payable:			
Third parties		**₱755,821,015**	₱178,485,778
Related party	23	**3,044,200**	2,856,448
Statutory payables:			
Deferred output VAT		**743,384,411**	361,197,971
Income tax payable		**24,378,558**	1,696,980
Withholding taxes payable		**21,507,169**	13,645,930
Retention payable		**405,458,152**	333,284,476
Accrued:			
Construction costs		**81,182,715**	–
Interest		**77,890,207**	56,636,579
Personnel costs		**24,200,544**	11,785,055
Others		**53,308,640**	25,454,109
Payable to buyers		**113,447,252**	13,459,550
Advance rent	21	**73,093,100**	53,279,878
Security deposits	21	**71,843,980**	70,254,092
Construction bonds		**29,650,160**	25,379,501
Dividend payable		**5,943,585**	5,056,961
Due to Arcosouth's stockholders		**–**	495,919,597
Others		**4,763,189**	7,455,108
		₱2,488,916,877	₱1,655,848,013

Accounts payable, which are unsecured, noninterest-bearing and are normally settled within 30 days to one (1) year, consists mainly of liabilities to contractors and suppliers.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Payable to buyers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and Courtyard Hall which may be applied to unsettled balances or refunded at the end of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is noninterest-bearing and payable on demand.

Other payables pertain to liabilities to local government, SSS, PhilHealth and HDMF and dividend payables.

15. **Equity**

The details of the Parent Company's number of common and preferred shares follow:

	2019		2018		2017	
	Preferred	**Common**	Preferred	Common	Preferred	Common
Authorized	**50,000,000**	**16,368,095,199**	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	**₱1.00**	**₱0.18**	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	**42,500,000**	**5,318,095,199**	32,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	2019		2018		2017	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Issued and Outstanding						
Balance at beginning of year	**32,500,000**	**₱32,500,000**	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	**10,000,000**	**10,000,000**	–	–	–	–
Balance at end of year	**42,500,000**	**42,500,000**	32,500,000	32,500,000	32,500,000	32,500,000
Parent Company's Shares held by a Subsidiary	**(12,500,000)**	**(12,500,000)**	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	30,000,000	**₱30,000,000**	20,000,000	₱20,000,000	20,000,000	₱20,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A" preferred shares) to MPI and 30.0 million preferred shares (the "Series B" and "Series C" preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

In 2019, the Parent Company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series C preferred shares to the public amounted to ₱14.2 million consisting of ₱1.7 million which was charged to profit or loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

Common Shares

As at December 31, 2019 and 2018, the Parent Company has issued and outstanding common shares of 5,318,095,199 amounting to ₱957.3 million.

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
2016	Public offering of Series "B" preferred shares	20,000,000	100
2019	Public offering of Series "C" preferred shares	10,000,000	100

The Parent Company has 1,943 and 1,955 shareholders as at December 31, 2019 and 2018, respectively.

Dividend Declaration

The Parent Company's BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	₱17,319,000	Series C preferred shares	₱1.73
October 23, 2019	November 15, 2019	December 6, 2019	35,229,000	Series B preferred shares	1.76
August 7, 2019	September 6, 2019	September 27, 2019	17,319,000	Series C preferred shares	1.73
August 7, 2019	August 22, 2019	September 6, 2019	35,229,000	Series B preferred shares	1.76
June 21, 2019	July 8, 2019	July 31, 2019	63,817,142	Common shares	0.012
May 8, 2019	May 22, 2019	June 6, 2019	35,229,000	Series B preferred shares	1.76
February 21, 2019	March 1, 2019	March 6, 2019	35,229,000	Series B preferred shares	1.76
			₱239,371,142		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	Series B preferred shares	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	35,229,000	Series B preferred shares	1.76
May 9, 2018	May 23, 2018	June 6, 2018	35,229,000	Series B preferred shares	1.76
March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	Common shares	0.012
January 10, 2018	February 9, 2018	March 6, 2018	35,229,000	Series B preferred shares	1.76
			₱204,733,142		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 26, 2017	November 24, 2017	December 6, 2017	₱35,229,000	Series B preferred shares	₱1.76
August 9, 2017	August 23, 2017	September 6, 2017	35,229,000	Series B preferred shares	1.76
May 10, 2017	May 25, 2017	June 6, 2017	35,229,000	Series B preferred shares	1.76
February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	Common shares	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			₱204,733,142		

Stock Option Plan

As at December 31, 2019, the stock option plan is still subject for approval of the majority of the stockholders.

Use of Proceeds

Series B

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱–
Makati CBD Residential Project	371.6	371.6	371.6	–
Binan Laguna Project	331.9	331.9	230.6	101.3
Partial repayment of loans	330.0	330.0	330.0	–
General corporate purposes	62.3	63.4	63.4	–
Cebu Exchange Project	53.6	53.6	53.6	–
Total	₱1,971.8	₱1,972.9	₱1,871.6	₱101.3

Series C
The estimated gross proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱–
Makati CBD Residential Project 2	530.0	530.0	530.0	–
General corporate purpose	154.1	155.3	155.3	–
Total	₱984.1	₱985.3	₱985.3	₱–

16. Revenues

The Group's revenues are as follows:

	Note	**2019**	2018	2017
Real estate sales of:				
Cebu Exchange		**₱2,870,054,489**	₱844,954,726	₱–
Savya Financial Center		**645,749,539**	–	–
Arya Residences		**–**	147,639,118	433,964,838
Leasing operations	21	**321,918,256**	132,436,268	22,997,690
Project management fees		**10,135,140**	7,439,974	6,576,066
		₱3,847,857,424	₱1,132,470,086	₱463,538,594

Leasing operations pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

17. **Operating Expenses**

Operating expenses are classified as follows:

	2019	2018	2017
Administrative	**₱409,806,713**	₱325,187,083	₱273,749,586
Selling and marketing	**256,010,229**	72,423,411	48,493,636
	₱665,816,942	₱397,610,494	₱322,243,222

Details of operating expenses by nature are as follows:

	Note	**2019**	2018	2017
Personnel costs		**₱191,303,427**	₱176,647,311	₱129,061,896
Commissions		**131,899,678**	27,157,093	11,701,489
Advertising		**124,110,551**	45,266,318	36,792,147
Management and professional fees		**64,516,070**	31,867,665	33,152,440
Taxes and licenses		**30,047,582**	17,671,357	33,321,044
Communication and office expenses		**29,116,455**	20,057,547	21,378,435
Depreciation and amortization	11	**26,722,029**	15,449,610	9,330,955
Transportation and travel		**24,498,653**	18,787,861	7,856,509
Insurance		**15,788,365**	12,886,192	9,908,865
Repairs and maintenance		**12,799,877**	2,792,489	2,360,720
Utilities		**5,002,052**	8,315,942	1,416,796
Rent	21	**1,659,167**	14,498,091	13,908,352
Representation		**1,377,793**	672,727	1,435,959
Others		**6,975,243**	5,540,291	10,617,615
		₱665,816,942	₱397,610,494	₱322,243,222

Personnel costs consist of:

	Note	**2019**	2018	2017
Salaries and other employee benefits		**₱168,761,466**	₱140,910,996	₱119,314,335
Retirement benefits expense	20	**22,541,961**	35,736,315	9,747,561
		₱191,303,427	₱176,647,311	₱129,061,896

18. **Finance Costs**

This account consists of:

	Note	**2019**	2018	2017
Interest expense	13	**₱124,339,961**	₱72,872,660	₱77,918,542
Bank charges		**499,643**	774,628	2,744,698
		₱124,839,604	₱73,647,288	₱80,663,240

19. **Other Income** - Net

This account consists of:

	Note	2019	2018	2017
Realized gain on disposals of financial assets at FVPL	7	**₱16,784,004**	₱14,190,431	₱37,576,414
Interest income	6	**13,489,356**	6,088,906	14,245,251
Unrealized holding gains (losses) on financial assets at FVPL	7	**(617,582)**	(6,385,529)	1,874,352
Unrealized foreign exchange gains (losses)		**(605,121)**	906,754	83,998
Gain (loss) on disposal of property and equipment	11	**322,744**	–	(475,131)
Forfeited collections		**178,571**	–	10,657,784
Gain on settlement of loans payable	13	**–**	319,553,431	–
Loss on disposal of investment properties	10	**–**	(8,334,033)	–
"Day 1" gain on loan discounting	13	**–**	–	2,907,783
Others		**1,554,707**	13,100,733	572,867
		₱31,106,679	₱339,120,693	₱67,443,318

20. **Net Retirement Liability**

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated March 20, 2020):

Breakdown of retirement benefits expense is as follows (see Note 17):

	2019	2018	2017
Current service cost	**₱18,130,347**	₱7,879,934	₱7,205,814
Net interest cost	**4,411,614**	2,033,107	2,541,747
Past service cost	**–**	25,823,274	–
	₱22,541,961	₱35,736,315	₱9,747,561

In 2018, the new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2019	2018	2017
Balance at beginning of year	**₱66,088,998**	₱50,668,546	₱47,244,365
Current service cost	**18,130,347**	7,879,934	7,205,814
Net interest cost	**4,411,614**	2,033,107	2,541,747
Past service cost	**–**	25,823,274	–
Contribution to retirement plan assets	**(15,003,669)**	(5,000,000)	–
Remeasurement losses (gains) on:			
Change in financial assumptions	**30,887,077**	(9,240,813)	(1,360,050)
Experience adjustments	**(5,262,217)**	(6,066,417)	(4,963,330)
Return on plan assets	**628,310**	(8,633)	–
Balance at end of year	**₱99,880,460**	₱66,088,998	₱50,668,546

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2019 and 2018 are as follows:

	2019	2018
Present value of retirement liability	**₱120,206,490**	₱71,097,631
Fair value of plan assets	**(20,326,030)**	(5,008,633)
	₱99,880,460	₱66,088,998

Changes in the present value of retirement liability are as follows:

	2019	2018	2017
Balance at beginning of year	**₱71,097,631**	₱50,668,546	₱47,244,365
Current service cost	**18,130,347**	7,879,934	7,205,814
Interest cost	**5,353,652**	2,033,107	2,541,747
Past service cost	**–**	25,823,274	–
Remeasurement losses (gains) on:			
Change in financial assumptions	**30,887,077**	(9,240,813)	(1,360,050)
Experience adjustments	**(5,262,217)**	(6,066,417)	(4,963,330)
Balance at end of year	**₱120,206,490**	₱71,097,631	₱50,668,546

Changes in the fair value of plan assets are as follows:

	2019	2018
Balance at beginning of year	**₱5,008,633**	₱–
Contribution to retirement plan assets	**15,003,669**	5,000,000
Interest income	**942,038**	–
Remeasurement gain (loss) on return on plan assets	**(628,310)**	8,633
Balance at end of year	**₱20,326,030**	₱5,008,633

Plan assets are composed of trust accounts.

The cumulative remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

	2019		
	Cumulative Remeasurement Losses	**Deferred Tax** (see Note 22)	**Net**
Balance at beginning of year	**₱25,956,422**	**₱7,786,927**	**₱18,169,495**
Remeasurement losses	**(26,253,170)**	**(7,875,951)**	**(18,377,219)**
Balance at end of year	**(₱296,748)**	**(₱89,024)**	**(₱207,724)**

	2018		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱10,640,559	₱3,192,168	₱7,448,391
Remeasurement gains	15,315,863	4,594,759	10,721,104
Balance at end of year	₱25,956,422	₱7,786,927	₱18,169,495

	2017		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱4,317,179	₱1,295,154	₱3,022,025
Remeasurement gains	6,323,380	1,897,014	4,426,366
Balance at end of year	₱10,640,559	₱3,192,168	₱7,448,391

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2019	2018
Discount rate	**5.22%**	7.53%
Salary projection rate	**6.00%**	5.00%
Average remaining service years	**24.8**	23.6

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2019 and 2018 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2019	**+1%**	**(₱11,366,089)**	**₱13,583,980**
	-1%	**13,837,647**	**(11,387,681)**
December 31, 2018	+1%	(₱3,905,406)	₱4,737,145
	-1%	4,663,430	(4,026,486)

The expected future benefit payments are as follows:

Financial Year	Amount
2020	₱51,716,581
2021	535,937
2022-2029	52,965,328

21. **Lease Commitments**

Operating Lease Commitments - Group as a Lessor

The Parent Company entered into various non-cancellable lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

In addition, MPI has various lease agreements for its retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Moreover, Cazneau has entered into lease agreements for its dormitory units in Courtyard Hall, which is renewable every term.

Leasing revenue recognized from these operating leases amounted to ₱321.9 million in 2019, ₱132.4 million in 2018 and ₱23.0 million in 2017 (see Note 16). Lease receivables amounted to ₱45.0 million and ₱30.4 million as at December 31, 2019 and 2018, respectively (see Note 8). Accrued rent receivable amounted to ₱99.0 million and ₱52.0 million as at December 31, 2019 and 2018, respectively (see Note 8). Advance rent from tenants amounted to ₱73.1 million and ₱53.3 million as at December 31, 2019 and 2018, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱71.8 million and ₱70.3 million as at December 31 2019 and 2018, respectively (see Note 14).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2019	2018
Within one year	**₱253,368,521**	₱164,000,835
After one year but not more than five years	**835,221,094**	803,023,438
More than five years	**43,670,598**	127,208,392
	₱1,132,260,213	₱1,094,232,665

Operating Lease Commitment - Group as a Lessee

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease.

For short-term leases, rent expense recognized amounted to ₱1.7 million in 2019, ₱14.5 million in 2018 and ₱13.9 million in 2017 (see Note 17).

