FINAL PROSPECTUS

ARTHALAND

BUILDING SUSTAINABLE LEGACIES

ARTHALAND CORPORATION

7th Floor Arthaland Century Pacific Tower
5th Avenue Corner 30th Street
Bonifacio Global City, Taguig City
Telephone Number (632) 8403-6910

Shelf Registration in the Philippines of
₱6,000,000,000 ASEAN Green Bond Program

Initial Tranche of the ASEAN Green Bond Program:
Offer of ₱2,000,000,000 with an Oversubscription Option of up to ₱1,000,000,000
Fixed Rate ASEAN Green Bonds due 2025

With an Interest Rate of 6.3517% per annum
To be listed and traded on the Philippine Dealing & Exchange Corp.

Joint Lead Underwriters and Joint Bookrunners[1] for the Initial Tranche

BDO Capital & Investment Corporation

ING

Co-Lead Manager

PNB Capital and Investment Corporation

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

This Final Prospectus is dated January 20, 2020

[1] BDO Capital & Investment Corporation, one of the Joint Lead Underwriters and Joint Bookrunners, is a subsidiary of BDO Unibank, Inc., which is the lender for a loan which the Issuer intends to repay using a portion of the proceeds of the Offer, as further discussed in the *"Use of Proceeds"* section of this Prospectus.

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http://www.arthaland.com

ARTHALAND CORPORATION is a world-class boutique real estate developer of enduring and sustainable properties. ALCO 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.

This Prospectus relates to the shelf registration and continuous offer by way of sale in the Philippines of Arthaland Corporation ("ALCO", the "Company", or the "Issuer") of fixed rate ASEAN green bonds in the aggregate principal amount of up to ₱6,000,000,000 (the "ASEAN Green Bond Program"; the securities subject to the ASEAN Green Bond Program, the "Bonds"), subject to the registration requirements under the Securities Regulation Code and its implementing regulations and compliance with SEC Memorandum Circular No. 12, Series of 2018 or Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines ("SEC Guidelines on ASEAN Green Bonds").

The Bonds shall be sold and issued in tranches within a period of three (3) years (the "Shelf Period") from February 6, 2020. The specific terms of the ASEAN Green Bond Program with respect to each issue tranche thereof shall be determined by ALCO taking into account prevailing market conditions and shall be provided at the time of the relevant offering.

The Bonds shall constitute the direct, unconditional, and unsecured obligations of ALCO and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of ALCO, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of ALCO's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

For each succeeding tranche of the Bonds after the initial tranche, an Offer Supplement will be issued by ALCO along with a prospectus. The relevant Offer Supplement will contain the final terms for a particular tranche of the Bonds subject of the offer and must be read in conjunction with the prospectus and the other related documents. Full information on ALCO and such offer of the Bonds is only available on the basis of the combination of the prospectus, the relevant Offer Supplement and the other related documents. All information contained in the prospectus are deemed incorporated by reference in the relevant Offer Supplement. For purposes of the first tranche of the ASEAN Green Bond Program, this Prospectus dated January 20, 2020 is the prospectus referred to in this paragraph.

On 14 October 2019, the Board of Directors of ALCO (the "BOD") approved the filing of a registration statement for the shelf registration of ₽6.0 Billion fixed rate ASEAN green bonds, and the offer and issuance of up to ₽3,000,000,000 initial tranche of the Bonds. The initial tranche of the Bonds will be issued pursuant to the SEC Guidelines on ASEAN Green Bonds. As stated, subsequent tranches are likewise intended to consist of ASEAN green bonds, subject to compliance to such aforementioned guidelines.

ALCO intends to cause the listing of the relevant tranche of the Bonds on the Philippine Dealing & Exchange Corporation ("PDEx") for this purpose. However, there can be no assurance that such a listing will actually be achieved either before or after the relevant Issue Date or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings and payments on an ongoing basis.

ALCO reserves the right to withdraw any offer and sale of the Bonds at any time, and the underwriter/s (the "Underwriter/s") for any particular offer of the Bonds reserve the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If an offer of the Bonds is withdrawn or discontinued, ALCO shall subsequently notify the SEC and, as applicable, the PDEx. The Underwriters, any participating underwriter, co-manager and selling agent for any particular offer of the Bonds may acquire for their own account a portion of the Bonds.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Underwriters that may be engaged by the Company for each tranche of the Bonds.

The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. The Company and the Underwriters require persons into whose possession this Prospectus comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Underwriters or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds. Each person contemplating an investment in the Bonds should make his own investigation and analysis of the creditworthiness of ALCO and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities or the nature of risks involved in trading of securities, especially those high-risk securities. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "Risk Factors" starting on page 40.

The Initial Tranche of the ASEAN Green Bond Program

On January 21, 2020, the registration statement filed by the Company covering the Bonds was rendered effective by the Securities and Exchange Commission ("**SEC**") in its order, and a certificate of permit to offer securities for sale of ₱2.0 Billion Bonds with an oversubscription option of up to ₱1.0 Billion Bonds (the "**Initial Tranche of the ASEAN Green Bond Program**" or the "**ASEAN Green Bonds**") was issued. After the issuance of the Initial Tranche of the ASEAN Green Bond Program, the amount of issued and outstanding Bonds will be ₱2.0 Billion assuming the Oversubscription Option is not exercised, and ₱3.0 Billion assuming the Oversubscription Option is fully exercised.

This Prospectus contains the terms of the ASEAN Green Bonds to be offered and issued out of the shelf registration (the "Offer") and must be read in conjunction with the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Application to Purchase, the Trust Agreement, and applicable laws and regulations. Full information on the Company and the Offer is available on the basis of the combination of this Prospectus, the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement, the Application to Purchase and applicable laws and regulations.

The Offer will consist of ₱2,000,000,000.00 Bonds, with an oversubscription option of up to ₱1,000,000,000.00. After the Offer, there will be up to ₱4,000,000,000.00 unissued Bonds remaining under shelf registration assuming the Oversubscription Option is not exercised, and ₱3,000,000,000.00 unissued Bonds remaining under shelf registration assuming the Oversubscription Option is fully exercised. The ASEAN Green Bonds are being issued under the ALCO's Green Finance Framework which is aligned with the ASEAN Capital Markets Forum's (ACMF) ASEAN Green Bond Standards 2018. ALCO's Green Finance Framework is also aligned with the International Capital Market Association's (ICMA) Green Bond Principles 2018.

The ASEAN Green 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. Interest on the ASEAN Green Bonds shall be payable quarterly in arrears starting on May 6, 2020, and thereafter every February 6, May 6, August 6 and November 6, of each year while the ASEAN Green Bonds are outstanding, or the subsequent Banking Day without adjustment if such Interest Payment Date is not a Banking Day. The last Interest Payment Date shall fall on the relevant Maturity Date while the ASEAN Green Bonds are outstanding.

The Company expects to raise gross proceeds of ₱2,000,000,000.00 or, if the Oversubscription Option is exercised, up to ₱3,000,000,000.00. The Company estimates that the net proceeds from the Offer shall amount to, after fees, commissions and expenses, approximately ₱1,958,366,119.02 for a ₱2,000,000,000.00 issue size, and approximately ₱2,945,350,461.12 for a ₱3,000,000,000.00 issue size. The net proceeds of the Offer shall be used primarily to fund the required investment from ALCO to acquire properties for the Manila Long Term Project which will be an Eligible Green Project, to fund additional investment in Savya Financial Center or other Eligible Green Projects to allow ALCO to retain office and retail units to increase its recurring income base, and in the event of exercise of the oversubscription option, to partially fund scheduled repayments of the loan that financed ACPT which qualifies as an Eligible Green Project under ALCO's Green Finance Framework. For a more detailed discussion on the use of proceeds, see "**Use of Proceeds**" of this Prospectus.

The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.50% of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to BDO Capital & Investment Corporation ("**BDO Capital**") and ING Bank, N.V., Manila Branch ("**ING**") in their capacity as the joint lead underwriters and joint bookrunners (the "**Joint Lead Underwriters**"), which is inclusive of the fee to be ceded to any Co-Lead Managers that may be/have been appointed in connection with the Offer and in accordance with the terms of the Underwriting Agreement.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect. The Joint Lead Underwriters have exercised due diligence required by regulations in ascertaining that all material representations contained in this Prospectus are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in this Prospectus is as of the date provided. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. All disclosures, reports, and filings of the Company made after the date of the Prospectus (the "**Company Disclosures**") and submitted to the SEC and/or the PDEx pursuant to the Revised Corporation Code (the "**Corporation Code of the Philippines**"), the Securities Regulation Code and its implementing regulations are incorporated or deemed incorporated by reference in this Prospectus. Copies of the Company Disclosures may be viewed at the website of the Company at www.arthaland.com. The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in this Prospectus, and the Company Disclosures incorporated or deemed incorporated herein by reference.

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, the Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer.

Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED IS TRUE AND CURRENT.

[Signature page follows.]

ARTHALAND CORPORATION
By:

Jaime C. Gonzalez

JAIME C. GONZALEZ
Vice Chairman and President

LEONARDO ARTHUR T. PO
Executive Vice President and Treasurer

SUBSCRIBED AND SWORN to before me this 20 JAN 2020 in **Taguig City**, affiants exhibiting to me their respective competent evidence of identity, as follows:

Affiants	Type of ID	ID number, place and date of issuance, and expiry date (if applicable)
Jaime C. Gonzalez	Passport	P5521740A, DFA Manila, 05 January 2018 to 04 January 2028
Leonardo Arthur T. Po		P5812137A, DFA Manila, 29 January 2018 to 28 January 2028

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Book No. 4
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)

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Forward-looking Statements

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

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance or achievements of ALCO to be materially different from any future results;
- performance or achievements expressed or implied by forward looking statements;
- the Company's goals for or estimated of its future operational performance and results;
- the Company's dividend policy; and
- changes in the Company's regulatory environment including, but not limited to, policies, decisions and determinations of governmental or regulatory authorities.

Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which ALCO will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of ALCO to successfully implement its strategies;
- the ability of ALCO to anticipate and respond to consumer trends;
- changes in the availability of targeted real estate;
- the Company's and its contractors' ability to complete projects on time and within budget;
- the ability of ALCO to successfully manage its growth;
- the condition and changes in the Philippines, Asian or global economies;
- any future political instability in the Philippines, Asia or other regions;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia or other regions; and
- changes in the Philippine real estate market and the demand for the Company's residential, commercial and office developments.

Additional factors that could cause actual results, performance or achievements of ALCO to differ materially include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus.

These forward-looking statements speak only as of the date of this Prospectus. ALCO and the Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of ALCO with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes forward-looking statements, including statements regarding the expectations and projections of the Issuer for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “may”, “plan”, “intend”, “will”, “shall”, “should”, “would” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Issuer accurately reflect in all material respects the opinions, beliefs and intentions of the management of ALCO as to such matters at the date of this Prospectus, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section “Risk Factors” and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by these cautionary statements.

Definition of Terms

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Additional defined terms specifically relating to the Initial Tranche of the ASEAN Green Bond Program are set out in the section "Terms of the Offer" in this Prospectus, and those relating to subsequent tranches may be set out in the relevant Offer Supplement.

AAA-Grade Buildings	:	Also referred to as Premium Buildings. Buildings that have the highest standard in terms of (i) design, (ii) location, (iii) property management, and (iv) amenities.
ACPT	:	Arthaland Century Pacific Tower
ALCO, the Company, or the Issuer	:	Arthaland Corporation, a corporation duly incorporated under the laws of the Philippines
AOCH1	:	AO Capital Holdings 1, Inc.
Arch Capital	:	Arch Capital Management Company, Ltd.
Arch SPV	:	Rock & Salt B.V.
Arcosouth	:	Arcosouth Development Inc.
Arya	:	Arya Residences
BERDE	:	Building for Ecologically Responsive Design Excellence
BGC	:	Bonifacio Global City
Bhavana	:	Bhavana Properties, Inc.
Bhavya	:	Bhavya Properties, Inc.
BIR	:	Philippine Bureau of Internal Revenue
BOD	:	Board of Directors of ALCO
Bondholders	:	Relevant holders of each particular tranche of the ASEAN Green Bond Program
BPO	:	Business Process Outsourcing
Cazneau	:	Cazneau, Inc.
CBD	:	Central Business District
CLLC	:	Cebu Lavana Land Corp.
CPG	:	CPG Holdings, Inc.
ECC	:	Environmental Compliance Certificates

EDGE	:	Electronic Disclosure Generation Technology, the disclosure system of the PSE
EPMI	:	Emera Property Management, Inc.
GDP	:	Gross Domestic Product
GFA	:	Gross Floor Area, which is the total floor space within the perimeter of the permanent external building walls (inclusive of main and auxiliary buildings) such as office areas, residential areas, corridors, lobbies and mezzanine level/s. The GFA shall also include building projections which may serve as floors or platforms that are directly connected to/integrated with areas within the building/structure, e.g. balconies and the GFA excludes the following: (a) Covered areas used for parking and driveways, services and utilities; (b) Vertical penetrations in parking floors where no residential or office units are present; and (c) Uncovered areas for helipads, air-conditioning cooling towers or air-conditioning condensing unit balconies, overhead water tanks, roof decks, laundry areas and cages, wading or swimming pools, whirlpool or jacuzzis, terraces, gardens, courts or plazas, balconies exceeding ten square meters, fire escape structures and the like.
H1	:	First half
H2	:	Second half
IFRS	:	International Financial Reporting Standards
Issue Price	:	Par or 100% of face value
Kashtha	:	Kashtha Holdings, Inc.
LEED	:	US Green Building Council's Leadership in Energy and Environmental Design Program, a world standard for green buildings and sustainable developments
MPI	:	Manchesterland Properties, Inc.
NAPOCOR	:	National Power Corporation
Negative Pledge	:	A negative covenant of the Issuer under the Trust Agreement in relation to the Bonds not to (i) create, assume, incur or suffer to exist any Lien upon any of its properties or assets, and (ii) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any of its Subsidiaries in each case, where the arrangement or transaction is entered into primarily as method of raising Indebtedness or of financing acquisitions of an asset, provided that the foregoing restrictions shall not apply to any

		Permitted Liens. For more details, please refer to the section *"Description of the ASEAN Green Bonds"* in this Prospectus. Capitalized terms used herein are defined in the Trust Agreement.
NLA	:	Net Leasable Area, which is the total leasable area that includes but not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project's terms of reference
NSA	:	Net Saleable Area, which is the total saleable area that includes but not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project's terms of reference
OLSA	:	Omnibus Loan and Security Agreement
PAS	:	Philippine Accounting Standards
Paying Agent	:	The party engaged by the Company to serve as paying agent for the offer of a particular tranche of the ASEAN Green Bond Program
PDEx	:	Philippine Dealing & Exchange Corp.
PDTC	:	Philippine Depository and Trust Corporation
Pesos, ₽, Php and Philippine Currency	:	The legal currency of the Republic of the Philippines
PFRS	:	Philippine Financial Reporting Standards
PGBC	:	Philippine Green Building Council
Philippines	:	The Republic of the Philippines
Pradhana	:	Pradhana Land, Inc.
PSE	:	Philippine Stock Exchange
Q1	:	First quarter
Q2	:	Second quarter
Q3	:	Third quarter
Q4	:	Foruth quarter
Record Date	:	as used with respect to any Payment Date shall mean the day which is two (2) Banking Days prior to the relevant Interest Payment Date; provided that if such day falls on a non-Banking Day, the Record Date shall be the next Banking Day immediately preceding said date

Registrar	:	The party engaged by the Company to serve as registrar for the offer of a particular tranche of the ASEAN Green Bond Program
Registry and Paying Agency Agreement	:	The document to be executed between the Company and the Registrar and Paying Agent for the offer of each particular tranche of the ASEAN Green Bond Program
Registry of Bondholders	:	Electronic register of Bondholders of the outstanding Bonds of a particular tranche of the ASEAN Green Bond Program
SLDC	:	Savya Land Development Corporation
SEC	:	Philippine Securities and Exchange Commission
SEC Permit	:	The Permit to Sell issued by the SEC in connection with the Offer
SOM	:	Skidmore, Owings & Merrill
Sqm	:	Square meters
SRC	:	The Securities Regulation Code of the Philippines (Republic Act No. 8799)
Trust Agreement	:	The document to be executed between the Company and the Trustee for the offer of each particular tranche of the ASEAN Green Bond Program
Trustee	:	The party engaged by the Company to serve as trustee for the offer of a particular tranche of the ASEAN Green Bond Program under a relevant Trust Agreement
Application to Purchase	:	The agreement by which the applicant agreed to purchase the Bonds
Trading Day	:	A day when the PDEx is open for business
Underwriters		The underwriters which may be appointed for the offer of each particular tranche of the ASEAN Green Bond Program
UPHI	:	Urban Property Holdings, Inc.
ZLDC	:	Zileya Land Development Corporation

Executive Summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the audited financial statements, including notes thereto, found in the appendices of this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

BRIEF BACKGROUND OF THE COMPANY

ARTHALAND CORPORATION is a world-class boutique real estate developer of enduring and sustainable properties. It is the recipient of various awards in the Philippines and in Asia. For *Arya Residences,* it has received various awards including *Best Residential High-Rise Development (Philippines)* from Asia Pacific Property Awards (2014), and *Best Condo Development (Philippines)* from South East Asia Property Awards (2012). For *ACPT,* it has likewise received various awards including *Best Office Development* from the Philippines Property Awards (2019), and *Best Green Development (Philippines)* from South East Asia Property Awards (2016). ALCO 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[2] for the primary purpose of engaging in the realty development business, including home building and development, and of dealing, engaging, investing and transacting, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real property, 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 2007, a group of investors led by AOCH1, an investment company specializing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry of CPG, an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the PSE under the stock symbol "CNPF", into ALCO through its acquisition of 1,800,000,000 ALCO common shares. In 2014 CPG further solidified its commitment by purchasing an additional 342,619,910 ALCO common shares.

As of 30 September 2019, CPG and AOCH1 are the largest shareholders of ALCO with 40.3%[3] and 26.02%, respectively of ALCO's total issued and outstanding common shares. The Company's common shares, Series B Preferred Shares and Series C Preferred Shares are traded on the PSE with the trading symbol ALCO, ALCPB, and ALCPC respectively, while the Company's Series A Preferred Shares which are being held by a single shareholder remain unlisted.

ALCO's developments are registered or are set to be registered under both the U.S. Green Building Council's LEED program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices as well as the PGBC's BERDE program. In September 2019 ALCO's flagship office development, the Arthaland Century Pacific Tower ("ACPT"), was recognized as the first Net Zero Carbon Project in the world certified under the Excellence in Design for Greater Efficiencies ("EDGE") Green Building Program of the International Finance Corporation ("IFC"). ALCO's adherence to these ratings for all its projects demonstrates its strong commitment to environmentally responsible building practices.