22. **Income Taxes**

The components of income tax expense are as follows:

	Note	2019	2018	2017
Reported in Profit or Loss				
Current income tax expense:				
RCIT		**₱66,966,595**	₱91,047,356	₱13,636,823
MCIT		**5,619,419**	186,560	17,560
Final taxes		**5,533,420**	5,436,777	11,680,051
Gross income tax (GIT)		**3,678,373**	1,970,310	–
		81,797,807	98,641,003	25,334,434
Deferred income tax expense		**554,347,227**	67,094,603	59,906,329
		₱636,145,034	₱165,735,606	₱85,240,763
Reported in OCI				
Deferred tax benefit (expense) related to remeasurement losses (gains) on net retirement liability	20	**₱7,875,951**	(₱4,594,759)	(1,897,014)

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and deferred tax liabilities are as follows:

	2019	2018
Deferred tax assets:		
NOLCO	**₱62,261,706**	₱66,349,661
Retirement liability	**29,964,138**	19,826,699
Advance rent	**11,841,153**	7,850,736
Excess MCIT over RCIT	**5,805,659**	282,245
Unrealized foreign exchange loss	**181,536**	49,001
Allowance for impairment losses	**110,488**	110,488
	₱110,164,680	₱94,468,830
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	**₱1,127,340,036**	₱773,122,593
Excess of financial over taxable gross profit	**237,134,847**	44,761,616
Accrued rent receivable	**17,155,013**	9,733,521
Depreciation of investment properties	**14,624,431**	5,724,684
Transfer of fair value to property and equipment	**13,208,866**	13,478,435
Capitalized debt issue costs	**10,196,539**	10,351,816
Unrealized foreign exchange gains	**–**	321,027
	1,419,659,732	857,493,692
Net deferred tax liabilities	**₱1,309,495,052**	₱763,024,862

Deferred tax assets and deferred tax liabilities are presented in the consolidated statements of financial position as follows:

	2019	2018
Net deferred tax asset	**₱–**	₱16,197,731
Net deferred tax liabilities	**1,309,495,052**	779,222,593
	₱1,309,495,052	₱763,024,862

As at December 31, 2019 and 2018, the Group did not recognize deferred tax assets relating to the following:

	2019	2018
NOLCO	**₱5,660,266**	₱3,610,919
Excess MCIT over RCIT	**320**	45,973
Accrued rent	**–**	4,800
	₱5,660,586	₱3,661,692

Management has assessed that these may not be realized in the future.

NOLCO and Excess MCIT over RCIT

The details of the Group's NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2019	₱–	₱201,505,549	₱–	₱–	₱201,505,549	2022
2018	6,397,876	–	–	–	6,397,876	2021
2017	175,937,705	–	157,434,557	–	18,503,148	2020
2016	50,866,353	–	45,600,084	5,266,269	–	2019
	₱233,201,934	₱201,505,549	₱203,034,641	₱5,266,269	₱226,406,573	

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2019	₱–	₱5,619,419	₱–	₱–	₱5,619,419	2022
2018	186,560	–	–	–	186,560	2021
2016	141,658	–	–	141,658	–	2019
	₱328,218	₱5,619,419	₱–	₱141,658	₱5,805,979	

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Income tax computed at statutory tax rate	**₱636,987,873**	₱166,305,856	₱67,092,224
Add (deduct) tax effects of:			
Nondeductible expenses and nontaxable income	**30,197,169**	7,426,287	20,122,883
Income subject to GIT	**(28,497,641)**	(7,573,344)	–
Stock issuance costs	**(3,744,499)**	–	–
Change in unrecognized deferred tax assets	**1,998,894**	29,931	2,189,055
Expired NOLCO	**1,579,881**	248,551	265,354
Realized gain on disposals of financial assets at FVPL subjected to final tax	**(1,552,143)**	(1,866,346)	(2,584,244)
Interest income subjected to final tax	**(1,151,433)**	(750,988)	(1,282,203)
Unrealized holding losses (gains) on financial assets at FVPL	**185,275**	1,915,659	(562,306)
Expired MCIT	**141,658**	–	–
	₱636,145,034	₱165,735,606	₱85,240,763

PEZA Registration

ACPT is registered with the PEZA as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

23. **Related Party Transactions**

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2019	2018	**2019**	2018
Due from Related Parties		8					
CPG	Principal stockholder		Share purchase agreement	**₱–**	₱–	**₱36,052,873**	₱36,052,873
Centrobless	Entity under common management		Advances for working capital	**12,872,674**	–	**12,872,674**	–
SOPI	Entity under common management		Advances for working capital	**4,915,835**	–	**4,915,835**	–
						₱53,841,382	₱36,052,873
Loans Payable							
SOPI	Entity under common management	13	Noninterest-bearing loans	**₱–**	₱145,051,912	**₱–**	₱–
Accounts Payable							
CPG	Principal stockholder	14	Management fee	**₱11,069,818**	₱10,387,085	**₱3,044,200**	₱2,856,448
Due to Related Parties							
Help Holdings, Inc.	Non-controlling interest		Advances for project development	**₱632,919,597**	₱–	**₱632,919,597**	₱–
Rock & Salt B.V.	Non-controlling interest		Advances for project development	**125,000,009**	100,000,000	**511,666,700**	386,666,691
						₱1,144,586,297	₱386,666,691
Accrued Interest							
Rock & Salt B.V	Non-controlling interest		Interest expense	**₱17,058,595**	₱11,831,496	**₱45,808,575**	₱28,749,980

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2019 and 2018 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Advances for Working Capital
Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash.

The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2019 and 2018.

Loans Payable
Outstanding loans payable are unsecured, noninterest-bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 13).

Management Fees
Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Advances for Project Development
SLDC received advances from a related party and expenses paid by a related party on behalf of SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱511.7 million and ₱386.7 million and recognized interest expense of ₱10.9 million and ₱11.8 million as at December 31, 2019 and 2018, respectively. These are unsecured, unguaranteed, and payable on demand and in cash.

Compensation of Key Management Personnel
The compensation of key management personnel are as follows:

	2019	2018	2017
Salaries and other employee benefits	**₱83,779,871**	₱77,960,692	₱72,981,021
Retirement benefits expense	**15,727,562**	24,095,262	4,782,219
	₱99,507,433	₱102,055,954	₱77,763,240

24. **Reconciliation of Liabilities Arising from Financing Activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

		Financing Cash Flows			
	2018	Availments/ Declaration	Payments	Movement in Debt Issue Cost	2019
Loans payable	₱4,169,976,102	₱3,486,252,129	(₱728,331,864)	(₱2,514,621)	₱6,925,381,746
Due to related parties	386,666,691	757,919,606	–	–	1,144,586,297
Dividends payable	5,056,961	239,371,142	(238,484,518)	–	5,943,585
	₱4,561,699,754	₱4,483,542,877	(₱966,816,382)	(₱2,514,621)	₱8,075,911,628

		Financing Cash Flows		Non-cash Changes			
	2017	Availments/ Declaration	Payments	Dacion en pago	Amortization of Day 1 gain	Movement in Debt Issue Cost	2018
Loans payable	₱4,268,892,416	₱1,851,211,912	(₱152,000,000)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)	₱4,169,976,102
Due to related parties	286,666,691	100,000,000	–	–	–	–	386,666,691
Dividends payable	4,597,364	204,733,142	(204,273,545)	–	–	–	5,056,961
	₱4,560,156,471	₱2,155,945,054	(₱356,273,545)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)	₱4,561,699,754

25. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	**₱1,187,016,033**	₱333,479,516	₱191,850,580
Less share of Series B and C Preferred Shares	**(175,554,000)**	(140,916,000)	(140,916,000)
	1,011,462,033	192,563,516	50,934,580
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.1902**	₱0.0362	₱0.0096

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three (3) years presented.

26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), contract assets, amounts held in escrow, deposits, investment in time deposits, loans payable and, accounts payable and other liabilities (except statutory payables, payable to buyers and advance rent) and due to related parties.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

The Group's exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables, contract assets and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

Trade Receivables and Contract Assets
Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2019 and 2018, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost
The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above 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. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions;
- Actual or expected significant adverse changes in the operating results of the borrower; and
- Significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at FVPL
The Group is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

	2019				
	Financial Assets at Amortized Cost				
	12-Month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents*	**₱407,134,384**	**₱–**	**₱–**	**₱–**	**₱407,134,384**
Financial assets at FVPL	**–**	**–**	**–**	**772,186,717**	**772,186,717**
Receivables**	**–**	**290,315,333**	**368,292**	**–**	**290,683,625**
Contract assets	**–**	**3,250,482,689**	**–**	**–**	**3,250,482,689**
Deposits	**62,270,945**	**–**	**–**	**–**	**62,270,945**
Amounts held in escrow	**85,402,876**	**–**	**–**	**–**	**85,402,876**
	₱554,808,205	**₱3,540,798,022**	**₱368,292**	**₱772,186,717**	**₱4,868,161,236**

**Excludes cash on hand amounting to ₱80,000.*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.0 million as at December 31, 2019.*

	2018				
	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents*	₱285,333,332	₱–	₱–	₱–	₱285,333,332
Financial assets at FVPL	–	–	–	196,094,319	196,094,319
Receivables**	–	184,133,674	368,292	–	184,501,966
Contract assets	–	785,197,944	–	–	785,197,944
Deposits	59,239,173	–	–	–	59,239,173
Amounts held in escrow	56,514,398	–	–	–	56,514,398
Investment in time deposits	21,032,000	–	–	–	21,032,000
	₱422,118,903	₱969,331,618	₱368,292	₱196,094,319	₱1,587,913,132

**Excludes cash on hand amounting to ₱80,000.*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱52.0 million as at December 31, 2018.*

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2019 and 2018:

	2019					
	Due and Payable on Demand	**Less than 1 Year**	**1-2 Years**	**2-3 Years**	**Over 3 Years**	**Total**
Loans payable	**₱–**	**₱2,448,042,005**	**₱1,683,854,057**	**₱809,315,313**	**₱2,013,966,861**	**₱6,955,178,236**
Accounts payable and other liabilities*	**405,458,152**	**1,107,648,235**	**–**	**–**	**–**	**1,513,106,387**
Due to related parties	**1,144,586,297**	**–**	**–**	**–**	**–**	**1,144,586,297**
	₱1,550,044,449	**₱3,555,690,240**	**₱1,683,854,057**	**₱809,315,313**	**₱2,013,966,861**	**₱9,612,870,920**

**Excludes payable to buyers, advance rent and statutory payables aggregating to ₱975.8 million as at December 31, 2019.*

	2018					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱–	₱417,723,970	₱90,095,700	₱195,518,550	₱3,493,919,751	₱4,197,257,971
Accounts payable and other liabilities*	333,284,476	879,283,228	–	–	–	1,212,567,704
Due to related parties	386,666,691	–	–	–	–	386,666,691
	₱719,951,167	₱1,297,007,198	₱90,095,700	₱195,518,550	₱3,493,919,751	₱5,796,492,366

**Excludes payable to buyers, advance rent and statutory payables aggregating to ₱443.3 million as at December 31, 2018.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2019	2018
Total liabilities	**₱12,000,440,106**	₱7,078,187,677
Total equity	**7,475,391,886**	5,258,278,086
Debt-to-equity ratio	**1.61:1.00**	1.35:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

27. **Fair Value Measurement**

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

			2019		
			Fair Value		
	Note	**Carrying Amount**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value:					
Financial assets at FVPL	7	**₱772,186,717**	**₱772,186,717**	**₱–**	**₱–**
Investment properties	10	**7,280,000,267**	**–**	**1,224,609,670**	**6,055,390,597**
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	**62,270,945**	**–**	**–**	**62,400,650**
		₱8,114,457,929	**₱772,186,717**	**₱1,224,609,670**	**₱6,117,791,247**
Liability for which fair value is disclosed -					
Loans payable	13	**₱6,925,381,746**	**₱–**	**₱–**	**₱7,248,318,862**

			2018		
			Fair Value		
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱196,094,319	₱196,094,319	₱–	₱–
Investment properties	10	5,901,514,575	–	1,083,731,309	4,817,783,266
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	59,239,173	–	–	45,737,104
		₱6,156,848,067	₱196,094,319	₱1,083,731,309	₱4,863,520,370
Liability for which fair value is disclosed -					
Loans payable	13	₱4,169,976,102	₱–	₱–	₱4,082,252,132

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

Financial Assets at FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of investment properties were determined using land development approach, discounted cash flow approach, market data approach and depreciated replacement cost approach.

Deposits and Loans Payable. The fair value of the Group's deposits and loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash and cash equivalents*	**₱407,134,384**	₱285,333,332
Receivables**	**290,683,625**	184,501,966
Contract assets	**3,250,482,689**	785,197,944
Amounts held in escrow	**85,402,876**	56,514,398
Investment in time deposits	**–**	21,032,000
	₱4,033,703,574	₱1,332,579,640
Financial liabilities:		
Accounts payable and other liabilities***	**₱1,513,106,387**	₱1,212,567,704
Due to related parties	**1,144,586,297**	386,666,691
	₱2,657,692,684	₱1,599,234,395

**Excludes cash on hand amounting to ₱80,000 as at December 31, 2019 and 2018*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.0 million and ₱52.0 million as at December 31, 2019 and 2018, respectively.*
****Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱975.8 million and ₱443.3 million as at December 31, 2019 and 2018, respectively.*

Cash and Cash Equivalents, Receivables, Contract Assets, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Due to Related Parties. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Investment in Time Deposits. The estimated fair value of investment in time deposits represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using current market rates to discount cash flows. The carrying amount of investment on time deposits approximates its fair value.