[2] ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the SEC approved anew the change of the corporate name to ALCO.
[3] Including 125,000,000 indirectly owned shares

ALCO'S BUSINESS AND SUMMARY OF KEY 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. Summarized below are ALCO's Key Projects as well as their year of completion or expected year of completion:

Project Name	GFA (in sqm)	NLA/NSA (in sqm)	Location	Development Type	Year of Completion or Expected Year of Completion
Arya	76,284	67,876	BGC, Taguig City	Residential	Tower I - 2013 Tower II - 2016
Arthaland Century Pacific Tower	34,295	32,016	BGC, Taguig City	Office	2019
Cebu Exchange	108,564	89,018	Salinas Drive, Cebu City	Office	2021
Sevina Park	138,804	109,245	Biñan, Laguna	Mixed use	In phases from 2022 onward
Makati CBD Residential Project	32,288	25,185	Makati CBD	Residential	2024
Savya Financial Center	59,763	49,220	Arca South, Taguig City	Office	North Tower - 2021 South Tower - 2022
Cebu Business Park Project	26,940	21,148	Cebu Business Park, Cebu City	Residential	2024
Makati CBD Residential Project 2	14,656	10,992	Makati CBD	Residential	2024
Manila Long Term Project	795,973	375,961	Metro Manila	Mixed use	In phases from 2022 onward

Arya

Arya is a multi-awarded, two-tower, high-end residential project located at the corner of 8th Avenue and Mckinley Parkway, BGC, Taguig City. Tower 1 commenced construction in 2010, it was completed in 2013 and was handed over to buyers in 2014. Tower 2's construction commenced in 2012, and it was handed over to buyers in 2016. All the residential units in both Tower 1 and Tower 2 have been sold.

At the ground floor of Arya is Arya Plaza, a canopied al fresco destination area in which a curated selection of restaurants, cafes and other retail establishments is located. ALCO retains ownership over the Arya Plaza and recognizes lease income from it.

Arthaland Century Pacific Tower

Designed by Skidmore Owings & Merrill LLP, the same group behind One World Trade Center in New York City and Burj Khalifa in Dubai, ACPT is one of the first AAA-grade office in BGC. It is located along the prime 5th Avenue within BGC's E-Square, opposite The Shangrila at the Fort and proximate to the PSE. ACPT addresses the strong demand for office space in BGC with its 34,295 sqm of GFA and 32,016 sqm of NLA. ALCO commenced the development of ACPT in 2014 and it was completed in 2019. As of 30 September 2019, 100% of ACPT's NLA has been leased out.

Cebu Exchange

ALCO is currently developing Cebu Exchange, a 38-storey office building with retail establishments, poised to be one of Cebu's largest and tallest office developments and to cater to Cebu's booming office space market. It is being built on an 8,440 sqm property located along Salinas Drive directly across the Cebu IT Park in Cebu City, and it will have a total NSA of almost 90,000 sqm. Cebu Exchange is LEED pre-certified and is registered with the PGBC BERDE programs. Phase 1 of Cebu Exchange, covering areas from the basement to the 15th level, was topped off on 30 April 2019. Percentage of completion of Cebu Exchange as of 31 October 2019 is at 49.98%. As of 31 October 2019, ALCO has executed about Php7.0 billion in reservation sales contracts covering about 57% of the total office NSA and about 9% of the total retail NSA for Cebu Exchange.

Sevina Park

In September 2016, ALCO, through its 100%-owned subsidiary, Cazneau acquired eight hectares of land adjacent to the De La Salle Science and Technology Complex in Laguna which will be developed into Sevina Park, a masterplanned mixed-use community that will feature a mix of residential low- and mid- rise buildings, student and faculty housing, commercial office buildings as well as retail and supplemental amenities, in step with the growth of new and existing schools in the area, namely, the De La Salle Science and Technology Complex in Canlubang, University of Santo Tomas, Saint Scholastica's College, Miriam College Nuvali and Xavier School Nuvali. ALCO appointed Sasaki of Boston as masterplanner for Sevina Park.

Sevina Park is the first and only development to aim for LEED Neighborhood Development and LEED Home Certification in the Philippines.

The planned development of the Cavite Laguna Expressway, with its expected interconnection with the Manila-Cavite Expressway at Kawit, Cavite and the South Luzon Expressway at Mamplasan, Laguna interchange, is seen to substantially benefit Sevina Park.

Phase one of the project covering the first 4,000 sqm has already been developed into Courtyard Hall, which offers dormitory accommodations for students in time for the school year starting September 2018. A total of 200 of the 348 beds are covered by lease contracts with the De La Salle Science and Technology Complex which beds are earmarked for the use of its students.

In June 2019, ALCO launched the Garden Villas at Sevina Park covering approximately 3 hectares of the 8.1-hectare property. The Garden Villas are designed by L.V. Locsin and Partners and consist of 108 townhomes ranging from 125 sqm to 170 sqm in floor area for each. As of 31 October 2019, ALCO has executed reservation contracts with a total value of Php645.2 million covering 35 of the 108 units of the Garden Villas.

ALCO will launch succeeding phases of the project within the period 2021 to 2024.

Makati CBD Residential Project

In December 2018, ALCO has acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, the Company, 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 finalization of terms of the joint venture.

Savya Financial Center

In 2017, ALCO, together with its Filipino joint venture partner, acquired an approximately 6,000-sqm property within the Arca South development in Taguig City where ALCO expects office space to grow exponentially resulting from the property's direct access to major thoroughfares C-5 and Skyway, the presence of the proposed Taguig Integrated Transport Exchange inside Arca South and the roll-out of the Metro Manila Subway which will have one of its stations inside Arca South as well. The property will be developed into Savya Financial Center, a two-tower commercial development designed and built with leading edge sustainable building features, qualifying it to be LEED pre-certified Gold and registered with the PGBC's BERDE program.

The property is held under SLDC, which will be owned 50% each by ALCO and its Filipino joint venture partner as per agreement between them.

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan executed a joint venture agreement to invest in, establish and maintain a joint venture company ("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 the Corporation to SLDC.

The North Tower of the Savya Financial Center was launched in February 2019. As of 31 October 2019, reservation contracts with a total value of approximately Php2.2 billion and covering approximately 45% of the North Tower office units have been executed.

Cebu Business Park Project

In August 2019, ALCO, through its special purpose company, 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 Cebu Business Park Project is currently in the initial planning stage. ALCO expects to launch the Cebu Business Park Project in Q4 of 2020.

Makati CBD Residential Project 2

ALCO is in discussions for the acquisition of a prime property located inside the Makati Central Business District. ALCO 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 GFA and approximately 11,000 sqm of NSA.

Manila Long Term Project

ALCO is evaluating the acquisition of properties located in the fringe areas of Metro Manila with a combined area of approximately 18 hectares as part of its plans to increase its land bank in fast growing areas of Metro Manila. As an initial step toward completing the estimated 18 hectares for acquisition, ALCO is negotiating for the acquisition of a 2-hectare property in one of the fastest growing urban areas in Metro Manila. ALCO plans to develop the properties into the Manila Long Term Project over a 10-year period to provide a steady pipeline of projects which will contribute to the revenues of ALCO over the long-term. The Manila Long Term Project is envisioned to be a sustainable master planned development which will have commercial, residential, retail and institutional components.

Aside from the projects mentioned above, ALCO is constantly evaluating prospective acquisition targets within the business districts of Makati, BGC, Cebu as well as other emerging cities. ALCO will continue to disclose material acquisitions, as they become definite, to its stakeholders through PSE and SEC.

COMPETITIVE STRENGTHS

ALCO believes that its competitive strengths include:

- Strong brand equity resulting from a clear differentiation in value and sustainability and proven track record from recently completed projects
- Strong, hands-on and committed shareholders
- Highly professional and entrepreneurial management team with extensive experience
- Purposeful development strategy that is supportive to the Company's plans
- Strong financial management
- Conducive macroeconomic environment

(For a more detailed discussion, see "Competitive Strengths" on page 97.)

BUSINESS STRATEGIES

The Company's business strategies include the following:

- Over-all growth strategy
- Diversification
- Providing a superior value proposition by maintaining high quality of projects
- Matching of Fixed Costs with recurring income
- Strategic partnerships providing access to capital and development expertise

(For a more detailed discussion, see "ALCO's Business Strategy" starting on page 100.)

RISKS OF INVESTING

Prospective investors should consider the following risks of investing in the Bonds:

- Risks relating to Arthaland and its subsidiaries (including specific risks related to land and real estate development businesses)
    - No assurance of successful implementation of business plans and strategies
    - The Company's business is inherently volatile
    - The Company operates in a highly regulated environment and it is affected by the development and application of regulations in the Philippines
    - Ability to obtain financing at favorable terms and interest rates
    - Possibility of a rapid increase of interest rate
    - Availability of land for use in the Company's future projects
    - Significant competition in the real estate industry
    - Titles over land owned by the Company may be contested by third parties
    - Environmental laws could adversely affect the Company's business
    - Delays in the completion of projects and failure to meet customers' expectation and standards could adversely affect the Company's reputation and its business and financial performance
    - Cyclicality of Property Development

- Possible change in accounting principle for real estate will change the Company's revenue recognition for sale of its real estate developments, which in turn may adversely affect recognition of unrestricted retained earnings
    - The Company's and its subsidiaries' loan agreements are subject to certain debt covenants
    - No assurance that insurance rates and coverage will remain the same, as such insurance coverage may not be adequate in the future
    - The Company or its contractors may be subject to labor unrest, slowdowns and increased costs
    - The Company is dependent on key suppliers and service providers to successfully implement its plans
    - The Company is dependent on its management team and key employees to successfully implement its strategies
    - The Company may be unable to attract and retain skilled professionals
    - The Company may be affected by the Comprehensive Tax Reform Program
    - ALCO may be exposed to cybersecurity incidents and information security risks
    - ALCO is subject to foreign ownership limitations.
    - ALCO is reliant on technology in certain business operations and uses technology to differentiate its developments from those of its competitors.
    - Risks on Substantial Sale Cancellations

- Risks relating to the Philippines
    - Company is exposed to risks related to the slowdown in the Philippine economy
    - Political and social instability or acts of terrorism could adversely affect the financial results of the Company
    - Territorial disputes with China and other Southeast Asian countries may disrupt the Philippine economy and business environment
    - Occurrence of natural catastrophes could adversely affect the business of the Company
    - Occurrence of a Philippine credit rating downgrade could adversely affect the business of the Company

- Risks relating to the Bonds
    - An active or liquid trading market for the Bonds may not develop
    - The period for the Company to fully realize the benefits resulting from the use of proceeds of the Bonds may extend beyond the relevant maturity date
    - Holders of the Bonds may face possible gain or loss if the Bonds are sold at the secondary market
    - The Bonds may not be able to retain its credit rating
    - Bondholders may incur a loss if the Company is unable to redeem the Bonds at the relevant maturity date.
    - The Bonds have no preference under Article 2244(14) of the Civil Code and may be Subordinated to other debts
    - Inability to reinvest at a similar return on investment upon redemption
    - There is no guarantee that the Bonds will be listed
    - The ASEAN Green Bonds may not be a suitable investment for all investors seeking exposure to green assets

(For a more detailed discussion, see "Risk Factors" on page 38)

CORPORATE INFORMATION

ALCO currently holds office at the 7th Floor Arthaland Century Pacific Tower, 5th Avenue Corner 30th Street, Bonifacio Global City, Taguig City**.** The Company's telephone number is (+632) 8403-6910.

The Company's website is http://www.arthaland.com.

USE OF PROCEEDS

Out of the gross proceeds, ALCO shall deduct fees, commissions, and expenses, for each tranche of the ASEAN Green Bond Program. The use of proceeds for each tranche of the ASEAN Green Bond Program shall be set out in this Prospectus, for the ASEAN Green Bonds, and the relevant Offer Supplement for succeeding tranches of the Bonds.

OFFER SUPPLEMENT

For each succeeding tranche of the ASEAN Green Bond Program, the Company shall distribute an Offer Supplement which shall be disclosed to the public through the filing with the SEC and the PDTC and made available for download from the website of ALCO specifically, in http://www.arthaland.com.

The Offer Supplement shall contain the following information (among other things which may be determined at the time of the relevant offering):

(a) timetable, offer size of the specific offering, specific terms applicable for each tranche, and the final interest rate;
(b) capital structure of the Company after the offering;
(c) any changes to the risk factors and tax consequences of the offering;
(d) description of the specific distribution and underwriting arrangements; and
(e) amount and use of proceeds.

PLAN OF DISTRIBUTION

ALCO plans to issue the Bonds to institutional and retail investors through a public offering to be conducted through the Underwriters (for a more detailed discussion, including fees to be paid to the Underwriters, please refer to this Prospectus for the ASEAN Green Bonds, and the relevant Offer Supplement, for succeeding tranches of the Bonds).

Summary of Financial Information

Prospective purchasers of the Bonds should read the summary financial data below together with the consolidated financial statements, including the notes thereto, included in this Prospectus, such as in the section "Management's Discussion and Analysis of Results of Operations and Financial Condition". The summary financial data for the three years ended December 31, 2016, 2017 and 2018 are derived from the audited consolidated financial statements of ALCO, audited by Reyes Tacandong & Co. and prepared in compliance with the Philippine Financial Reporting Standards ("PFRS"), including the notes thereto, which are found as Appendix "A" of this Prospectus. The summary financial data as of and for the nine months ended September 30, 2018 and 2019, are derived from the unaudited interim condensed financial statements of ALCO, in compliance with Philippine Accounting Standards ("PAS") 34, "Interim Financial Reporting", which are set out in Appendix "B" of this Prospectus. The historical financial condition, results of operations and cash flows of ALCO are not a guarantee of its future operating and financial performance.

	For the years ended December 31,			For the nine months ended September 30,	
	2016	2017	2018	2018	2019
		Audited		Unaudited	
	(in ₱ millions except per share figures)				
Consolidated Statements of Comprehensive Income					
Revenue	451	464	1,133	593	1,490
Cost of Sales and Services	(396)	(333)	(619)	(393)	(740)
Gross Income	**55**	**131**	**514**	**200**	**750**
Operating Expenses	(363)	(322)	(398)	(237)	(443)
Income (Loss) from Operations	**(308)**	**(191)**	**116**	**(37)**	**307**
Gain on Change in Fair Value of Properties	1,418	428	173	224	901
Finance Costs	(80)	(81)	(74)	(61)	(78)
Other Income	147	67	339	28	18
Income before Income Tax	**1,177**	**223**	**554**	**154**	**1,148**
Income Tax Expense	(355)	(85)	(165)	(67)	(347)
Net income	**822**	**138**	**389**	**87**	**801**
Other Comprehensive Income					
Not to be reclassified to profit or loss					
Remeasurement gain on retirement liability	3	6	15	-	-
Income tax expense relating to item that will not be reclassified	(1)	(2)	(5)	-	-
	2	4	10	-	-
Total Comprehensive Income	**824**	**142**	**399**	**87**	**801**
Net income attributable to:					
Equity holders of Arthaland Corporation	840	192	334	76	647
Non-controlling interests	(18)	(54)	55	11	154
	822	138	389	87	801
Total comprehensive income attributable to:					
Equity holders of Arthaland Corporation	842	196	344	76	647
Non-controlling interests	(18)	(54)	55	11	154
	824	142	399	87	801
Earnings (Loss) Per Share	0.1514	0.0096	0.0362	(0.0056)	0.0986

	As of the years ended December 31,			As of the nine months ended September 30,
	2016	2017	2018	2019
		Audited		Unaudited
	(in ₽ millions except where otherwise indicated)			
Consolidated Statements of Financial Position				
Assets				
Cash and cash equivalents	991	722	327	383
Financial assets at fair value through profit or loss	2050	388	155	186
Trade and other receivables	301	186	743	777
Real estate for sale	1,722	2,647	3,413	5,360
Contract Assets	-	-	785	1,253
Creditable withholding taxes	243	253	260	314
Investment properties	4,534	6,457	5,901	6,950
Property and equipment	20	40	237	272
Net deferred tax assets	15	61	16	46
Other assets	185	493	499	721
Total assets	**10,061**	**11,247**	**12,336**	**16,262**
Liabilities and Equity				
Liabilities				
Loans payable	3,111	4,269	4,170	5,106
Accounts payable and other liabilities	1,149	1,111	2,063	3,123
Retirement liability	47	51	66	58
Net deferred tax liabilities	645	752	779	1,114
Total Liabilities	**4,952**	**6,183**	**7,078**	**9,401**
Equity				
Capital stock	990	990	990	1,000
Additional paid-in capital	2,031	2,031	2,031	3,009
Retained earnings	2,098	2,085	2,214	2,675
Cumulative remeasurement gains (losses) on retirement liability- net of tax	3	8	18	18
Parent Company's preferred shares held by a subsidiary	(12)	(12)	(12)	(12)
	5,110	**5,102**	**5,241**	**6,690**
Non-controlling interests	(1)	(38)	17	171
Total Equity	**5,109**	**5,064**	**5,258**	**6,861**
Total Liabilities and Equity	**10,061**	**11,247**	**12,336**	**16,262**

	For the years ended December 31,			For the nine months ended September 30,	
	2016	**2017**	**2018**	**2018**	**2019**
		Audited		**Unaudited**	
			(in ₽ millions)		
Consolidated Statement of Cash Flows					
Net cash provided by (used in)					
Operating activities	436	(1,466)	(1,729)	(877)	(2,074)
Investing activities	(2,342)	250	(262)	(753)	(224)
Financing activities	2,291	947	1,590	1,352	2,355
Effect of consolidation of Arcosouth	-	-	5	-	-
Effect of exchange rate changes in cash and cash equivalents	1	(0)	1	2	(1)
Net increase/(decrease) in cash and cash equivalents	386	(269)	(395)	(276)	56
Cash and cash equivalents at beginning of year	605	991	722	722	327
Cash and cash equivalents at end of period	**991**	**722**	**327**	**446**	**383**

Capitalization

*The following table sets forth the unaudited **consolidated debt and capitalization** of ALCO as of September30, 2019, as well as the issuance of the ASEAN Green Bonds assuming full exercise of the Oversubscription Option. This table should be read in conjunction with the more detailed information and unaudited consolidated financial statements, including notes thereto, found in Appendix "A" of this Prospectus.*

In Php Millions	As of September 30, 2019 (Unaudited)	Adjustments[4]	As adjusted for a maximum Issue Size of up to ₱3 Billion
Loans Payable	5,106	-	5,106
Accounts payable and other liabilities	3,123	-	3,123
Retirement liability	58	-	58
Net deferred tax liabilities	1,114	-	1,114
ASEAN Green Bonds		2,945	2,945
Total Liabilities	**9,401**	**2,945**	**12,346**
Capital stock	1,000	-	1,000
Additional paid-in capital	3,009	-	3,009
Retained earnings	2,675	-	2,675
Cumulative measurement gains (losses) on retirement liability	18	-	18
Parent Company's shares held by a subsidiary	(12)	-	(12)
Non-controlling interests	171	-	171
Total Equity	**6,861**	**-**	**6,861**
Total Capitalization	**16,262**	**-**	**19,207**

[4] Presented on a consolidated basis

Overview of the ASEAN Green Bond Program

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and in relation to the terms and conditions of any particular tranche of the ASEAN Green Bond Program, the applicable terms and conditions.

ALCO is establishing an ASEAN Green Bond Program which will be comprised of fixed rate debt securities to be offered to the public pursuant to applicable SEC rules and regulations effective at the time of issuance, and which will be in the aggregate principal amount of ₱6,000,000,000.00 to be issued in one or more tranches (each a "Tranche"). The following table outlines the description of the ASEAN Green Bond Program.