28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2019 and 2018 are as follows:

	Note	**2019**	2018
Current Assets			
Cash and cash equivalents	6	**₱407,214,384**	₱285,413,332
Financial assets at FVPL	7	**772,186,717**	196,094,319
Receivables	8	**389,687,736**	236,463,779
Contract assets	5	**3,250,482,689**	785,197,944
Real estate for sale	9	**5,410,062,969**	3,412,713,425
CWT		**338,105,363**	259,819,891
Other assets*	12	**1,279,142,120**	901,663,178
		₱11,846,881,978	₱6,077,365,868

**Excludes non-current portion of deposits, deferred input VAT, and investment in time deposits, amounting to ₱66.4 million and ₱103.9 million as at December 31, 2019 and 2018, respectively.*

	Note	**2019**	2018
Current Liabilities			
Current portion of loans payable	13	**₱2,448,042,005**	₱417,723,970
Accounts payable and other liabilities	14	**2,488,916,877**	1,655,848,013
Contract liabilities	5	**32,179,674**	20,385,280
Due to related parties	23	**1,144,586,297**	386,666,691
		₱6,113,724,853	₱2,480,623,954

29. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and project management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2019, 2018 and 2017:

	2019					
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱3,515,804,028	₱321,918,256	₱263,259,201	₱–	(₱253,124,061)	₱3,847,857,424
Segment expenses	(2,353,343,223)	(124,052,820)	(77,076,988)	(442,454,598)	185,371,230	(2,811,556,399)
Segment profit	1,162,460,805	197,865,436	186,182,213	(442,454,598)	(67,752,831)	1,036,301,025
Net gain on change in fair value of investment properties	–	1,180,724,811	–	–	–	1,180,724,811
Finance cost	–	–	–	(124,839,604)	–	(124,839,604)
Other income - et	178,571	215,546	–	59,409,095	(28,696,533)	31,106,679
Income before income tax	1,162,639,376	1,378,805,793	186,182,213	(507,885,107)	(96,449,364)	2,123,292,911
Provision for income tax						(636,145,034)
Net income						1,487,147,877
Other comprehensive income						(18,377,219)
Total comprehensive income						₱1,468,770,658
Assets	₱12,810,279,552	₱7,741,534,107	₱4,665,714	₱4,008,678,089	(₱5,089,325,470)	₱19,475,831,992
Liabilities	₱4,610,416,963	₱356,511,242	₱4,573,614	₱10,925,010,747	(₱3,896,072,460)	₱12,000,440,106
Other information:						
Personnel costs	₱–	₱–	₱77,076,988	₱114,226,439	₱–	₱191,303,427
Capitalized borrowing cost	159,586,770	26,668,479	–	–	–	186,255,249
Depreciation and amortization	–	–	–	26,722,029	–	26,722,029

	2018					
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱992,593,844	₱132,436,268	₱112,014,081	₱–	(₱104,574,107)	₱1,132,470,086
Segment expenses	(708,597,330)	(49,516,118)	(41,225,144)	(309,856,593)	92,785,452	(1,016,409,733)
Segment profit	283,996,514	82,920,150	70,788,937	(309,856,593)	(11,788,655)	116,060,353
Net gain on change in fair value of investment properties	–	172,819,094	–	–	–	172,819,094
Finance cost	–	–	–	(76,708,027)	3,060,739	(73,647,288)
Other income - Net	319,553,431	196,876	–	29,853,561	(10,483,175)	339,120,693
Income before income tax	603,549,945	255,936,120	70,788,937	(356,711,059)	(19,211,091)	554,352,852
Provision for income tax						(165,735,606)
Net income						388,617,246
Other comprehensive income						10,721,104
Total comprehensive income						₱399,338,350
Assets	₱5,802,492,565	₱6,050,968,705	₱2,966,227	₱3,871,825,219	(₱3,391,786,953)	₱12,336,465,763
Liabilities	₱2,214,206,101	₱2,296,723,057	₱2,966,227	₱4,928,501,373	(₱2,364,209,081)	₱7,078,187,677
Other information:						
Gain on settlement of loans payable	₱319,553,431	₱–	₱–	₱–	₱–	₱319,553,431
Personnel costs	–	–	41,225,144	135,422,167	–	176,647,311
Capitalized borrowing cost	68,332,597	104,494,260	–	–	–	172,826,857
Depreciation and amortization	–	–	–	15,449,610	–	15,449,610

	2017					
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱433,964,838	₱22,997,690	₱126,376,629	₱–	(₱119,800,563)	₱463,538,594
Segment expenses	(285,383,634)	(7,993,691)	(41,195,144)	(399,204,847)	78,708,693	(655,068,623)
Segment profit	148,581,204	15,003,999	85,181,485	(399,204,847)	(41,091,870)	(191,530,029)
Net gain on change in fair value of investment properties	–	428,390,699	–	–	–	428,390,699
Finance cost	–	–	–	(93,929,151)	13,265,911	(80,663,240)
Other income – Net	–	140,463	–	146,567,067	(79,264,212)	67,443,318
Income before income tax	148,581,204	443,535,161	85,181,485	(346,566,931)	(107,090,171)	223,640,748
Provision for income tax						(85,240,763)
Net income						138,399,985
Other comprehensive income						4,426,366
Total comprehensive income						₱142,826,351
Assets	₱2,898,465,626	₱6,586,138,745	₱982,148	₱5,153,012,200	(₱3,391,786,953)	₱11,246,811,766
Liabilities	₱804,117,076	₱2,250,448,813	₱922,826	₱ 5,491,913,307	(₱2,364,209,081)	₱6,183,192,941
Other information:						
Personnel costs	₱–	₱–	₱41,195,144	₱87,866,752	₱–	₱129,061,896
Capitalized borrowing cost	36,653,151	68,169,703	–	–	–	104,822,854
Depreciation and amortization	–	–	–	9,330,955	–	9,330,955

30. Events After Reporting Period

Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	March 3, 2020	March 6, 2020	March 27, 2020	₱17,319,000	₱1.73
Series B preferred shares	February 11, 2020	February 14, 2020	March 6, 2020	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2019.

Issuance of ASEAN Green Bonds

In January 2020, the SEC approved the shelf registration of the ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The ₱3.0 billion initial tranche of the Bonds shall have a term ending five (5) years from the Issue Date or on Maturity Date, with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date (see Note 1).

Impact of COVID-19

The country is currently experiencing a pandemic virus (COVID-19) crisis resulting in a slowdown in the Philippine economy because of mandated enhanced community quarantine all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Group's operations and financial performance, however, cannot be reasonably determined as at our report date.

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated March 25, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,929 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1499-AR-1 Group A
Valid until July 17, 2021
BIR Accreditation No. 08-005144-012-2020
Valid until January 1, 2023
PTR No. 8116478
Issued January 6, 2020, Makati City

March 25, 2020
Makati City, Metro Manila

INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated March 25, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and no material exceptions were noted.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
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Issued January 6, 2020, Makati City

March 25, 2020
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	2019	2018	2017
Current/Liquidity Ratio				
	Current assets	**₱11,845,785,847**	₱6,077,365,868	₱4,585,260,285
	Divided by: Current liabilities	**6,113,724,853**	2,480,623,954	2,952,248,591
	Current/Liquidity ratio	**1.94:1.00**	2.45:1.00	1.55:1.00
Acid Test Ratio				
	Cash and cash equivalents	**₱407,214,384**	₱285,413,332	₱589,821,509
	Add: Financial assets at FVPL	**772,186,717**	196,094,319	519,853,358
	Add: Receivables	**389,687,736**	236,463,779	86,003,743
	Quick assets	**1,569,088,837**	717,971,430	1,195,678,610
	Divided by: Current liabilities	**6,113,724,853**	2,480,623,954	2,952,248,591
	Acid Test ratio	**0.26:1.00**	0.29:1.00	0.41:1:00
Solvency Ratio				
	Net income	**₱1,487,147,877**	₱388,617,246	₱138,399,985
	Add: Depreciation	**26,722,029**	15,449,610	9,330,955
	Net income before depreciation	**1,513,869,906**	404,066,856	147,730,940
	Divided by: Total liabilities	**12,000,440,106**	7,078,187,677	6,183,192,941
	Solvency ratio	**0.13:1.00**	0.06:1.00	0.02:1:00
Debt-to-Equity Ratio				
	Total liabilities	**₱12,000,440,106**	₱7,078,187,677	₱6,183,192,941
	Divided by:Total equity	**7,475,391,886**	5,258,278,086	5,063,618,825
	Debt-to-Equity ratio	**1.61:1.00**	1.35:1.00	1.22:1.00
Debt-to-Equity Ratio				
	Interest-bearing liabilities	**₱6,925,381,746**	₱4,169,976,102	₱2,617,491,406
	Divided by: Total equity	**7,475,391,886**	5,258,278,086	5,063,618,825
	Debt-to-Equity ratio	**0.93:1.00**	0.79:1.00	0.52:1.00
Asset-to-Equity Ratio				
	Total assets	**₱19,475,831,992**	₱12,336,465,763	₱11,246,811,766
	Divided by: Total equity	**7,475,391,886**	5,258,278,086	5,063,618,825
	Asset-to-Equity ratio	**2.61:1.00**	2.35:1.00	2.22:1.00
Interest Rate Coverage Ratio				
	Income before income tax	**₱2,123,292,911**	₱554,352,852	₱223,640,748
	Add: Interest expense	**124,339,961**	72,872,660	77,918,542
	Pre-tax income before interest	**2,247,632,872**	627,225,512	301,559,290
	Divided by: Interest expense	**124,339,961**	72,872,660	77,918,542
	Interest Rate Coverage ratio	**18.08:1.00**	8.61:1.00	3.87:1.00

Ratio	Formula	2019	2018	2017
Return on Assets Ratio				
	Net income	**₱1,487,147,877**	₱388,617,246	₱138,399,985
	Divided by: Total assets	**19,475,831,992**	12,336,465,763	11,246,811,766
	Return on Assets ratio	**0.08:1.00**	0.03:1.00	0.01:1.00
Return on Equity Ratio				
	Net income	**₱1,487,147,877**	₱388,617,246	₱138,399,985
	Divided by: Total equity	**7,475,391,886**	5,258,278,086	5,063,618,825
	Return on Equity ratio	**0.20:1.00**	0.07:1.00	0.03:1.00
Net Profit Margin				
	Net income	**₱1,487,147,877**	₱388,617,246	₱138,399,985
	Divided by: Revenues	**3,847,857,424**	1,132,470,086	463,538,594
	Return on Equity ratio	**0.39:1.00**	0.34:1.00	0.30:1.00

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated March 25, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Schedule of Use of Proceeds
- Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
- Conglomerate Map

These schedules are presented for purposes of complying with the Part II of the Revised SRC Rule 68, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
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Issued January 6, 2020, Makati City

March 25, 2020
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED
BY PAR. 6 PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2019

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash on Hand	₱80,000	₱80,000	₱–	₱–
Cash in Banks:				
Banco De Oro	220,563,108	220,563,108	–	
Bank of the Philippines	45,171,938	45,171,938	–	
Asia United Bank	21,293,741	21,293,741	–	
Philippine National Bank	20,835,324	20,835,324	–	
UnionBank of the Philippines	20,313,455	20,313,455	–	
Metropolitan Bank and Trust Company	12,563,030	12,563,030	–	
Maybank of the Philippines	3,362,504	3,362,504	–	
Others	274,742	274,742	–	
	344,377,842	344,377,842	–	4,678,550
Short-term Placements:				
Bank of the Philippines	58,141,240	58,141,240	58,141,240	
Bank of Makati	2,121,899	2,121,899	2,121,899	
Banco De Oro	1,351,765	1,351,765	1,351,765	
Metropolitan Bank and Trust Company	929,568	929,568	929,568	
Security Bank	212,070	212,070	212,070	
	62,756,542	62,756,542	62,756,542	8,340,308
Deposits	62,270,945	62,270,945	–	–
Investments in Money Market Fund	772,186,717	772,186,717	772,186,717	–
Investment in Time Deposits	–	–	–	470,498
Amounts Held in Escrow	85,402,876	85,402,876	–	–
	₱1,327,074,922	₱1,327,074,922	₱834,943,259	₱13,489,356

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

			Deductions		Ending Balance		
Name and designation of debtor	**Balance at beginning of year**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Not current**	**Balance at end of year**
Due from Related Parties:							
CPG Holdings, Inc.	₱36,052,873	₱–	₱–	₱–	₱36,052,873	₱–	₱36,052,873
Centrobless Corporation	–	12,856,017	–	–	12,856,017	–	12,856,017
Signature Office Property, Inc.	–	4,932,492	–	–	4,932,492	–	4,932,492
	₱36,052,873	₱17,788,509	₱–	₱–	₱53,841,382	₱–	₱53,841,382

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

			Deductions		Ending Balance		
Name and designation of debtor	**Balance at beginning of year**	**Additions**	**Amounts Collected**	**Amounts written off**	**Current**	**Not current**	**Balance at end of year**
Advances to subsidiaries:							
Bhavya Property Holdings, Inc.	**₱–**	₱709,020,644	(₱44,000,000)	₱–	₱665,020,644	₱–	**₱665,020,644**
Cazneau, Inc.	**483,822,258**	130,054,092	(6,554,092)	–	607,322,258	–	**607,322,258**
Bhavana Property Holdings, Inc.	**–**	588,950,000	(54,911,104)	–	534,038,896	–	**534,038,896**
Cebu Lavana Land Corp.	**447,500,000**	50,376,362	(2,876,362)	–	495,000,000	–	**495,000,000**
Savya Land Development Corporation	**497,381,392**	225,680	(10,107,072)	–	487,500,000	–	**487,500,000**
Zileya Land Development, Inc.	**353,023,444**	39,467,045	(3,017,045)	–	389,473,444	–	**389,473,444**
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	**62,304,320**	3,606,590	(606,590)	₱–	65,304,320	–	**65,304,320**
Emera Property Management, Inc.	**–**	6,425,421	(4,865,266)	–	1,560,155	–	**1,560,155**
Pradhana Land, Inc.	**–**	300,000	–	–	300,000	–	**300,000**
Khastha Holdings, Inc.	**–**	125,000	–	–	125,000	–	**125,000**
	₱1,844,031,414	₱1,528,550,834	(₱126,937,531)	₱–	₱3,245,644,717	₱–	**₱3,245,644,717**
Nontrade receivables from subsidiaries:							
Savya Land Development Corporation	**₱–**	₱156,636,539	(₱156,636,539)	₱–	₱–	₱–	₱–
Cebu Lavana Land Corp.	**133,547,340**	91,000,000	(224,547,340)	–	–	–	–
	₱133,547,340	₱247,636,539	(₱381,183,879)	₱–	₱–	₱–	₱–
Advances from subsidiaries:							
Manchesterland Properties, Inc.	**₱281,158,275**	₱1,000,000	₱–	₱–	₱282,158,275	₱–	**₱282,158,275**
Cebu Lavana Land Corp.	**267,122**	–	–	–	267,122	–	**267,122**
	₱281,425,397	₱1,000,000	₱–	₱–	₱282,425,397	₱–	**₱282,425,397**

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2019

			Amount shown under caption "Long-Term Debt" in related statement of financial position			
Title of issue and type of obligation	**Amount authorized by indenture**	**Amount shown under caption "Current portion of long-term debt" related balance sheet**	**Carrying amount**	**Interest Rate(s)**	**Payment Terms**	**Maturity Dates**
Bank Loans:						
Bank 1	₱2,350,000,000	₱633,000,000	₱1,533,666,000	5.77%	Quarterly	July 31, 2021
Bank 2	2,000,000,000	96,435,051	1,861,017,243	5.81%	Quarterly	July 7, 2025
Bank 3	1,440,000,000	–	1,082,656,498	8.58%	Quarterly	August 29, 2023
Bank 4	500,000,000	500,000,000	–	6.38%	At end of term	February 17, 2020
Bank 5	335,728,189	335,728,189	–	8.00%	At end of term	November 23, 2020
Bank 6	300,000,000	298,154,795	–	5.75%	At end of term	June 15, 2020
Bank 7	250,000,000	250,000,000	–	6.13%	At end of term	January 27, 2020
Bank 8	100,000,000	100,000,000	–	6.25%	At end of term	January 10, 2020
Bank 9	100,000,000	100,000,000	–	5.50%	At end of term	September 25, 2020
Bank 10	50,000,000	50,000,000	–	7.00%	At end of term	April 8, 2020
Various loans from private funders	84,723,970	84,723,970	–	3.50%	Renewable on maturity	January 20, March 1, and June 1, 2020
	₱7,510,452,159	₱2,448,042,005	₱4,477,339,741			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2019

			Deductions		Ending Balance		
Name and designation of debtor	**Balance at beginning of year**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Not current**	**Balance at end of year**
Due to related parties:							
Help Holdings, Inc.	₱–	₱632,919,597	₱–	₱–	₱632,919,597	₱–	₱632,919,597
Rock & Salt B.V.	386,666,691	125,000,009	–	–	511,666,700	–	511,666,700
	₱386,666,691	₱757,919,606	₱–	₱–	₱1,144,586,297	₱–	₱1,144,586,297

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2019

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	3,401,349,910	9	1,916,745,280
Preferred shares - ₱1.00 par value per share	50,000,000	42,500,000	–	12,500,000	–	30,000,000

ARTHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE OF USE OF PROCEEDS
Series B Preferred Shares
DECEMBER 31, 2019

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱–
Makati CBD Residential Project	371.6	371.6	371.6	–
Binan Laguna Project	331.9	331.9	230.6	101.3
Partial repayment of loans	330.0	330.0	330.0	–
General corporate purposes	62.3	63.4	63.4	–
Cebu Exchange project	53.6	53.6	53.6	–
Total	**₱1,971.8**	**₱1,972.9**	**₱1,871.6**	**₱101.3**

ARTHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE OF USE OF PROCEEDS
Series C Preferred Shares
DECEMBER 31, 2019

The estimated gross proceeds from the offer amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

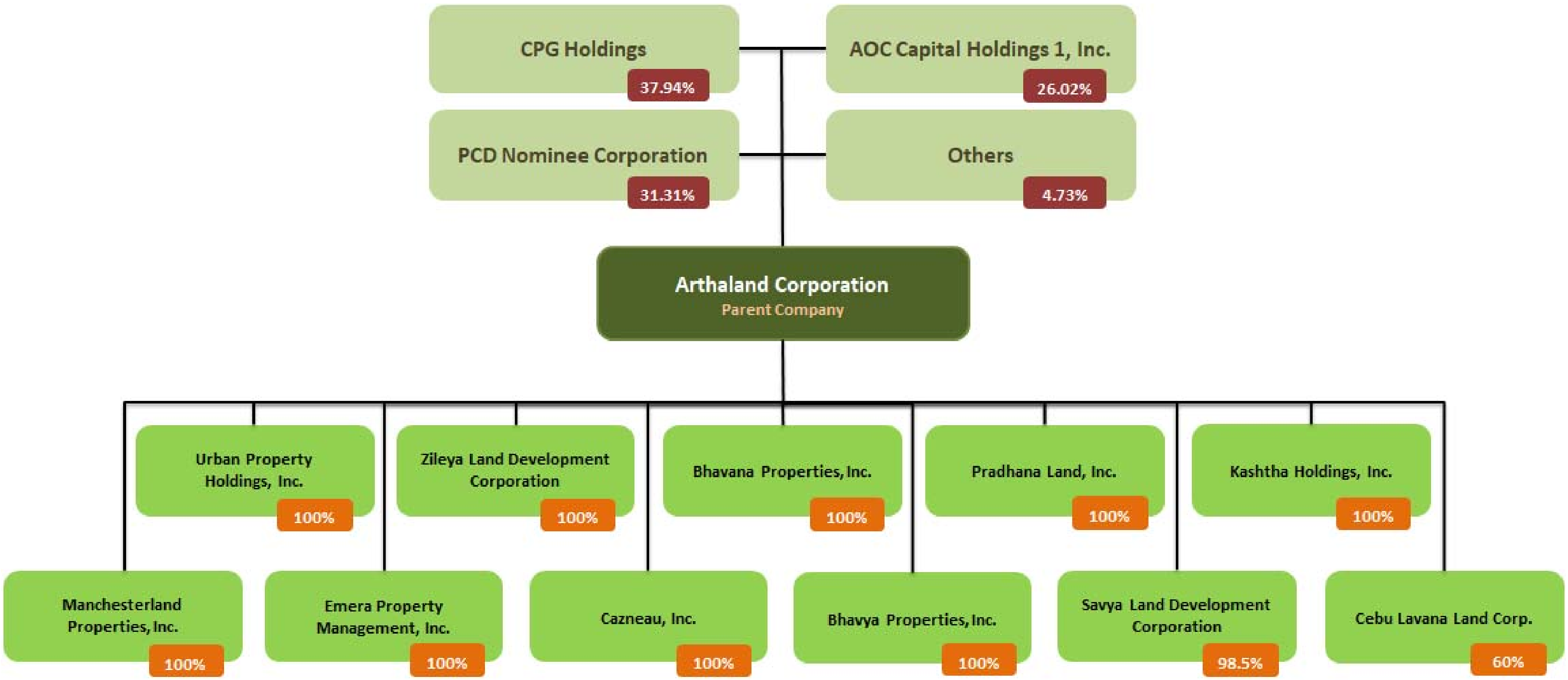
Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱–
Makati CBD Residential Project 2	530.0	530.0	530.0	–
General corporate purpose	154.1	155.3	155.3	–
Total	**₱984.1**	**₱985.3**	**₱985.3**	**₱–**

ARTHALAND CORPORATION
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Unappropriated retained earnings, beginning		₱1,365,140,988
Adjustments:		
Cumulative gain on change in fair value of investment properties	(749,878,598)	
Unrealized holding loss on financial assets at FVPL	6,759,981	
Accumulated depreciation and amortization of investment properties	(676,671)	(743,795,288)
Unappropriated retained earnings, as adjusted for dividend distribution, beginning		621,345,700
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	787,245,534	
Realized holding gains on financial assets at FVPL	(6,759,981)	780,485,553
Less: Non-actual/unrealized income and loss, net of tax		
Gain on change in fair value of investment properties	(766,454,253)	
Depreciation and amortization of investment properties	(27,980,782)	
Unrealized holding gains on financial assets at FVPL	(778,461)	
Depreciation of fair value of property and equipment	628,994	(794,584,502)
Cash dividends		(239,371,142)
Unappropriated retained earnings, end of the year available for dividend		₱367,875,609

CONGLOMERATE MAP



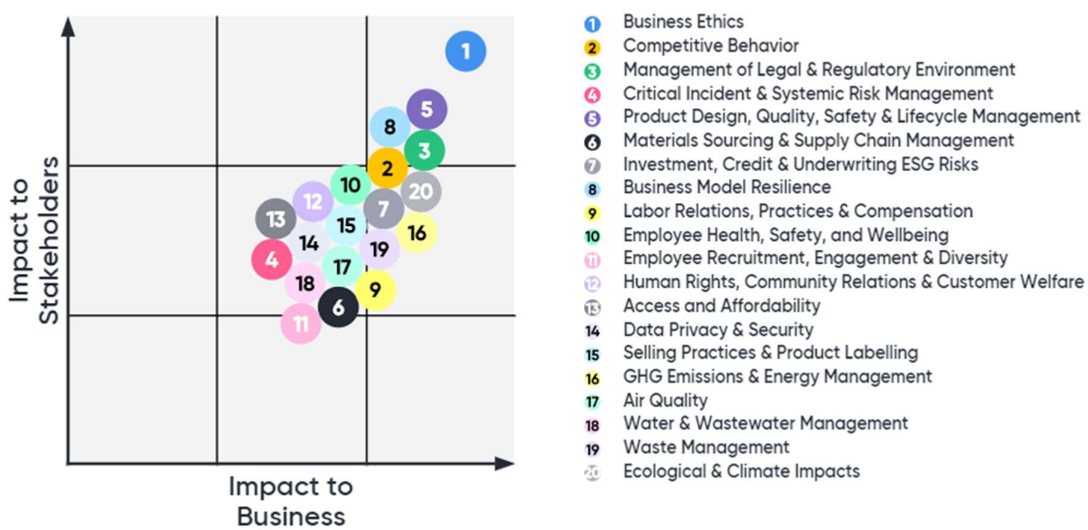
SUSTAINABILITY REPORT

Company Details	
Name of Organization	ARTHALAND CORPORATION ("Arthaland")
Location of Headquarters	7F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This Annex shall report on the operations of the following developments/projects of Arthaland and its subsidiaries: 1. Arthaland Century Pacific Tower (ACPT), owned by Arthaland Corporation and managed by Emera Property Management, Inc. (Emera) 2. Cebu Exchange, owned by Cebu Lavana Land Corp. and to be managed by Emera 3. Savya Financial Center, owned by Savya Land Development Corporation and to be managed by Emera 4. Sevina Park, owned by Cazneau Inc. and to be managed by Emera, and 5. Arya Residences, managed by Emera.
Business Model, including Primary Activities, Brands, Products, and Services	Arthaland is a green developer recognized by both local and global organizations for its superior design, high quality, and focus on sustainability and innovation. Its portfolio is 100% certified and/or vying for green building certification, composed of residential and commercial buildings, and neighborhood development.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Jaime C. Gonzalez Vice Chairman and President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[14]
Arthaland is the pioneer developer of premium green and sustainable projects. At the heart of every Arthaland project is sustainability, exceptional and innovative design, and high-quality construction standards. Its developments at present are residential and commercial buildings, and a horizontal mixed-use neighborhood development. All these projects adhere to global and national standards for green buildings through the Leadership for Energy and Environmental Design (LEED) rating system of the US Green Building Council (USGBC) and the Building for Ecologically Responsive Design Excellence (BERDE) rating system of the Philippine Green Building Council (PHILGBC). In 2019, Arthaland expanded its sustainability commitment by pursing a third green building rating tool, the Excellence for Design and Greater Efficiencies (EDGE) rating system of the International Finance Corporation (IFC). Building its foundations in sustainable development, Arthaland understands the significant impacts that its developments bring to the economy, the environment and the society. Arthaland identified significant areas of its business activities that contribute, presently and potentially, to its financial, social and environmental performance in accordance with the Global Reporting Initiative (GRI) guidelines. In two different sessions, Top Management and select business units identified, assessed and prioritized sustainability concerns based on their expertise, decision process, and knowledge that represent the interests of stakeholders particularly, customers, employees, contractors and local communities. The materiality assessment sessions resulted in the following:



Criticality of topics are measured as low, medium or high depending on the degree of effect of these topics to Arthaland's business and stakeholders. Thus, topics identified as high and medium level of criticality are presented in this Report. Other topics are either deemed with low level of criticality or not applicable to the business of Arthaland.

Each material topic answers to a standard/s set by the GRI that helps monitor Arthaland's performance towards a more sustainable business (see Table A). As Arthaland leans towards sustainable design, construction and operations, it contributes to the Sustainable Development Goals (SDGs) of the United Nations (UN). Arthaland follows a framework where people, planet and profit prosper simultaneously

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[14]
through (1) Business and Project Development, (2) Project Planning, (3) Project Implementation, and (4) Delivery and After Sales.