The ASEAN Green Bond Program

Issuer:	Arthaland Corporation
Facility:	₱6,000,000,000.00 ASEAN Green Bond Program
Availability:	The ASEAN Green Bond Program will be continuously available during the Shelf Period and Bonds from the said program will be offered for subscription once a permit to offer securities for sale is obtained from the SEC for each offer.
Maturity:	To be determined per Tranche (as defined below)
Method of Issue:	To be issued in tranches (each a "Tranche") on different issue dates. The initial tranche of the Bonds will consist of ASEAN Green Bonds which will be issued under the SEC Guidelines on ASEAN Green Bonds. Subsequent tranches are likewise intended to consist of ASEAN Green Bonds provided that the Issuer and the particular offer will be able to comply with such guidelines. The specific terms of each Tranche will be set forth in the final prospectus or corresponding offer supplement.
Form of Securities:	Each Tranche of the ASEAN Green Bond Program will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the Bondholders and by applicable document pursuant to the rules or other relevant regulations as promulgated by the SEC. Legal title to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar.
First Tranche of the ASEAN Green Bond Program:	The first tranche of the ASEAN Green Bond Program will consist of an Offer of ₱2,000,000,000.00 with an Oversubscription option of up to ₱1,000,000,000.00 ASEAN Green Bonds to be offered and issued out of the shelf registration. The ASEAN Green Bonds will be issued under ALCO's Green Finance Framework which, based on a Second Party Opinion obtained by ALCO, is aligned with the ASEAN Capital Markets Forum's (ACMF) ASEAN Green Bond Standards 2018 and International Capital Market Association's (ICMA) Green Bond Principles 2018, and thus, will effectively comply with the SEC Guidelines on ASEAN Green Bonds.
Denomination of the Bonds to be issued:	Minimum of ₱50,000.00 face value and in increments of ₱10,000.00 thereafter.

Redemption for Taxation Reasons:	If payments under the ASEAN Green Bond Program become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the relevant Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Final Redemption:	Except when a call option on the fixed-rate bonds is exercised, the Bonds will be redeemed at par or 100% face value on the relevant maturity date.
Status of the Bonds:	The Bonds constitute direct, unconditional and unsecured Peso-denominated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law.
Negative Pledge:	The Bonds shall have the benefit of a Negative Pledge on all existing and future assets of the Issuer, subject to certain permitted liens contained in the relevant Trust Agreement.
Optional Redemption:	The applicable final terms will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Bonds will be redeemable at the option of the Issuer and/or the relevant Bondholders upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Underwriters and, as applicable, other relevant parties.
Purchase and Cancellation:	The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at market price without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of each particular Tranche of Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Taxation:	Except: (1) tax on a Bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax/income tax, documentary stamp tax, gross receipts tax, value-added tax, estate tax, donor's tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are

	imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for, and will not gross-up the payments of interest on the principal amount of the Bonds so as to cover any final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations; provided finally that this shall be without prejudice to the early redemption option that is available to the Issuer for taxation reasons. Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account. A Bondholder who is exempt from or is not subject to final withholding tax on interest income or is subject to a preferential withholding tax rate may claim such exemption or preferential rate by submitting to Underwriters or selling agents (if any) or to the the Registrar, as applicable, together with its Application to Purchase, the tax exemption documents specified in this Prospectus for the Initial Tranche of the ASEAN Green Bond Program, and the relevant Offer Supplement for succeeding Tranches of the Bonds. The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.
Governing Law:	Philippine Law

Terms of the Offer

A discussion containing the "*Terms of the Offer*" is set out in this Prospectus for the ASEAN Green Bonds (which, for purposes of this Prospectus, refer to the Initial Tranche of the Issuer's ASEAN Green Bond Program), and shall be set out in the relevant Offer Supplement for succeeding tranches of the Bonds. However, any such discussion should be read together with, and is qualified in its entirety by reference to, the additional information appearing elsewhere in the prospectus used for the Offer, the Offer Supplement for succeeding tranches of the Bonds(including, but not limited to, the discussion on the "Overview of the ASEAN Green Bond Program"), the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement, the Application to Purchase and applicable laws and regulations. Any such discussion may not contain all of the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to purchase the Bonds should be based on a consideration of the prospectus used for the Offer, the relevant Offer Supplement (for succeeding tranches of the Bonds), the Application to Purchase, the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement (as applicable), and applicable laws and regulations as a whole.

For purposes of the Initial Tranche of the ASEAN Green Bond Program (also known as the ASEAN Green Bonds), this Prospectus dated January 20, 2020 is the prospectus referred to in the foregoing paragraph.

The first tranche of the Bonds will consist of ASEAN Green Bonds which will be issued under the SEC Guidelines on ASEAN Green Bonds. Subsequent tranches are likewise intended to consist of ASEAN Green Bonds, subject to compliance with the aforementioned guidelines.

Pursuant to the SEC Guidelines on ASEAN Green Bonds, ASEAN Green Bonds refer to bonds where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and or existing eligible green projects that address key areas of environmental concern such as, but not limited to ("Eligible Green Projects"): (a) renewable energy; (b) energy efficiency; (c) pollution prevention and control; (d) environmentally sustainable management of living natural resources and use; (e) terrestrial and aquatic biodiversity conservation; (f) clean transportation; (g) sustainable water and waste water management; (h) climate change adaptation; (i) eco-efficient and/or circular economy adapted, production technologies and processes; and (j) green buildings which meet regional, national or internationally-recognized standards or certifications.

ALCO plans to issue the first and subsequent tranches of the Bonds under its ASEAN Green Bond Program pursuant to its Green Finance Framework which targets to address three main environmental objectives, i.e. climate change mitigation, promotion of green buildings and environmentally sustainable management of land.

Under ALCO's Green Finance Framework, a portfolio of Eligible Green Projects qualifies for the use of proceeds for as long as these meet minimum eligibility requirements which include the following standards for the development of new buildings, acquisition and renovation of completed buildings (commercial and residential) compliant with any of the following standards:

- LEED -Gold or higher
- BERDE - 4-star or higher
- IFC's EDGE - EDGE Certified or EDGE Compliant
- Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or higher, Global Real Estate Sustainability Benchmark (GRESB), and other equivalent standards.

Pursuant to the SEC Guidelines on ASEAN Green Bonds, ALCO's Green Finance Framework was externally reviewed by Vigeo Eiris, an independent international provider of environmental, social and governance

(ESG) research and services for investors and public and private organizations, which provided a second party opinion on ALCO's Green Finance Framework ("Second Party Opinion").

A copy of ALCO's Green Finance Framework and Vigeo Eiris' Second Party Opinion is available at https://www.arthaland.com.ph/investor-relations/other-disclosures-including-sec-17c.

The following discussion does not purport to be a complete listing of all the rights, obligations and privileges of the ASEAN Green Bonds. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective Bondholders are enjoined to perform their own independent investigation and analysis of the Issuer and the ASEAN Green Bonds. Each prospective Bondholder must rely on its own appraisal of the Issuer and the proposed Offer and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed debt raising and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.

The following discussion should be read together with, and is qualified in its entirety by reference to, the additional information appearing elsewhere in this Prospectus (including but not limited to, the discussion on the "Description of the ASEAN Green Bonds"), the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement, the Application to Purchase and applicable laws and regulations. This discussion may not contain all of the information that prospective investors should consider before deciding to invest in the ASEAN Green Bonds. Accordingly, any decision by a prospective investor to invest in the ASEAN Green Bonds should be based on a consideration of this Prospectus, the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement and the Application to Purchase and applicable laws and regulations as a whole. Should there be any inconsistency between the discussion below and the final documentation, the final documentation shall prevail.

The indicative terms and conditions of this Offer for the ASEAN Green Bonds are as follows:

Issuer	ArthaLand Corporation ("**ALCO**", the "**Company**" or the "**Issuer**")
Issue Amount	₽2,000,000,000.00, as may be increased upon the exercise of the Oversubscription Option (as defined and provided below)
Oversubscription Option	In the event of an oversubscription, the Joint Lead Underwriters and Joint Bookrunners, in consultation with the Issuer, shall have the option to increase the Issue Amount by up to ₽1,000,000,000.00
Instrument	Fixed rate ASEAN Green Bonds registered with the SEC
Registration and Listing	The ASEAN Green Bonds will be issued out of the Shelf Registration with the Securities and Exchange Commission ("**SEC**") pursuant to the Securities Regulation Code and its implementing rules and regulations. The ASEAN Green Bonds will be offered following the issuance of an SEC Permit (to offer securities) by the SEC. The ASEAN Green Bonds are intended to be listed for electronic trading and settlement on the PDEx on or about the Issue Date. Trading, Transfer, and/or settlement of the ASEAN Green Bonds shall be performed in accordance with the PDEx Rules and the rules and procedures of the Registrar. The ASEAN Green Bonds consist of the bonds to be issued pursuant to the SEC Guidelines on ASEAN Green Bonds. It is

	intended that subsequent tranches will likewise consist of ASEAN Green Bonds provided that ALCO is able to comply with the SEC Guidelines on ASEAN Green Bonds.
Issue Date	February 6, 2020, or such other date as may be agreed upon by the Issuer, the Joint Lead Underwriters and Joint Bookrunners with advice to SEC, PDTC and PDEx. In the event that the original Issue Date is moved to the succeeding Banking Day, the interest accruing for the first Interest Period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date.
Use of Proceeds	ALCO intends to allocate the net proceeds from the Offer to the below (in accordance with page 57, "Use of Proceeds"): For the net proceeds from the issue amount of ₱2,000,000,000.00 ● ₱1,140,000,000.00 to fund the required investment from ALCO to acquire properties for the Manila Long Term Project which will be an Eligible Green Project. ● ₱818,366,119.02 to fund additional investment in Savya Financial Center or other Eligible Green Projects to allow ALCO to retain retail and office units to increase its recurring income base. With regard to the net proceeds from the oversubscription option of up to ₱1,000,000,000.00 ● ₱681,633,880.98 to fund additional investment in Savya Financial Center or other Eligible Green Projects to allow ALCO to retain retail and office units to increase its recurring income base. ● ₱305,350,461.12 to partially fund scheduled repayments of the loan that financed ACPT which qualifies as an Eligible Green Project under ALCO's Green Finance Framework.
Form and Denomination of the ASEAN Green Bonds	Minimum of ₱50,000.00 face value and in increments of ₱10,000.00 thereafter.
Status of the ASEAN Green Bonds	The ASEAN Green Bonds constitute direct, unconditional and unsecured Peso-denominated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law, (ii) any obligation incurred by the Issuer as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date.
Issue Price	The ASEAN Green Bonds will be issued at 100% of face value.