Table A. Alignment of Material Topics to GRI Standards

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
High	Business Ethics	**GRI 102-16**: Values, principles, standards, and norms of behavior **GRI 205**: Anti-corruption	**SDG 16**: Peace, Justice and Strong Institutions
High	Product Design, Quality, Safety & Lifecycle Management	**GRI 102-9**: Supply chain **GRI 204**: Procurement Practices **GRI 308**: Supplier Environmental Assessment **GRI 414**: Supplier Social Assessment **GRI 416**: Customer Health and Safety	**SDG 9**: Industry, Innovation and Infrastructure **SDG 12**: Responsible Consumption and Production
High	Business Model Resilience	**GRI 102-11**: Precautionary Principle or approach **GRI 102-15**: Key impacts, risks, and opportunities	**SDG 16**: Peace, Justice and Strong Institutions
High	Management of Legal & Regulatory Environment	**GRI 307**: Environmental Compliance **GRI 419**: Socioeconomic Compliance	**SDG 16**: Peace, Justice and Strong Institutions
High	Competitive Behavior	**GRI 206**: Anti-competitive Behavior	**SDG 16**: Peace, Justice and Strong Institutions
High	Ecological & Climate Impacts	**GRI 304**: Biodiversity	**SDG 13**: Climate Action
Medium	Employee Health, Safety, and Wellbeing	**GRI 403**: Occupational Health and Safety	**SDG 3**: Good Health and Well-being
Medium	Investment, Credit & Underwriting ESG Risks	**GRI 102-15**: Key impacts, risks, and opportunities	**SDG 17**: Partnership for the Goals
Medium	GHG Emissions & Energy Management	**GRI 302**: Energy **GRI 305**: Emissions	**SDG 7**: Affordable and Clean Energy
Medium	Human Rights, Community Relations & Customer Welfare	**GRI 408**: Child Labor **GRI 409**: Forced or Compulsory Labor **GRI 411**: Rights of Indigenous Peoples **GRI 412**: Human Rights Assessment **GRI 413**: Local Communities	**SDG 10**: Reduced Inequalities

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[14]

		GRI 416: Customer Health and Safety	
Medium	Selling Practices & Product Labelling	**GRI 417**: Marketing and Labeling	**SDG 12**: Responsible Consumption and Production
Medium	Waste Management	**GRI 306**: Effluents and Waste	**SDG 12**: Responsible Consumption and Production
Medium	Access and Affordability	**GRI 206**: Anti-competitive Behavior	**SDG 11**: Sustainable Cities and Communities
Medium	Data Privacy & Security	**GRI 418**: Customer Privacy	**SDG 16**: Peace, Justice and Strong Institutions
Medium	Air Quality	**GRI 305**: Emissions	**SDG 13**: Climate Action
Medium	Labor Relations, Practices & Compensation	**GRI 401**: Employment **GRI 402**: Labor/Management Relations	**SDG 1**: No Poverty **SDG 8**: Decent Work and Economic Growth
Medium	Critical Incident & Systemic Risks Management	**GRI 102-15**: Key impacts, risks, and opportunities	**SDG 16**: Peace, Justice and Strong Institutions
Medium	Water & Wastewater Management	**GRI 303**: Water and Effluents **GRI 306**: Effluents and Waste	**SDG 6**: Clean Water and Sanitation
Medium	Materials Sourcing & Supply Chain Management	**GRI 102-9**: Supply Chain **GRI 204**: Procurement Practices **GRI 301**: Materials **GRI 308**: Supplier Environmental Assessment **GRI 414**: Supplier Social Assessment	**SDG 12**: Responsible Consumption and Production
Medium	Employee Recruitment, Engagement & Diversity	**GRI 401**: Employment **GRI 405**: Diversity and Equal Opportunity	**SDG 5**: Gender Equality **SDG 8**: Decent Work and Economic Growth

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure		Amount	Units
Direct economic value generated		3,878,345,246	Php
Direct economic value distributed	Operating costs, including payment to suppliers*	2,538,014,303	Php
	Employee wages & benefits	191,303,427	Php
	Dividends to stockholders and interest payments	331,311,804	Php
	Taxes to government	192,459,044	Php
	Community investments	600,000	Php
Direct economic value retained		624,656,668	Php

**net of other costs identified (wages,taxes,community investments)*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
A company's business model affects its overall economic performance that is primarily impacted by market view and acceptance.	Shareholders and Stakeholders	Arthaland creates shareholder and stakeholder value by positioning itself as a green developer who designs, constructs and operates buildings and neighborhoods that are sustainable through nationally and globally recognized rating systems, such as the LEED and the BERDE green building rating tools. And in 2019, Arthaland's newest sustainability commitment for its future projects is to vie for a third green building certification, EDGE. Arthaland's portfolio consists of: • Arya Residences (Arya), the company's flagship residential development, is the first and only dual certified residential building in the Philippines to date, having been awarded with LEED Gold and BERDE 4-Stars. • Arthaland Century Pacific

		Tower (ACPT), the company's flagship office development, is the only triple certified building in the Philippines at present, having been awarded the highest distinctions of LEED Platinum, BERDE 5-Stars, and EDGE Zero Carbon. • Cebu Exchange (CebEx) is an office building in Cebu vying for LEED and BERDE certifications. • Savya Financial Center is an office building in Arca South, Taguig City also vying for LEED and BERDE certifications. • Sevina Park is a horizontal mixed-use development vying for LEED Neighborhood Development and LEED Homes.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
All businesses have the risk of implementing its business plans and strategies successfully.	Shareholders, Business & Project Development Department, Technical Services Department, Management and Project Services Department	Arthaland continues to capitalize on the extensive experience of its management team composed of highly experienced industry veterans from various real estate developers, carrying a wealth of cumulative management experience in the Philippines and abroad to transform its plans into reality through a deep understanding of the market as well as the careful formation of its strategies. Arthaland also banks on the success of Arya and ACPT as proof of its track record and capability to deliver quality projects on schedule and within budget.
What are the Opportunity/ies	Which stakeholders	Management Approach

Identified?	are affected?	
There is growth opportunities in different market segments and geographic areas.	Business & Project Development Department	Arthaland remains constantly on the lookout for opportunities to acquire properties in different segments and locations that match its development plans.

Climate-related risks and opportunities[15]

Governance	
Disclose the organization's governance around climate-related risks and opportunities	Arthaland's foundation is building sustainable developments where climate-related subjects are an essential part. This direction starts with the Board of Directors, then the President, and finally, Management. Each department in Arthaland plays a role in the wholistic delivery of sustainable developments. The Board of Directors consider climate-related risks and opportunities through the recommendations of Management and their alignment with Arthaland's mission and vision, which is, in brief, to be the preferred and world-class company for sustainable developments that provides a wealth of life to its stakeholders. In 2019, Arthaland reworded its vision, mission and core values to give further emphasis to its commitment to sustainability, sending a clearer message that Arthaland is building sustainable legacies.
Strategy	
Disclose the actual and potential impacts[16] of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Extreme weather events and major natural disasters impact the business in its timely delivery of projects and the repair costs of potential damage, while major biodiversity loss and ecosystem collapse impacts resources which are essential to the construction and operations of developments. To reduce climate-related risks and take advantage of opportunities, Arthaland supports the conservation of biodiversity, and designs and constructs buildings that mitigate and adapt to climate change, and reduce man-made environmental damage and disasters.
Risk Management	
Disclose how the organization identifies, assesses, and manages	Arthaland gives climate-related risks high importance because of their significant impact not only to its projects themselves, but also to the surrounding communities. As a result, Arthaland always aims to contribute positively in different aspects of green building, such as location and

climate-related risks	transportation, site development, water, energy and waste. Experts are engaged to deliver green buildings in every aspect. One such activity is to identify and address climate-related risks by engaging for each project licensed geologists/engineers to conduct an Engineering Geological and Geohazard Assessment Report (EGGAR) which contains suggested design strategies and construction methodologies to address the site conditions.
Metrics and Targets	
Disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material	All of Arthaland's developments shall be sustainable through the following: • Securing third party green building certifications – at present, defined by achieving USGBC's LEED and PHILGBC's BERDE certifications • Beginning 2019, undertaking to vie for IFC's EDGE green building rating certification for its future projects • Providing at least 30% of the project sites for open space and vegetation • Ensuring building designs that are performing at least 10% more energy efficient than the globally recognized sustainable standard[a]; and • Ensuring building designs that are performing at least 10% more water efficient than the baseline set by the globally recognized standard[b]. Arthaland developments claim the following: • Arya is the first and only residential building in the Philippines to date that is dual certified, having achieved LEED Gold and BERDE 4-Stars. • ACPT is the first and only triple certified office building in the Philippines at present, having achieved the highest ratings of LEED Platinum, BERDE 5-Stars and EDGE Zero Carbon. Arthaland and its developments are multi-awarded by various local and global organizations. The recognition received for 2019 are, as follows: • Special Recognition in Sustainable Development by the Philippines Property Awards • Best Green-Feature Development (ACPT) by Japan International Property Awards • Best Commercial Green Development (ACPT) by Asia Property Awards, and • Best Office High-rise Development (CebEx) by Japan International Property Awards

a - The globally recognized sustainable standard is the baseline prescribed ASHRAE 90.1-2007 for sustainable buildings.
b - The globally recognized standard is set by International Plumbing Code and Uniform Plumbing Code.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers [c]	99.75	%

c – Suppliers who are registered and have a business address in the Philippines.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procurement practices reflect a company's business ethics and competitive behavior, which paints the company's image.	Shareholders/ Organization	Arthaland established policies on Business Conduct and Ethics, Conflict of Interest, Anti-Corruption and Bribery, Insider Trading, Related Party Transactions, to name a few. These policies indicate that the following, at the very least, shall be implemented: • Promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity • Disclosure of any conflict of interest on personal, professional and business interests • Zero-tolerance to bribery and corruption, and • No inside trading allowed and related party transactions must at all times be arms-length.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Unethical procurement practices will not only paint the wrong and bad image of the company, it can also expose the company to substandard service and/or overpricing.	Employees and Vendors (Designers, Contractors, and the like)	Arthaland ensures that it follows due process in bidding and in the evaluation or selection of vendors thereby upholding Arthaland's core value "we work with integrity."
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to ensure that good procurement practices are relevant to the present time.	Board of Directors, Strategic Procurement Department, Employees	Review of procurement practices and related policies are done annually, and as often as may be necessary, to ensure relevance to the present time.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Corruption reflects the company's business ethics, which paints the company's image.	Shareholders, Board of Directors, Management and Employees	Arthaland has established a policy on anti-corruption and bribery which categorically states that it has zero-tolerance to bribery and corruption in all its dealings and engagement.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Wrong practices will have a negative impact on Arthaland's reputation. Exposure to this risk is during the selection of vendors.	Employees and Vendors (Designers, Contractors and the like)	Arthaland ensures that employees exposed to such risks know the related policies and the proper procedure in handling situations that could put the company at risk. Another core value of Arthaland is "we always work with integrity".
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Opportunity to ensure that the Anti-corruption and Bribery Policy is relevant to the present time.	Board of Directors, and the entire organization	Review of the Anti-corruption and Bribery Policy and related policies are done annually, or as often as may be necessary, to ensure relevance to the present time.

Incidents of Corruption

Disclosure	Quantity	Units

Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Corruption incidence is a partial indication of a company's corruption risk level.	Board of Directors, Employees and Business Partners	Arthaland strictly implements its Anti-corruption and Bribery Policy to ensure proper procedures are followed to avoid and/or handle corruption, if any arise.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The departments or individuals who handle procurement of materials or awarding of contracts have the highest risk for corruption.	Strategic Procurement Department	Part of Arthaland's Anti-corruption and Bribery Policy is that there is no one individual who can decide to whom to award a contract.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to ensure that all departments and individuals are free of corruption.	Employees	Arthaland has external auditors who review the company's proceedings and ensure that all is in proper order and free of corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity[d]	Units
Energy consumption (renewable sources)	10,805	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)[e]	51.19	GJ
Energy consumption (electricity)	3,078,995	kWh

d - The quantity includes offices operations, existing buildings property management office and common areas under Arthaland's jurisdiction in the reporting year.

e - The diesel records include consumption of generator set for preventive maintenance but not necessarily the consumption to supply the buildings' energy demand.

Reduction of energy consumption

Disclosure	Quantity [f]	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel) [g]	-183	GJ
Energy reduction (electricity)	-96,477	kWh

f - The difference factors in the reporting year's and previous year's records are all under Arthaland's jurisdiction. A negative reduction is expected due to the increase in property size in the current year.
g - The diesel records include consumption of generator set for preventive maintenance but not necessarily the consumption to supply the buildings' energy demand.

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The product design is a significant factor to a building's energy performance, while the energy consumption impacts businesses economically in utility costs, as well as in the environmental footprint in GHG emissions.</td><td>Shareholders and Building Occupants</td><td>The design of the building is one of the significant factors that enables its occupants to reduce their operational energy demand. Arthaland strives to deliver buildings that are at least 10% more energy efficient than the ASHRAE 90.1-2007 baseline for sustainable buildings. The energy savings is calculated by a third-party consultant and verified by a globally recognized certifying body, Green Business Certification, Inc. (GBCI). The following developments of Arthaland have been designed and is performing according to below energy savings of the said sustainable baseline standard:
<table>
<tr><th>Buildings [h]</th><th>Designed Energy Savings</th><th>Actual Average Energy Savings [i]</th></tr>
<tr><td>Arya</td><td>33%</td><td>75%</td></tr>
<tr><td>ACPT</td><td>33%</td><td>32%</td></tr>
<tr><td>CebEx[j]</td><td>11%</td><td>N/A</td></tr>
</table>
h - Other developments are not yet included in this table because energy projections have not yet been completed.
i - Actual percentage savings are calculated based on average actual annual building energy consumption for the past 3yrs and the annual sustainable</td></tr>
</table>

		baseline standard. j – The design energy savings of CebEx is subject to change until final verification of GBCI.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The energy consumption of every building and organization is directly proportional to their GHG emissions contributions which is the prime factor to climate change and global warming.	Building Occupants and surrounding communities	Arthaland will continue to design and build third-party certified sustainable buildings to enable its occupants to have energy savings and reduced GHG emissions.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Buildings of certain energy capacity have the opportunity to be supplied by renewable sources.	Building Occupants	Arthaland engages renewable energy suppliers which can provide the equivalent energy demand of eligible developments. ACPT is 100% supplied by a hydroelectric power plant, and this earned it an award and title from IFC as the first in the world to be a Zero Carbon certified building under the EDGE rating tool.

Water consumption within the organization

Disclosure	Quantity [k]	Units
Water withdrawal	0	Cubic meters
Water consumption	33,221	Cubic meters
Water recycled and reused	2,470[l]	Cubic meters

k - The quantity includes office operations of Arthaland and existing building property management offices and common areas of Arya and ACPT in the reporting year. This includes water consumption for the Business Center, irrigation for the landscape areas, common toilets, etc.
l – No meter has been installed yet to measure its actual usage. The measure indicated in the recycled and reused water volume is the difference of the submeter readings and the main meter.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

<table>
<tr>
<td>The product design is a significant factor to a building's water performance, and the water consumption impacts the business economically in utility costs, as well as an environmental stress to the aquifers.</td>
<td>Building users and surrounding communities</td>
<td>The design of the building is one of the significant factors that will enable its occupants to reduce their operational water demand. Arthaland strives to deliver buildings that are at least 10% more water efficient than the baseline of the Uniform Plumbing Code, International Plumbing Code, and US Environmental Protection Agency Water Budget Standard. The water savings is calculated by a third-party consultant and verified by a globally recognized certifying body, Green Business Certification Inc. (GBCI). The following Arthaland development has been designed and is performing according to below indoor water savings of the said sustainable baseline standard:
<table>
<tr><th>Buildings [m]</th><th>Designed Water Savings</th><th>Actual Average Water Savings [n]</th></tr>
<tr><td>Arya</td><td>35%</td><td>50%</td></tr>
<tr><td>ACPT</td><td>50%</td><td>45%</td></tr>
<tr><td>CebEx[o]</td><td>43%</td><td>N/A</td></tr>
</table>
m - Other developments are not yet included in this table because energy projections have not yet been completed.
n - Actual percentage savings are calculated based on average actual annual building energy consumption for the past applicable 3yrs and the annual sustainable baseline standard.
o - Cebu Exchange's design energy savings is subject to change until final verification of GBCI.</td>
</tr>
<tr>
<th>What are the Risk/s Identified?</th>
<th>Which stakeholders are affected?</th>
<th>Management Approach</th>
</tr>
<tr>
<td>The water consumption of buildings and organizations create a stress in the aquifers such that it may reach a point where there would be scarcity of potable water.</td>
<td>Building Occupants and surrounding communities</td>
<td>Arthaland will continue to design buildings that are water efficient to reduce the operational water demand of the building occupants and the corresponding stress to the aquifers. Furthermore, Arthaland builds water recycling systems in its developments for alternative water sources of non-potable</td>
</tr>
</table>

		water supply for irrigation water, toilet flushing, outdoor water use, and the like.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is opportunity to design buildings that can source alternative water supply.	Building Occupants	Arthaland designs developments that can harvest graywater sources and reuse them as an alternative source to municipal potable water supply. The graywater sources present in Arthaland's developments are rainwater and condensate water.

Materials[p] used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• Renewable	Not measured	kg/liters
• non-renewable	Not measured	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not measured	%

p - Materials referred to in this section are construction materials sourced by Arthaland's General Contractors, considering Arthaland's sustainable materials specifications.

The existing monitoring system for the materials performance was crafted to measure the sustainability commitment of Arthaland which is based according to each project's material purchases. The major difference between the data requirements of the Securities and Exchange Commission (SEC) and Arthaland's existing monitoring system is that the data are recorded per project regardless of the year purchased, and the unit of measure is recorded per material cost and not as per weight. Moving forward, Arthaland will be setting up a monitoring system that accommodates both requirements for future reports.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Materials are essential and necessary in constructing a building; however, it has an impact on the availability of natural resources. In Arthaland developments, the General Contractors are responsible in sourcing, procuring and installing these materials.	General Contractor	Although construction materials are generally the responsibility of the General Contractors, Arthaland imposes on them guidelines with the following sustainable targets: • At least 10% of the materials' cost must be sustainable by having recycled content, reused materials, bio-based materials, rapidly renewable materials, Forest Stewardship Council (FSC) certified

		wood, etc. • At least 10% of the materials' cost must be sourced within 160 kilometers from the project site, and • 100% of the liquid applied materials (paints, coatings, adhesives, sealants, etc.) per volume must be within the VOC limits of the SCAQMD Compliance is confirmed by Arthaland's third-party consultant and accepted by a globally recognized certifying body, Green Business Certification Inc. (GBCI).
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
High demand for new construction materials affects the availability of natural resources which, without responsible sourcing, may lead to fast depletion and scarcity of materials.	General Contractors, Suppliers, and Manufacturers	Arthaland imposes on its General Contractors guidelines on materials performance targets. This urges General Contractors, as well as suppliers and manufacturers, to learn further and be influenced in coming out with other innovative sustainable materials that can be applied to succeeding projects.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to inform the supply chain in the built industry of the impact of materials in the environment, and the different ways for a material to be sustainable.	General Contractors, Suppliers and Manufacturers	Arthaland conducts workshops, when deemed necessary, for general contractors, suppliers, manufacturers and other members of the built industry to inform and teach them about sustainable materials.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)*

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	N/A	

[17] International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Developing on lands that have significant ecosystem and biodiversity value disrupts these areas of their natural habitat.	Surrounding communities	Arthaland avoids building in lands with significant ecosystem and biodiversity value in order to help in its preservation. This approach includes not building in areas that are: • Agricultural land • Habitat for endangered species • Waterbodies/wetlands • Historical sites, and • High hazard risk.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Continuous disruption of ecosystem and biodiversity can lead to extinction of species and can increase the probability of flood risk due to the reduced biodiversity.	Surrounding communities	Where possible, Arthaland provides venues for endangered trees to grow and be nurtured within its properties. This allows Arthaland to help in propagating endangered biodiversity and mitigate the effects of disrupted ecosystem and biodiversity. Arthaland started this initiative with its 8-hectare mixed use development, Sevina Park, by planting endangered trees such as: • *Pterocarpus indicus* (Narra) • *Diospyros blancoi* (Kamagong) • *Dillenia philippinensis* (Katmon), and • *Vitex parviflora* (Molave).
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity for developers to help in the preservation and restoration of the ecosystem and biodiversity even in lands that is not identified with ecosystem and biodiversity value.	Building users and surrounding communities	Arthaland dedicates an area equivalent to 30% of its site for open space and vegetation. This helps in the increase of biodiversity, a means to manage rainwater, and spaces that building users can enjoy. Below is the percentage of open space and vegetation in each of Arthaland's development:

Development	% Open Space & Vegetation
Arya	43%
ACPT	47%

		The percentage is calculated by the total area of horizontal open space and vegetation over the total site area. Other properties developed by Arthaland will be added in the foregoing list after construction is complete.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	3.58	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	2,192.86	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
GHG is one of the factors to climate change and global warming. Buildings contribute to the GHG emissions through its choice of energy sources and amount used for its operations.	Building Users	The same approach for the Energy Consumption – by designing buildings that is energy efficient, the equivalent GHG emissions contribution of the building users is reduced.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Continuous release of GHG in the atmosphere will advance climate change and worsen global warming.	Building Users	Arthaland designs its developments not only to be sustainable but also to be resilient towards natural hazards. Among the strategies used are: • Smart selection of the site where there is low risk for natural disasters • Due diligence for structural integrity and design, and • Mitigation measures for flooding and heat island effect, and the like
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity to	Building Users	Arthaland continues to study other ways

source from clean energy where there is zero to low GHG emissions.		where all its developments will be able to source from clean and renewable energy.

Air pollutants

Disclosure	Quantity[q]	Units
NO_x	N/A	kg
SO_x	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

q - The measurement of the above air pollutants is not applicable to Arthaland's activities because the risk of having these pollutants' presence in office and residential buildings is very low. Arthaland however has established standards and procedures to ensure that air pollutants are not present in the buildings. These standards and procedures are composed of compliance with international standards for the ventilation design of the developments, and implementation of construction indoor air quality management plan.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Air quality inside buildings can significantly impact the health of those inside it – may it be during occupancy/operations or during construction.	Building users, construction workers	Arthaland ensures that its developments have measures to ensure good air quality both during operational and construction stages, by: • Design compliance to the international standards ASHRAE 62.1 and 62.2 for ventilation. Compliance with this standard means that every space in the building can receive the adequate amount of fresh and clean air during operations. • Implementation of construction indoor air quality management plan which looks after the air pollutants during construction.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The risk for air pollutants to be present inside a building is during and right after construction. During and before project turnover, the General Contractor manages the air quality of the building.	General Contractor, construction workers	It is not deemed important to measure each of the pollutant's concentration since a construction indoor air quality management plan is implemented. The plan observes the following measures throughout the construction phase and the fit-out works to make sure that

		pollutants are not within the spaces: • Use of low emitting materials, e.g. low VOC content materials • Use of human powered or electric equipment to reduce CO pollutants • Use of local exhaust to reduce other construction pollutants
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The risk for these pollutants to be present inside an office or residential building is very low due to the nature of activities.	Building users	It is not deemed important to measure each of the pollutant's concentration within a building's space since the nature of activities in the building is unlikely to have the pollutants. However, measures are implemented to ensure that the buildings are free of these pollutants: • Adequate flow of air to ensure air changes within spaces, either through natural or mechanical ventilation • Standard compliant with the exhaust system in areas that may have high chemical concentration

Solid and Hazardous Wastes

*Solid Waste**

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable	368,085	kg
Recyclable	181,971	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	40,940	kg

**Solid waste referred in this section is construction waste generated by Arthaland's General Contractors.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The construction of a development generates a significant amount of waste which can contribute to	General Contractor	Arthaland ensures that the General Contractor for each development implements a construction waste management plan which contains the

<table>
<tr><td>pollution if not managed properly. The General Contractor manages their generation and waste disposal during construction.</td><td></td><td>following per project:
• Facility for waste segregation, storage and collection
• Proper waste segregation
• Waste diversion rate target of 50% by weight

The table below shows the progress percentage diversion rate of Arthaland developments with generated construction wastes:

<table><tr><th>Projects in Construction</th><th>Progress Diversion Rate</th></tr><tr><td>Cebu Exchange</td><td>93%</td></tr><tr><td>Sevina Park</td><td>100%</td></tr></table>
Progress percentage diversion rate is the project’s accumulative diverted materials over total waste generated from the start of construction until this reporting period.</td></tr>
<tr><th>What are the Risk/s Identified?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Mismanaged construction waste can cause hazards to the community and construction workers if left unattended inside the site and in public places. It can also cause damage or public concerns, should the solid wastes drain to the public sewers.</td><td>General Contractor</td><td>In order to ensure that the construction waste management plan is implemented correctly. Arthaland have set up a procedure where a third-party consultant monitors and verifies the General Contractor’s waste performance.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>The success of waste diversion from landfill/dumpsite is significantly dependent on the waste management on site.</td><td>General Contractor</td><td>All construction developments of Arthaland are required to have a permanent or temporary Material Recovery Facility accessible to the site to ensure that waste segregation, proper storage and collection point is available for easier waste diversion.</td></tr>
</table>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	33	kg

Total weight of hazardous waste transported	33	kg

Hazardous wastes referred in this section is the hazardous waste generated by Arthaland's General Contractor, such as cans of paint, sealants, busted lamps, etc.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The most significant hazardous waste generation in the business life cycle of a project development is during its construction. The General Contractor manages their generation of hazardous waste together with the solid waste.	General Contractor	Arthaland ensures that the General Contractor for each development implements a construction waste management plan which contains the following per project: • Dedicated space for hazardous waste in the waste storage, and • Proper waste segregation and disposal
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Mismanaged hazardous waste can cause health hazards to the community and the environment.	General Contractor	In order to ensure that, the construction waste management plan is implemented correctly, Arthaland has set up a procedure where its third-party consultant frequently inspects the site for compliance.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The proper handling and disposal of hazardous waste is significantly influenced by the availability of storage facilities.	General Contractor	All construction developments of Arthaland are required to have a permanent or temporary Material Recovery Facility, which has a dedicated space for hazardous waste, and accessible to the site to ensure that waste segregation, proper storage and collection point is available for easier waste handling.

Effluents[r]

Disclosure	Quantity	Units
Total volume of water discharges	Not measured	Cubic meters
Percent of wastewater recycled	0	%

r - The volume of effluent water in buildings is relative to its water consumption; hence, it is deemed that establishing a measuring system for the building water consumption is enough to address the effluent water volume. Arthaland developments do not measure effluent volume directly but addresses its environmental impact by the reduction of the building's water consumption.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The volume of wastewater generated by buildings is equivalent to the amount of water that needs to be treated before it is safe to discharge in the public sewers.	Building users	The same approach with the Water Consumption – by reducing the operational water demand of a building reduces the wastewater generated, which also means less water needs to be treated.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Untreated wastewater can damage plant and marine lives where it is discharged.	Surrounding community	Arthaland designs all its developments' wastewater to go through an onsite or offsite sewage treatment plants to ensure that the wastewater generated is properly treated prior to discharge.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
There is an opportunity for buildings to build their own sewage treatment plant and reuse the treated water to offset the building's water demand.	Building users	Arthaland, through the help of experts, designs and builds its own sewage treatment plant in the absence of a centralized plant from the municipality. Among Arthaland developments, CebEx deemed it necessary to build its own, and has taken the same opportunity to reuse the wastewater for the building's non-potable water demand.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where	Which stakeholders	Management Approach

does it occur? What is the organization's involvement in the impact?	are affected?	
The General Contractor's construction activities can impact the environment negatively when not regulated strictly.	Surrounding community	The General Contractors of Arthaland are mandated to acquire all necessary permits prior to construction and to comply with all relative environmental laws during construction.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The General Contractor's noncompliance with the environmental laws can damage the biodiversity within and around the site, which can pose health and safety issues for the surrounding community.	Building users, surrounding community	Arthaland engages experts to assess the development's impact within the site's surrounding areas, and to ensure that the design does not violate any environmental laws.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There are more opportunities to respond to environmental issues other than compliance with environmental laws.	General Contractor	In all of Arthaland's developments, the General Contractors are required to implement an erosion and sedimentation control plan to prevent pollution during construction activities. The plan established ensures that any body of water and public sewers near and around the construction site is protected. These measures include: • Perimeter barrier to contain erosion and sedimentation within the site • Curb protection to filter the stormwater coming from the site before it drains to the public sewers, and • Wash bays for the truck egress to clear their tires of construction soil.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units

Total number of employees[18]	126 [s]	
a. Number of female employees	76	#
b. Number of male employees	50	#
Attrition rate[19]	20%	rate
Ratio of lowest paid employee against minimum wage	9:7	ratio

s – The is the total number of employees of Arthaland Corporation and Emera Property Management, Inc.

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the Year	% of male employees who availed for the Year
SSS	Y	17%	20%
PhilHealth	Y	5%	4%
Pag-ibig	Y	4%	6%
Parental leaves	Y	1%	4%
Vacation leaves (VL)	Y	89%	92%
Sick leaves (SL)	Y	79%	76%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support [t]	Y	1%	4%
Company stock options	Y	0%	0%
Telecommuting	N		
Flexible-working Hours	N		
Transportation allowance	Y [u]	32%	38%

t - Further education support includes formal education, short courses, continuous professional development/education.
u - Transportation benefit depends on the employee's rank. This includes car plan, fuel allowance, and reimbursement of other transportation costs.