<table>
<tr><td></td><td></td></tr>
<tr><td>Maturity Date</td><td>February 6, 2025 or five years after the Issue Date</td></tr>
<tr><td>Interest</td><td>Interest on the ASEAN Green Bonds shall be calculated on a European 30/360-day count basis and shall be paid quarterly in arrears.</td></tr>
<tr><td>Interest Rate</td><td>6.3517% fixed rate per annum.</td></tr>
<tr><td>Interest Payment Dates</td><td>May 6, 2020 for the first Interest Payment Date and every February 6, May 6, August 6 and November 6, of each year for each subsequent Interest Payment Date at which the ASEAN Green Bonds are outstanding, and in the event that any of such Interest Payment Dates is not a Banking Day, such Interest Payment Date shall be deemed to be the immediately succeeding Banking Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.

A “Banking Day” means a day, other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City, and the City of Manila; provided that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each.</td></tr>
<tr><td>Early Redemption Option</td><td>As and if approved by the Board of Directors of ALCO and subject to the requirements of applicable laws and regulations, the Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding ASEAN Green Bonds before the Maturity Date on any one of the anniversary dates indicated below (the “Early Redemption Option Dates”), or the immediately succeeding Banking Day if such date is not a Banking Day, in accordance with the following schedule:

<table>
<tr><th>Early Redemption Option Dates</th><th>Redemption Price</th></tr>
<tr><td>On the 3rd year from Issue Date</td><td>101.00%</td></tr>
<tr><td>On the 4th year from Issue Date</td><td>100.50%</td></tr>
</table>

ALCO may, at its sole option, subject to the requirements of applicable laws and regulations, also redeem the ASEAN Green Bonds, in whole but not in part, at any time if a Tax Event has occurred, having given not less than thirty (30) days’ written notice to the Trustee and the SEC prior to the intended date of redemption.

Moreover, ALCO may, at its sole option, subject to the requirements of applicable laws and regulations, also redeem the ASEAN Green Bonds, in whole but not in part, at any time if a Change in Control Event has occurred, having</td></tr>
</table>

	given not less than thirty (30) days' written notice to the Trustee and the SEC prior to the intended date of redemption. The redemption due to a Tax Event or a Change in Control Event shall be made by ALCO at 101% plus accrued interest (the "Redemption Price"), subject to the requirements of Applicable Law, which shall be paid on the date of redemption set out in the notice.
Redemption due to Change in Control Event	At any time before the occurrence of Change in Control Event, or on the date of such occurrence, or within fourteen (14) Banking Days from the occurrence of a Change in Control Event, ALCO, acting through its Corporate Secretary or through such other officer as may be authorized by its Board of Directors, shall give written notice to the Trustee, PDTC, PDEx and the SEC of the Change in Control Event, and cause PDTC to notify each ASEAN Green Bondholder, which notice shall state: (i) that a Change in Control Event has occurred, (ii) (a) if it intends to exercise its Early Redemption Option (as defined above) to redeem in whole but not in part in relation to such a Change in Control Event, or (b) if the Issuer does not intend to exercise its Early Redemption Option, that any ASEAN Green Bondholder has the right to require the Issuer to redeem its portion of the ASEAN Green Bonds at the Change in Control Redemption Price (as defined below); (iii) if it intends to exercise its Early Redemption Option, the date set by the Issuer for such redemption, which shall be no earlier than thirty (30) days and no later than sixty (60) days from the date such notice is given (the "**Change in Control Put Date**"), and (iv) if the Issuer does not intend to exercise its Early Redemption Option, the procedures determined by the Issuer, consistent with the Trust Agreement, that an ASEAN Green Bondholder must follow in order to have its portion of the ASEAN Green Bonds redeemed. As set out in item (ii) above, if the Issuer has indicated that it will not exercise its Early Redemption Option, each ASEAN Green Bondholder shall have the right, at its option, to require the Issuer to repurchase in full (but not in part) such ASEAN Green Bondholder's portion of the outstanding ASEAN Green Bonds, at a redemption price equal to 101.00% of the face value of the principal amount of its portion of the ASEAN Green Bonds plus accrued interest (the **"Change in Control Redemption Price"**) on the Change of Control Put

	Date (as defined above). If any ASEAN Green Bondholder exercises such right to require the Issuer to repurchase its portion of the ASEAN Green Bonds, the Issuer shall not have any obligation to also repurchase the portions of the non-exercising ASEAN Green Bondholders, and the non-exercising ASEAN Green Bondholders shall not also be obliged to sell such portions. The Trustee shall not be required to take any steps to ascertain whether a Change in Control Event or any event which could lead to the occurrence of a Change in Control Event has occurred nor be liable to any person for any failure to do so. A change in control event ("**Change in Control Event**") shall be deemed to have occurred when: (a) CPG Holdings, Inc. ("**CPG**") and AO Capital Holdings 1 ("**AOCH1**") (or together with any of their respective affiliates) collectively cease to own 51% of the voting capital stock of ALCO and to retain the power to elect a majority of the Board of Directors; or (b) CPG (alone or together with any affiliate) ceases to own at least 31% of the voting capital stock of ALCO; or (c) AOCH1 (alone or together with any affiliate) ceases to own at least 20% of the voting capital stock of ALCO. The term "affiliate" for purposes of the definition of the Change in Control Event, means a corporation (i) at least sixty-seven percent (67%) of the total issued and outstanding voting capital stock is directly or indirectly (computed in the same manner as the grandfather rule), owned by, and (ii) which is controlled by, directly or indirectly, the individuals who, as of Issue Date, are the ultimate owners of CPG or AOCH1, as applicable. For purposes of this definition, "control" means the possession, directly or indirectly, by a person of the power to elect and remove at least a majority of the total number of the board of directors or other governing body of the corporation, or otherwise direct or cause the direction of management and policies of the corporation, whether through ownership of voting securities, contract or otherwise; provided, that a person's direct ownership of voting securities of over fifty percent (50%) of the issued and outstanding voting capital stock of the corporation is deemed to constitute control of that corporation. "Controlled by" shall have the corresponding meaning.
Tax Event	A tax event ("**Tax Event**") shall occur if interest payments or other amounts payable on the ASEAN Green Bonds become subject to higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in

	law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to ALCO.
No Sinking Fund	ALCO has not established, and currently has no plans to establish, a sinking fund for the redemption of the ASEAN Green Bonds.
Negative Pledge	The ASEAN Green Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens, as provided under Section 5.2 of the Trust Agreement.
Purchase and Cancellation of the ASEAN Green Bonds	The Issuer may at any time purchase any of the ASEAN Green Bonds in the open market or by tender or by contract at market price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) ASEAN Green Bonds pro-rata from all Bondholders. Any ASEAN Green Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the ASEAN Green Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Taxation	Interest income on the ASEAN Green Bonds is subject to a withholding tax at varying rates depending on the type of Bondholder. Assuming that the ASEAN Green Bonds are issued to twenty or more Bondholders, interest income from the ASEAN Green Bonds will be considered as income from a deposit substitute and will subject to final withholding tax at the following rates: (a) 20% if the Bondholder is an individual citizen, a resident alien, or nonresident alien individual engaged in trade or business within the Philippines, domestic corporation or resident foreign corporation; (b) 25% if the Bondholder is a nonresident alien individual not engaged in trade or business within the Philippines; and (c) 30% if the Bondholder is a nonresident foreign corporation of the Philippines. A Bondholder that is a non-resident foreign corporation or a non-resident alien not engaged in trade or business in the Philippines that is a resident of a country that has a tax treaty with the Philippines may also claim the preferential rates under the applicable tax treaty. Payment of principal is to be made free and clear of any deductions or withholding for or on account of any taxes or imposed on income. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

	(a) The applicable final withholding tax on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the "Tax Code"). (b) Gross Receipts Tax under Section 121 of the Tax Code; (c) Taxes on the overall income of any securities dealer or ASEAN Green Bondholder, whether or not subject to withholding; and (d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963. Documentary stamp tax for the primary issue of the ASEAN Green Bonds and the execution of the bond agreements, if any, shall be for the Issuer's account.
Title	The beneficial interest to the ASEAN Green Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the ASEAN Green Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the ASEAN Green Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the ASEAN Green Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant ASEAN Green Bondholder.
Transfer of the Bonds	Unless otherwise prohibited under the PDEx Rules, the ASEAN Green Bonds are freely transferable across tax categories. All transfers of the ASEAN Green Bonds shall be traded or coursed through a PDEx Trading Participant, in accordance with the PDEx rules. All trading in the secondary market should be in denominations of ₱10,000.00. The denominations for trading the Bonds on PDEx will be subject to the PDEx Rules. As a condition precedent for any transfer of the ASEAN Green Bonds, the transferee ASEAN Green Bondholder must present to the Registrar, and in such forms as prescribed by the Registrar: (i) the Registry Confirmations of both the transferor and the transferee (if any); (ii) the Trade-Related Transfer Form or Non-Trade Related Transfer Form; (iii) the Investor Registration Form; (iv) Tax Exempt/Treaty

	Documents, if applicable; (v) written consent of the transferee ASEAN Green Bondholder to be bound by the terms of the ASEAN Green Bonds and the Registry Rules, in the form agreed upon between the Issuer and the Registrar; and (vi) such other documents as may be reasonably required by the Registrar. A service charge shall be imposed for any registration of transfer of the ASEAN Green Bonds, and the Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer of the ASEAN Green Bonds, each for the account of the ASEAN Green Bondholder requesting the registration of transfer of the ASEAN Green Bonds. Subject to applicable law, PDEx rules and regulations, normal selling restrictions for listed securities as may prevail in the Philippines from time to time, and payment by the relevant ASEAN Green Bondholder of the proper fees, if any, to PDEx and/or the Registrar, a transfer of bonds may generally be done at any time.
Other Terms and Conditions	Please refer to the section "Description of the ASEAN Green Bonds" starting on page 67 of this Prospectus for additional features, rights and privileges of, and information on, the ASEAN Green Bonds. Please refer also to the section "Plan of Distribution" starting on page 62 of this Prospectus, and other relevant sections of this Prospectus, for the other terms (including procedure) for this Offer.
Governing Law	The ASEAN Green Bonds will be issued pursuant to the laws of the Republic of the Philippines.
Issue Rating	The ASEAN Green Bonds are rated PRS Aa minus by Philippine Rating Services Corporation.
Green Finance Framework Second Party Opinion Provider	Vigeo Eiris
Joint Lead Underwriters and Joint Bookrunners	BDO Capital & Investment Corporation ING Bank N.V., Manila Branch
Trustee	BDO Unibank, Inc. – Trust and Investments Group
Registrar and Paying Agent	Philippine Depository and Trust Corporation
Counsel to the Issuer	SyCip Salazar Hernandez & Gatmaitan
Counsel to the Joint Lead Underwriters and Joint Bookrunners	Romulo Mabanta Buenaventura Sayoc & de los Angeles

Risk Factors

General Risk Warning

An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Bonds and ALCO from the SEC and PSE.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. ALCO adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ALCO, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Bonds. The business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO ALCO AND ITS SUBSIDIARIES

No assurance of successful implementation of business plans and strategies

ALCO is susceptible to the failure of the implementation of the business plans and strategies, especially with respect to new projects and undertakings. While ALCO has successfully completed Arya and ACPT on time, and within budget, it has several ongoing projects such as Cebu Exchange, Savya Financial Center, Sevina Park and Cebu Business Park Project which, along with its other projects in the pipeline such as, Makati Residential Project, Makati Residential Project 2, Manila Long Term Project and several target acquisitions and developments in the Philippines, still face uncertainty in terms of completion and revenue results.

Real estate developments are subject to risks such as delays in obtaining financing, finalizing project plans, obtaining approvals, increases in construction costs, natural calamities and market downturns. ALCO's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully. There is no guarantee that ALCO's future projects will, similar to Arya and ACPT, be successfully completed and sold or leased as planned. There is likewise no guarantee that the take up for its new developments will remain robust.

However, the Company 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 its market as well as the careful formation of its strategies. ALCO 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.

Moreover, ALCO's ongoing developments such as Cebu Exchange, Savya Financial Center and Sevina Park are grounded on sound business strategies based on legitimate market demand and trends, as they are expected to ride on the booming take-up for office and residential space in prime locations such as Cebu City, Arca South and Laguna brought about by the growth of both the BPO industry and the overall economy.

The Company continually looks for growth opportunities in different market segments and geographic areas in order to mitigate risk concentration on a particular market segment or geographic area by reason of political, economic or other factors, and thus providing it with a steady revenue base.

The Company's business is inherently volatile

The Company's focus is the development and sale of real estate. While the Company has established recurring income resulting from leasing operations of ACPT, Arya Plaza and Courtyard Hall, recurring income will account for only a small portion of the Company's overall expected revenues in the mid-term. Further, the Company's revenues, and consequently, its profits, vary year on year, depending on several factors, including the completion and demand for its projects, as well as its available real estate inventory for sale. Prior year's financial performance does not guarantee future financial performance of the Company.

With the completion of ACPT, however, ALCO expects its recurring leasing revenues to cover its fixed overhead costs at the minimum, and mitigate the volatility that ALCO's business is exposed to on a continuous basis. ALCO has likewise initiated plans to retain some of the office or retail units in its projects to strengthen its recurring income base. Finally, ALCO takes specific measures to enable it to launch and complete its projects at the right time to address volatility in revenues and earnings.

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

The Philippine property development industry is highly regulated. The development of subdivision and other residential projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, projects that are to be located on agricultural land must get clearance from the Philippine Department of Agrarian Reform ("DAR") so that the land can be re-classified as non-agricultural land and, in certain cases, tenants occupying agricultural land may have to be relocated at the Company's expense. Presidential Decree No. 957, as amended, ("PD 957") and Batas Pambansa Blg. 220 ("BP 220") are the principal statutes, which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government, which enforces these statutes.

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

In addition, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of subdivision lots and housing units. Project permits and any license to sell may be suspended, cancelled or revoked by the HLURB based on its own findings or upon complaint from an interested party and there can be no assurance that the Company, its subsidiaries, associates or partners will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect the Company's ability to complete projects on time, within budget or at all, and could have a material adverse effect on its financial condition and results of operations.

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

Ability to obtain financing at favorable terms and interest rates

The Company and its subsidiaries obtain or plan to obtain medium-term and long-term financing at favorable terms to cover a portion of the capital expenditures needed to develop their projects and general corporate purposes, which may include refinancing of the Bonds. There is no assurance that the Company or its subsidiaries can continue to raise the additional financing needed to execute their future plans, including refinancing debt, at favorable terms. Aside from this, higher inflation and interest rates could have a material adverse effect on the Company's, its subsidiaries' and its customers' ability to obtain financing.

Higher interest rates, factors that affect interest rates, such as the Government's fiscal policy, inflation, foreign exchange rates, as well as government policy on limiting the exposure of financial institutions to real estate, could have a material adverse effect on the Company and on demand for its products.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

While these risks are inherently uncontrollable, the Company practices what it considers prudent financial management, such as opting for fixed interest rates for the duration of its term loans, matching financing tenors to the the project's cash flows and limiting borrowing to peso denominated loans, to minimize any risks from the factors mentioned above. In addition, the Company structures the capitalization for each of its projects such that debt to equity ratios are maintained at conservative levels or well below industry averages and at acceptable debt-to-equity ratios for bank financing. In addition, cash flows from each of the projects are not commingled with other projects and that reliance on collections from pre-selling is kept at a low percentage of total revenues from each project.

Possibility of a rapid increase of interest rates

There is no guarantee that interest rates, in general, will remain at current levels. Interest rates may increase as a result of developments both in the global and the domestic stage.

A significant number of ALCO's customers rely on bank financing. An increase in interest rates may adversely affect the take up of ALCO's future projects resulting from the availability of affordable financing.

However, ALCO's market segment, which is vetted and concentrated on the high-end market, has shown greater holding power, and has generally demonstrated flexibility to fund their real estate purchases from readily available cash. As a result, ALCO's customers are less likely to default on their financial commitments notwithstanding an increase in interest rates.

Availability of land for use in the Company's future projects

There is scarcity and intense competition for certain prime properties in the Philippines which real estate companies continuously bid for. It is uncertain whether ALCO can secure real estate properties to ensure that its development activities continue.

However, the Company has already secured the required land bank for its current line up of projects including Cebu Business Park Project and Makati Residential Project which are expected to be launched within the next twelve (12) months. The Company is likewise actively negotiating to complete the acquisition of properties for its Makati Residential Project 2 and Manila Long Term Project. The Company remains constantly on the lookout for opportunities to acquire properties that will match its developmental plans.

Further, the Company also benefits from being regarded highly by existing customers and partners. ALCO is approached by landowners to be the preferred developer for their properties.

Significant competition in the real estate industry

The Company's ability to sell or lease its projects may be adversely affected by the competition from other high-end real estate developers like Ayala Land, Inc. and Rockwell Land Corporation which already have established market bases and have been in the market for a longer amount of time potentially allowing them to have greater flexibility in pricing and payment terms which, in turn, may adversely affect the Company's sales velocity.

To mitigate this risk, the Company continues to focus on its identified market niches and highlight its strengths in sustainable and green developments to continue building a reputation of quality projects recognized internationally for superb architecture and interior design, such as Arya and ACPT. ALCO also relies on the strategic placement of its land bank and competitive pricing to continue serving its niche market.

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

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. The Company's subsidiary, UPHI, is a party to cases involving quieting of title and expropriation involving a small portion of its property in Tagaytay City. Litigation may result in delays or suspension of project developments. (For a more detailed discussion, see "Legal Proceedings" on page 138.)

The Company mitigates this risk by requiring comprehensive due diligence on potential properties for acquisition before consummating an offer to purchase the same.

Environmental laws could adversely affect the Company's business

Real estate developers are required to follow strictly the guidelines of the DENR and to secure various permits and licenses for each project. Any changes in the current environmental laws and regulations applicable to the Company may increase the Company's operating expenses and may require significant compliance efforts from, and additional compliance costs for, the Company. To mitigate this risk, ALCO currently complies and will continue to comply with environmental laws, and has keep abreat and will keep abreast of any changes in such laws which may have an impact on its business.

(For a more detailed discussion, see "Regulatory Framework" on page 198.)

Delays in the completion of projects and failure to meet customers' expectation and standards could adversely affect the Company's reputation and its business and financial performance

The Company's reputation will be negatively affected if any of its projects experiences construction or infrastructure failures, design flaws, significant project delays, and quality control issues. Any of these may consequently make it more difficult for the Company to attract new customers for its future projects. Any negative effect that would stain the Company's reputation may pose difficulties in selling or leasing its projects and may have a domino effect on both its other current and future projects.