[18] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[19] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Attrition rates reflect the business operations through employee productivity and efficiency, project continuity, and the like.	Arthaland aims to keep its attrition rate at the minimum and lessen its negative impact through employee engagement and above average employee benefits.

	Among these employee engagements are: • Townhall meetings • Internal talks/workshops/seminars • External seminars/trainings • Monthly social gatherings • Regular health checkups and information, and • Email announcements. Employee benefits aside from those government mandated are: • Additional VL & SL • Emergency Leaves • Comprehensive medical benefits • Retirement fund • Educational and training support • Company stock options • Transportation benefit • Communication allowances, and • Uniform allowance.
What are the Risk/s Identified?	Management Approach
High attrition rates negatively impact business operations through productivity and sometimes morale.	Arthaland strives to be a good employer, and to promote good working conditions and culture. Arthaland's core values include "we will have fun while getting things done" to promote low stress levels, and "we work together to get better" to promote collaborations between and among employees and consultants.
What are the Opportunity/ies Identified?	Management Approach
Opportunity to identify causes of attrition and to address common issues for better employee retention.	Arthaland closely monitors the engagement levels of employees to identify employee concerns or issues before it worsens. Arthaland also conducts exit Interviews to identify concerns and feedback that led to an employee's resignation.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	1,792	
a. Female employees	1,120	hours
b. Male employees	672	hours
Average training hours provided to employees	14.22	
a. Female employees	14.74	hours/employee
b. Male employees	13.44	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employee training and development impacts Arthaland's product design and quality since it is the employees' expertise that shapes the project's design and quality.	Arthaland supports its employees' professional growth by providing training and development assistance through internal and external trainings/seminars/conferences. Most of the employee's participation are on various topics such as: • Sustainability in different business processes • Green building • Built industry conventions (professionals) • Business Ethics, Anti-corruption & Bribery • Emergency preparedness training, and • Customer-relations training.
What are the Risk/s Identified?	**Management Approach**
Little or no continuous training and development can compromise Arthaland's product design and quality. Products may be substandard, out-of-date or may not be the best solution to the project's green building goals.	Arthaland encourages its employees to participate in related trainings and developments for their continuous professional growth.
What are the Opportunity/ies Identified?	**Management Approach**
Employee training and development is mutually beneficial to employers and employees. It is an opportunity for the employees to improve their proficiency and/or increase their skillset, which, in turn, can benefit the company through their productivity level and application of new skillset.	Arthaland made it a policy for its employees to have continuous training and development and at the same time continue to receive salary for the duration of the trainings/seminars and have scholarly benefits which benefit them in the long run.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	%
Number of consultations conducted with employees concerning employee-related policies	4[v]	#

v - The number of consultations indicated is company-wide orientation/discussion and does not include ad hoc HR orientations, individual drop-in consultations with supervisors and/or members of the human resources department, and the like.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Employee concerns are important to be expressed and addressed because it can impact employee morale and performance.	Arthaland has not had a collective bargaining agreement. All employees are encouraged and are, in fact, able to freely raise their concerns by approaching their respective direct supervisors or anyone in the human resource department.
What are the Risk/s Identified?	Management Approach
Employees concerns that are not expressed and addressed may result to low employee morale and poor performance, which may eventually lead to resignation or termination.	In order to ensure that concerns are addressed properly in due course, Arthaland established a policy to raise and resolve grievances to be managed HRD. The policy allows grievances to be resolved within the affected business unit, but should there be no resolution reached, the matter will be elevated to Management.
What are the Opportunity/ies Identified?	Management Approach
Employees are an integral part of a company's success; hence, it is important for the employers and its employees to have a good working relationship.	Arthaland promotes a harmonious and caring working environment for its employees. The company has open communication lines where employees can approach and raise concern/s at any time and in any medium. Arthaland's recognition of the employee's importance is reflected in its core values "we care for each other", "we will have fun while getting things done", and "we work together to get better."

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector*	6	#

**Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Employees of Arthaland play a crucial role in the product design and quality of projects and they affect the efficiency of the day-to-day business operations.	Arthaland hires based on qualifications and capabilities, which are measured according to merit, ability, competence, experience, good employee track record and appropriateness to the position. Gender, race, religion and the like have no bearing in this process, thereby providing everyone equal opportunity and no bias.
What are the Risk/s Identified?	Management Approach
Bias hiring can be a roadblock to hiring the best fit person for the position and this risk can happen during the process of hiring.	Arthaland practices a qualification-based hiring and assessment, providing equal opportunities to all applicants. This is reflected in Arthaland's core value "we only go for the best".
What are the Opportunity/ies Identified?	Management Approach
Opportunity to ensure that the hiring process continue to reflect equal opportunity and unbiased hiring process.	An annual review of the Human Resources' Recruitment & Regularization Policy and its related policies are done to ensure continued improvement and relevance to present time.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	N/A	Man-hours
No. of work-related injuries	N/A	#
No. of work-related fatalities	N/A	#
No. of work-related ill-health	N/A	#
No. of safety drills	12[w]	#

w - The number of safety drills include building participation such as alarming of sounds, lights, etc. for projects in operation and construction.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Occupational health and safety in high-risk working conditions such as construction is an *important* responsibility of the General Contractor. It does however have an implication to the developer's reputation since it is their property.	Arthaland requires all its General Contractors to have a Philippine Contractors Accreditation Board (PCAB) license before engagement, to submit a sound safety management plan as part of their bid documents, as well as to comply with Occupational Safety and Health Standards (OSHA) during construction. These requirements ensure that the following are in place:

	• Construction workers are oriented, instructed and trained by the construction project manager to assure safe handling of equipment and of disposing waste, and • All employees must have protective equipment for the eyes, face, feet and all crucial body parts when exposed to hazardous work procedures.
What are the Risk/s Identified?	**Management Approach**
Construction works have significant occupational risks because of their high exposure to health and safety issues. Due to its nature of work, workers can be injured, fall ill, or die.	The General Contractors are required to have a Health & Safety Officer who inspects the site to ensure its compliance with OSHA and to identify potential safety risks. An emergency health personnel and facilities are also required depending on the number of construction personnel.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to further improve health impacts to the construction workers aside from compliance with the standards and requirements herein mentioned.	Arthaland requires all General Contractors to implement an Indoor Air Quality Management Plan during construction to ensure health and safety of the workers on site. The plan must at least contain the following: • Abatement of dust during construction • Use of low emitting materials to protect the workers from inhaling volatile organic compounds • Use of human powered or electric equipment to reduce air pollutants • Proper housekeeping to reduce risk hazards on site, and • Use of local exhaust to clear the air of pollutants.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N[x]	
Child labor	N[x]	
Human Rights	Y	F.9 Sexual Harassment Policy F.11 HIV/AIDS Workplace Policy

x - Arthaland complies with all applicable laws and regulations even if the same is not categorically stated in its policies. Arthaland has not had any case where it is accused of violating laws on forced labor, child labor and human rights.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Labor Laws and Human Rights impact the management of legal and regulatory environment, both of which are applicable to Arthaland's business operations.	Arthaland is fully compliant with all applicable laws and regulations, including labor laws and human rights, and especially those on the following: • Sexual Harassment, and • HIV/AIDS.
What are the Risk/s Identified?	**Management Approach**
Arthaland business operations have no exposure to violations of labor laws and human rights because the business is composed of professionals and experts. Nonetheless, it is recognized that the absence of an explicit statement within its Policies may have an impact in the company's image.	The law is deemed incorporated into any contract or policy even if not embodied therein. Still, Arthaland will review and determine whether there is a need to revise its related policies and explicitly state compliance to labor laws and human rights in the business operations.
What are the Opportunity/ies Identified?	**Management Approach**
Opportunity to ensure that the hiring procedures of the company are relevant to the present time.	Annual review of hiring practices and its related policies is done to ensure relevance to the present time.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, kindly see the attached document labeled as Annex "1".

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Vendor Accreditation Form
Forced labor	N [y]	
Child labor	Y	E.2.1.b.2
Human rights	Y	E.2.1.b.3
Bribery and corruption	Y	E.2.1.c

y - Arthaland complies with all applicable laws and regulations even if the same is not categorically reflected in its policies. It expects its counterparties to be of the same mind.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vendor compliance to Labor Laws and Human Rights impacts Arthaland's reputation by association.	Arthaland has established policies related to Vendors wherein they are required to comply at the minimum with the following: • Local minimum working age, • Does not engage in physical abuse, sexual or other harassment, and verbal abuse • Pay the legal minimum wages and benefits
What are the Risk/s Identified?	**Management Approach**
Labor intensive works such as construction have risks of labor law and human rights violations. Wrong practice of Vendors has an adverse effect to Arthaland's reputation.	As a precaution, Arthaland requires the submission of an affidavit every month from its Vendors declaring under oath that they are in compliance with all laws and regulations.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to formalize the company's practices to explicitly include compliance requirements for the vendors.	Arthaland will review and revise its related policies as may be necessary.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Development of a sustainable community – Sevina Park
Location	Biňan, Laguna
Vulnerable groups (if applicable)*	Youth
Does the particular operation have impacts on indigenous people (IP) (Y/N)?	N
Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Traffic impact	Arthaland conducts due diligence on the project site and engages relevant experts to study the traffic impact and how best to address potential issues.
Erosion and sedimentation during construction	Arthaland requires its General Contractors to implement an Erosion and Sedimentation Control measures, which are reported to Arthaland on a monthly basis.
Employment opportunities	Sevina Park will have a commercial segment where employment opportunities will be open for

	the surrounding community.
Housing opportunities	Sevina Park has a housing segment where students can reside for convenient access to nearby schools, and where employees of the commercial segment can also reside.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IP, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Developments that have not carefully considered the existing community may put them at risk, most especially vulnerable and indigenous groups. Risk can be in a form of robbing them of their livelihood, exposing them to an environment that is unhealthy, etc.	Conduct stakeholder meeting/s to identify potential negative impact and/or ways to support the surrounding community for the better through the development.
What are the Opportunity/ies Identified?	**Management Approach**
Every development has opportunities to create positive impact in the surrounding communities by designing and constructing sustainable buildings/communities.	Arthaland develops buildings/communities that are no less than third-party certified sustainable by means of green building tools such as LEED, BERDE and/or EDGE rating systems.

Customer Management

Customer Satisfaction

Disclosure	Score [z]	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	3.4 [aa]	N

z - Survey metrics is scale of 1 to 4, where 1 is unacceptable and 4 above average.
aa - The content of the customer satisfaction survey is about the quality of services provided by Emera Property Management, Inc., the property management arm of Arthaland.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction is important to the business as it is an indicator of how good the product design and quality in aspects such as project delivery, building design & amenities, operational service satisfactions.	Arthaland, through its property management arm, Emera Property Management, Inc., established an annual customer satisfaction survey procedure to identify what needs to be improved on and what is being done right. The survey is scaled from 1 to 4 where 1 is unacceptable and 4 above average. Survey measures the satisfaction level of the customers on the following building's services: • Competence, Effectiveness, Efficiency • Responsiveness, helpfulness • Courtesy, Professionalism • Easy of doing business, and • Quality of Maintenance. Based on the results of the survey, Arthaland responds accordingly to the issues raised by improving its systems/procedures. Arthaland's core values for customer satisfaction is "we always strive to delight our customers," and the core value to ensure delivery of quality product design is "we act as owners."
What are the Risk/s Identified?	**Management Approach**
Arthaland is known for its sustainable developments, quality construction and excellent operational services. Customer dissatisfaction can influence its reputation negatively which can affect future purchases.	Arthaland continues to upgrade its sustainable standards through: • Compliance with the latest versions of global and national standards (from ASHRAE 2007 to ASHRAE 2013, inclusion of the Philippine Green Building Code), and • Expanding the scope of its sustainable design, construction and operations (from LEED and BERDE to additional EDGE).
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity for a customer survey designed to find satisfaction feedback on the project delivery, design and amenities, construction quality, and the like.	Arthaland, at present, measures customer satisfaction on building design and quality construction on its sales. This can be further improved by having a formal after sales

	survey to get a more comprehensive feedback.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers who went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged before and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Design, construction, and operations have an impact to the customer's health and safety. Product design must be sound enough to ensure health and safety measures are integrated in the design, while operational procedures and services must be well equipped to respond to any health and safety issues.	Arthaland ensures that experts are engaged in every project to ensure structural integrity and compliance with global and local codes/standards to address health and safety of the building users. A few of the code standards followed are: • Fire Code of the Philippines • ASHRAE Ventilation and Acceptable Indoor Air Quality, and • BP 344 for persons with disability. During operations, Arthaland ensures that the facility is well maintained, and personnel are trained in case of emergencies. A few of the activities are: • Emergency preparedness training and seminar for both the building staff and the building users, and • Building wide emergency drills. Arthaland's core value "we act as owners" ensures that the product design and quality is to the best standards.
What are the Risk/s Identified?	**Management Approach**
People are bound to stay clear of buildings that are considered unsafe and unhealthy. This can cause serious issues such as death, which will expose the company to lawsuits and a negative reputation.	Arthaland conducts regular building inspections and audits to ensure that the building functions and operates as designed.

What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to always be informed on updates of relevant standards and codes for health and safety of buildings.	Arthaland ensures that not only the new projects follow the latest applicable codes and standards, but also that its existing buildings are able to cope with the updates.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers who went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged before and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Branding impacts a business' success and equally, claims are important to be no less than the truth.	Arthaland's claim to sustainability is through a third-party certification system that is not only applicable locally but also globally. Arthaland complies with green building certification platforms LEED, BERDE and EDGE.
What are the Risk/s Identified?	**Management Approach**
Misuse of logos and labels can mislead readers and might be taken as a form of false claims.	Arthaland carefully uses the logos of the green building rating tools with appropriate labelling on status to avoid misinterpretations. Arthaland follows the logo and labeling guidelines of each rating tool, which are as follows: • "Registered" to indicate that the project has officially submitted to the certifying body its intentions to vie for the respective certifications • "Precertified" to indicate that the project design was deemed feasible for certification • "On-track" to indicate that the certification of the project is ongoing, and this is usually used when precertification is not available, and • The label that indicates the certification level that the project was awarded.

	Variations may apply in the language when referring to specific rating systems.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to use the logos to advertise and inform the readers of the company's sustainable achievement.	Arthaland showcases its buildings and achievements and does it according to the correct and official status. Arthaland true to its core value, "we work with integrity."

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints lodged with and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In real estate, the customers are the investors, buyers and tenants of the developments, and information gathered through the processes are personal information such as names, addresses, capacity to pay, etc. Companies who are able to protect their customer's privacy are deemed trustworthy and reliable.	Arthaland have a data privacy agreement with all its customers which states the following, among others: • What data have been collected • Where it will be used • How it will it be stored and for how long, and • Whether the customers consent to the disclosure of their data in accordance with the agreement.
What are the Risk/s Identified?	**Management Approach**
The department who handles customer data is the Sales and Leasing Administration Department. Usage of customer data other than the primary purpose for which they were obtained can create customer dissatisfaction, mistrust and possibly legal actions.	Arthaland complies with the Data Privacy Act of 2012.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to review and update the	Arthaland reviews annually its customer

related policies to ensure relevance to present time.	privacy policy to ensure that it is adequate and relevant to the present time.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Data security of the company dictates the secureness of the customer privacy.	In order to limit access to the customer data and provide better data control and security, Arthaland has a separate and dedicated department to handle customer information. All necessary information needed for a transaction goes through the Sales and Leasing Administration Department where all information is stored and protected.
What are the Risk/s Identified?	**Management Approach**
The department who has the highest risk in compromised customer data is the Sales and Leasing Administration Department. Data leak or compromise can create customer dissatisfaction, mistrust and possibly legal actions.	All Arthaland computers and networks are password protected that is mandatorily reset often.
What are the Opportunity/ies Identified?	**Management Approach**
There is an opportunity to review and update the third-party software protection to ensure effectivity.	Arthaland reviews annually its procedures to ensure that it is up to date and effective to present and potential threats.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Sustainable Developments	11- Sustainable Cities and Communities 13- Climate action	Possibility that the end-product or the design of the building is below standard and is not sustainable when operated	Arthaland adapts three green building rating tools that are globally and locally relevant to ensure that the developments are third-party certified sustainable. The platforms Arthaland adapts are LEED, BERDE and EDGE.
Green Partnerships	17- Partnerships for the goals	Endeavors pursued alone may have smaller impact and fewer beneficiaries	Arthaland is actively partnering with different organizations who have aligned sustainability goals with the company. A few of the long-term partnerships are PHILGBC, USGBC and IFC.
Sustainable Building Design	6- Clean water and sanitation 7- Affordable and clean energy 12- Responsible consumption and production	• Higher occupancy rate increases water and energy demand • Higher water demand results to more wastewater and higher wastewater treatment demand	Arthaland developments are designed to be energy and water efficient to lessen the demand for wastewater treatment by achieving the following: • At least 10% energy efficiency from the globally recognized standard for sustainable buildings; • At least 10% water efficiency from the baseline set by the globally recognized standards;
	7- Affordable and clean energy	Buildings need electricity to operate, and while it is supplied by the grid, it	When legally able, Arthaland properties contract energy from renewable energy providers to reduce its GHG emissions contribution

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
		contributes to GHG emissions	
	3- Good health and well-being	Higher density impacts the air quality	Arthaland designs its developments where all spaces are able to receive adequate indoor air quality through the following design strategies: • Provision for fresh air ventilation compliant to a global standard, and • Provision for an ample filter rating to ensure fresh and clean air supply.
Smart location and sustainable site development	15- Life on land	Potential displacement of biodiversity and communities	Arthaland avoids developing on lands that displace biodiversity and/or communities. The primary criteria for Arthaland developments are those that are not: • A natural habitat for endangered species • A high-risk to natural disasters (flood, earthquake, storm surge, etc.), or • Agricultural land, or near a wet land or water body Furthermore, Arthaland allocates an equivalent to 30% of its site for open space and vegetation, where endangered plant species are planted.
	9- Industry, Innovation and Infrastructure	Increase in volume of traffic and pollution in the area	Arthaland designs its buildings where it can lessen traffic and pollution impact by: • Choosing sites where public transportation is available to provide opportunities for the building users to commute instead of driving single-occupancy vehicles; • Choosing sites where the basic needs and services is within walking distance to provide

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
			options for the building users to walk instead of riding a car • Provision of no more than code requirement parking capacity to limit single-occupancy vehicle access • Provision for alternative transportation modes such as bicycle facilities and priority parking for green vehicles, and • Engagement of a traffic consultant to ensure smooth traffic flow.
Construction activities by the supply chain	3- Good health and well-being	Construction can cause air pollution and generate a significant amount of waste that impacts health and safety of the construction workers and the community	Arthaland requires its General Contractors to implement best construction practices to prevent construction pollution. Below are nongovernmental requirements of Arthaland from its General Contractors: • Implementation of Erosion and Sedimentation Control • Construction Waste Management, and • Construction Indoor Air Quality Management
	12- Responsible consumption and production	Due to the increase in the demand of construction materials, resources can be depleted	The General Contractors are required to target at least 10%, of the cost of the materials sourced, procured and installed are sustainable materials. These materials are defined as: • With recycled content, reused materials, bio-based materials, rapidly renewable materials, Forest Stewardship Council (FSC) certified wood, etc., and • Sourced within 160 kilometers from the project site.
	8- Decent work and economic	High demand for labor work	The General Contractors can provide decent work opportunities to the

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
	growth	may result to noncompliance with the Labor Code, such as child labor and human rights	community where the Arthaland development is. All General Contractors engaged by Arthaland have agreed to follow and comply with Labor, Human Rights and other relevant governmental laws, as well as Arthaland's Code of Business Ethics.

* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

This document is an excerpt from the Arthaland Policy Manual. The Supplier Accreditation Policy is crafted in reference to the Institute for Supply Management (ISM) Principles and Standards of Ethical Supply Management Conduct. More information in https://www.instituteforsupplymanagement.org/

E.2. SUPPLIER ACCREDITATION POLICY

E.2.1. All vendors and their employees, agents, and subcontractors should adhere to the Vendors' Code of Ethics while they are conducting business with and/or on behalf of Arthaland. All vendors should educate their representatives to ensure that they understand and comply with the Code as follows:

a. All vendors and their representatives should conduct their business interactions and activities with integrity and in accordance with their obligations under their specific agreements with Arthaland. In addition to those obligations, all vendors should, without limitation:

a.1. Honestly and accurately record and report all business information and comply with all applicable laws regarding their completion and accuracy;

a.2. Create, retain, and dispose of business records in full compliance with all applicable legal and regulatory requirements;

a.3. Protect and responsibly use both the physical and intellectual assets of Arthaland, including its property, supplies, and equipment when authorized by Arthaland to use such assets;

a.4. Use Arthaland-provided information technology and systems (including email) only for authorized Arthaland business-related purposes. Arthaland strictly prohibits vendors and their representatives from using Arthaland provided technology and systems to create, access, store, print, solicit or send any material that is intimidating, harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate and/or send any false, derogatory or malicious communications using Arthaland provided information, assets, and systems;

a.5. Comply with all Arthaland requirements for maintenance of passwords, confidentiality, security, and privacy procedures as a condition of receiving access to Arthaland's internal corporate network, all systems and buildings;

a.6. Comply with the intellectual property ownership rights of Arthaland and others including but not limited to copyrights, patents, trademarks, and trade secrets;

a.7. Speak to the press on Arthaland's behalf only if vendor and/or representative is expressly authorized in writing to do so by one of Arthaland's communications professionals;

a.8. Use good judgement, discretion and moderation when offering gifts or entertainment to Arthaland employees. In doing so, the vendor and/or its representatives will refrain from giving Arthaland employees an individual gift or a combination of gifts, or providing any entertainment, that would violate Arthaland's Employees Code of Conduct and Ethics;

a.9. In any event, no vendor may ever offer a bribe, kickback, bartering arrangement for goods or services and/or any other incentive to an Arthaland employee in order to obtain or retain Arthaland's business;

a.10. Avoid the appearance of or actual improprieties or conflicts of interests. Vendors or their representatives should not deal directly with any Arthaland employee whose spouse, domestic partner or other family member or relative holds a significant financial interest in the vendor. Dealing directly in the course of negotiating the vendor agreement or performing the vendor's obligations with a spouse, domestic partner or other family member of relative who is employed by Arthaland is also prohibited;

a.11. Avoid insider trading by buying or selling Arthaland or another company's stock when in possession of information about Arthaland or another company that is not available to the investing public and that could influence an investor's decision to buy or sell stock.

b. Arthaland vendors should conduct their employment practices in full compliance with all applicable laws and regulations, and should, without limitation:

b.1. Provide a safe and healthy work environment and fully comply with all applicable safety and health laws, regulations and practices. Vendors should take adequate steps to minimize the causes of hazards inherent in the working environment. While on Arthaland's leased or managed property, vendors should comply with all rules and regulations concerning the operation of the property and the interaction with other individuals with access to the property, whether with Arthaland, its clients, or other vendors, employees or guests. Prohibit the use, possession, distribution, and sale of illegal drugs while on Arthaland owned, leased, or managed property;

b.2. Comply with all local minimum working age laws and requirements. Employees should not be under the legal minimum working age of the respective region or should not be less than 18 years of age (whichever is higher);

b.3. Not engage in physical discipline or abuse. Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation is prohibited;

b.4. Pay wages and benefits meeting the minimum legal standards. All workers should be provided with clear, written information about their employment conditions with respect to wages before they enter employment and as needed throughout their term of employment. Deductions from wages as a disciplinary measure should not be permitted nor should any deductions from wages not provided for by national law be permitted without the express permission of the worker concerned. All disciplinary measures should be recorded;

b.5. Cooperate with Arthaland's commitment to a workforce free of harassment and unlawful discrimination;

b.6. Keep employee records in accordance with local and national regulations.

c. All Arthaland vendors and their representatives should conduct their business activities in full compliance with the applicable laws and regulations of their respective countries while conducting business with and/or on behalf of Arthaland. In addition to any specific obligations under the vendor's agreement with Arthaland, all vendors should, without limitation:

c.1. Comply with the anti-corruption laws of the countries in which it does business;

c.2. Conduct business in full compliance with anti-trust and fair competition laws that govern the jurisdictions in which they conduct business;

c.3. Comply with all applicable environmental laws and regulations regarding hazardous materials, air emissions, waste and wastewater discharges, including the manufacture, transportation, storage, disposal, and release to the environment of such materials;

c.4. Be honest, direct, and truthful in discussions with regulatory agency representatives a government official.

d. It is the responsibility of the vendor to ensure that its representatives understand and comply with the Vendors' Code of Ethics and to inform its Arthaland contact (or a member of Arthaland Management) if any situation develops that causes the vendor to operate in violation of the code. Company vendors are expected to self-monitor their compliance with the code. In addition to any other rights Arthaland may have under its agreement with vendor, Arthaland may request the immediate removal of any representative who behaves in a manner that is unlawful or inconsistent with this code or any Arthaland policy.

e. The Vendors' Code of Ethics does not confer, nor should it be deemed to confer, any rights on the part of third parties, including any third-party beneficiary rights. For example, no employee of any vendor should have any rights against Arthaland by virtue of this code, nor should such employees have any rights to cause Arthaland to enforce any provisions of the code, the decision with respect to any such actions being reserved by Arthaland in its sole discretion.

f. Any questionable behavior or possible violation of the Vendors' Code of Ethics must be reported to the President & CEO of Arthaland with the following contact details:

President & CEO
Arthaland Corporation
7th Floor Arthaland Century Pacific Tower, 5th Avenue corner. 30th St., Bonifacio Global City, Taguig, Philippines 1634
T: (02) 8403.6910 F: (02) 8403.6908

Arthaland will not tolerate any retribution or retaliation taken against any individual who has in good faith sought out advice or has reported questionable behavior or a possible violation.

CERTIFICATION

I, **RIVA KHRISTINE V. MAALA**, of legal age, with office address at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City, subscribing under oath, do hereby certify, as follows:

1. I am the incumbent and duly elected Corporate Secretary of **ARTHALAND CORPORATION (the "Corporation")**, a corporation organized and existing under Philippine laws, with **SEC Registration No. ASO-94-007160** and principal office address at the **7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City**.

2. I prepared the attached **Annual Report (SEC Form 17-A) dated 20 May 2020**, and I hereby confirm that the information contained in the said Report is true and correct to the best of my knowledge.

3. On behalf of the Corporation, I hereby undertake to submit hard/physical copies of the attached Report with the required certification within ten (10) calendar days from the date of the lifting of the Enhanced and/or Modified Enhanced Community Quarantine period and the resumption of normal working hours of the Securities and Exchange Commission (SEC) (the "Submission Period").

4. I am fully aware that non-submission within the Submission Period of the hard/physical copy of the attached Report, as well as the certification that it refers to the same document submitted online, shall invalidate the said Report submitted through electronic mail. Hence, the corresponding penalties under existing rules and regulations of the SEC shall apply without prejudice to the imposition of penalties under Section 54 of the Securities Regulation Code and other applicable existing rules and regulations for failure to comply with the orders of the SEC.

5. I am executing this Certification to attest to the truth of the foregoing in compliance with SEC guidelines issued on 18 March 2020 and 30 March 2020 for alternative filing of reports and/or documents through electronic mail to the Corporate Governance and Finance Department, in light of the imposition of an Enhanced Community Quarantine and Stringent Social Distancing Measures over Luzon to prevent the spread of the 2019 Coronavirus Disease (COVID-2019), and for whatever legal purpose this may serve.

Issued this **20 May 2020** at Taguig City.

RIVA KHRISTINE V. MAALA[1]
Corporate Secretary and General Counsel

[1] With Evidence of Identity Passport Number P4663090B issued on 03 February 2020 by DFA NCR East.