To mitigate this risk, the Company engages the services of reputable and experienced architects, designers, project managers and technical consultants, both here and abroad. The Company likewise engages the top general contractors in the Philippines to ensure that its projects are constructed in accordance with plans and specifications and in accordance with the agreed schedules. The selection of all third-party professionals, contractors, and suppliers passes through a prequalification process and competitive bidding. Contracts will include provisions for warranties, penalties, performance bonds and liquidated damages for delay and unsatisfactory workmanship. The Company likewise maintains its own technical team that monitors the progress and construction quality to ensure that the project is executed in accordance with set standards. Questions and/or requests from customers are addressed by the Company in a timely fashion.

Cyclicality of Property Development

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, particularly on the low end of the spectrum, was driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries where these overseas workers are concentrated, such as the United States, the Middle East and certain 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 experienced phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates. The fast-paced growth of this industry in the past five years as well as its prospects for the next five to ten years in Metro Manila and other emerging cities across the Philippines have become the major drivers of growth in the office sector of the property industry. The absorption rate of newly built office buildings in major central business districts and key cities remain high because of the requirements of these BPO companies.

Overall, the industry and, necessarily, ALCO and its subsidiaries contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive (i) to the political and security situations of the country since their sales come 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 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.

Possible change in accounting principle for real estate will change the Company's revenue recognition for sale of its real estate developments, which in turn may adversely affect recognition of unrestricted retained earnings

Future changes in the PFRS accounting standards, mainly those related to revenue recognition, could adversely affect the Company's net income and therefore impact recognition of unrestricted retained earnings.

PFRS 15, Revenue from Contracts with Customers, replaced PAS 11, Construction Contracts, PAS 18, Revenue, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance. Further, the amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

On February 14, 2018, the Philippine Interpretation Committee (PIC) issued PIC Q&A 2018-12: PFRS 15 - Implementation Issues Affecting the Real Estate Industry, which provides guidance on some implementation issues affecting the real estate industry due to changes brought by the adoption of PFRS 15. Among the key areas discussed in this issuance are the accounting for significant financing component arising from the difference of revenue recognized under percentage of completion (POC) and the aggregate collections, and the exclusion of the following costs as input used in determining the POC:

a. Land element
b. Connection fees
c. Borrowing cost
d. Materials delivered on-site but not yet installed

Further on October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 with respect to the exclusion of land element and uninstalled materials on-site in the POC computation and the accounting for significant financing component. Accordingly, effective January 1, 2018, borrowing costs and connection fees are excluded in determining POC.

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.

The Company adopted PFRS 15 using the retrospective approach but deferred the application of the provisions of PIC Q&A No. 2018-12.

The Company continues to assess the impact of this change to its financial results, and will conduct a thorough review and assessment of its contracts with customers to determine proper application of the new standards and reasonably plan to safeguard the interests of both the prospective holders of the Bonds.

The Company's and its subsidiaries' loan agreements are subject to certain debt covenants

The Company's loan agreements for certain debts contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of financial covenants;
- declare dividends without the consent of the lending institutions;
- materially change the nature of its business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause the Company to take actions that it otherwise would not take or not take actions that it otherwise would take. ALCO's failure to comply with these covenants would cause a default, which, if not waived, could result in the debts becoming immediately due and payable.

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

No assurance that insurance rates and coverage will remain the same, as such insurance coverage may not be adequate in the future

The Company maintains comprehensive property and liability insurance policies with coverage features and insured limits that it believes are consistent with market practices in the real estate development industry in the Philippines. Nonetheless, the scope of insurance coverage that the Company can obtain or the Company's ability to obtain such coverage at reasonable rates may be limited.

Insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect the business, financial condition and results of operations.

To mitigate this risk, the Company regularly monitors the sufficiency of insurance coverage from its various insurance contracts and cultivates a healthy business relationship with various insurance companies.

The Company or its contractors may be subject to labor unrest, slowdowns and increased costs

The Company has not experienced labor unrest in the past that resulted in the disruption of its operations. However, there can be no assurance that it will not be constrained to defend against labor claims or that it or its contractors will not experience future disruptions in its operations due to labor disputes in the future. In addition, any changes in labor laws and regulations could result in the Company having to incur substantial additional costs.

To mitigate the risk, the Company complies with labor laws, adopts policies to ensure a healthy working environment for its employees and engages contractors that practice the same. Further, substantially all of its construction contracts are fixed, thereby allowing the Company to mitigate this risk.

The Company is dependent on key suppliers and service providers to successfully implement its plans

The Company is dependent on certain key suppliers and service providers for substantial components of the Company's real estate developments. The Company relies on certain architecture and design firms as well as contractors for the execution of its plans.

The Company mitigates this risk primarily through its stringent screening process in relation to counterparty selection. When necessary, the Company also requires its suppliers and service providers to provide performance security including surety bond, advance payment bond, performance bond and guarantee bond which sufficiently allow ALCO to manage this risk.

The Company is dependent on its management team and key employees to successfully implement its strategies

The loss of key and management personnel may have a material adverse impact to the Company and its business plans. There is no guarantee that existing personnel will continue to serve in their current capacities.

The Company, however, is confident in its ability to attract and retain key personnel by continuing to provide competitive compensation as well as promoting a sustainable culture for its team. The Company likewise has a strong top and middle management bench which provides it access to a continuous stream of talent.

The Company may be unable to attract and retain skilled professionals

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

To mitigate the risk, the Company regularly reviews its hiring policies to ensure that it remains competitive against other employers in terms of being able to attract and retain top talent.

The Company may be affected by the Comprehensive Tax Reform Program

On December 19, 2017, the President of the Philippines signed into law the Tax Reform for Acceleration and Inclusion or Republic Act No. 10963 ("TRAIN Law") which took effect on January 1, 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the Comprehensive Tax Reform Program ("CTRP") of the Duterte administration.

On February 14, 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 ("Tax Amnesty Law"), which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before December 31, 2017 and whose estate taxes have remained unpaid or have accrued as of December 31, 2017 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years. Congress, by two-thirds vote of all Members of each House, voting separately, may pass the vetoed provisions over the President's veto. In which case, the vetoed provisions will become law.

The second package of the CTRP (the "TRABAHO Bill") aims to lower corporate income taxes while the second package of the CTRP (the "TRABAHO Bill") aims to lower corporate income taxes while rationalizing fiscal incentives for corporations, such as income tax holidays, special rates, and custom duty exemptions. If passed into law, any applicable financial incentives enjoyed by ALCO may be affected. Under Package 4 of the CTRP, the Department of Finance reportedly proposes to lower the rate of transaction taxes on land, including DST, transfer tax and registration fees, centralize and rationalize valuation of properties, increase valuation of properties closer to market prices, review property valuations every three (3) years and adjust accordingly. While Package 4 aims to lower the rate of transaction taxes on land, the increase in valuation could lead to an increase in the taxes to be paid by the Company.

To mitigate the risk, the Company regularly reviews its tax exposure and employs efficient tax planning.

ALCO may be exposed to cybersecurity incidents and information security risks

ALCO, independently and through third-party service providers, collects, processes, uses, transmits and stores on its networks, devices and equipment sensitive information, including intellectual property, proprietary business information and personally identifiable information of ALCO's customers, employees, suppliers, contractors and service providers.

As cybersecurity vulnerabilities and threats continue to evolve, ALCO may be required to expend significant additional resources to continue to modify or enhance its security measures or to investigate and remediate any cybersecurity vulnerabilities or similar incidents. The occurrence of any of these events could result in (i) business interruptions and delays; (ii) the loss, misappropriation, corruption or unauthorized access of data; (iii) litigation and potential liability under privacy, security, breach notification and consumer protection or other laws; (iv) reputational damage and (v) governmental inquiries or investigations, any of which could have a material, adverse effect on ALCO's financial position and results of operation and harm ALCO's business reputation.

ALCO has implemented security measures to protect the confidentiality, integrity and availability of sensitive information and the systems and devices that store and transmit such data, and routinely monitors and tests its security measures. ALCO has appointed and designated a Data Privacy Officer who shall be accountable for ensuring the compliance by ALCO and its subsidiaries with the provisions of the Data Privacy Act and its implementing rules and regulations, as well as the issuances of the National Privacy Commission, and other applicable laws and regulations relating to privacy and data protection. ALCO has also conducted privacy impact assessments and has data privacy policies in place to ensure that security risks are managed and breaches will be adequately addressed. ALCO also ensures that appropriate data privacy provisions are included in its contracts with customers, suppliers and service providers.

ALCO is subject to foreign ownership limitations.

As of the date of this Prospectus, ALCO owns land and is therefore required by the Philippine Constitution and related statutes to be a Philippine national by limiting foreign ownership in the Company to a maximum of 40% of its outstanding capital stock.

Pursuant to Philippine SEC Memorandum Circular No. 8, Series of 2013, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Therefore, to the extent that foreign investors' ability to the invest in ALCO and its landholding subsidiaries is limited, ALCO and its subsidiaries must resort to other sources of capital raising and must structure their partnerships and joint ventures with foreign nationals in a manner as to ensure that foreign ownership limitation is not breached.

ALCO is aware of this foreign ownership restriction and is actively monitoring its partnerships and shareholding structure to ensure that foreign participation is within the constitutional limits. ALCO maintains competent internal and external legal counsel to ensure that its transactions with foreign nationals are properly structured in order not to breach this foreign ownership limitation.

ALCO is reliant on technology in certain business operations and uses technology to differentiate its developments from those of its competitors.

While ALCO aims to remain abreast with the latest technological developments related to property development, there are no significant barriers that prevent its competitors from adopting a similar technology for their own developments and projects. ALCO may also fail to implement any new technology in a timely manner or at all, putting it at a disadvantage to its competitors.

To mitigate this risk, ALCO ensures that it is at the forefront in terms of using the latest enabling technologies as added features to its residential and commercial projects. As an example, the villas at Sevina Park Homes are designed to be high speed wi-fi and home automation ready, enabling the resident to control climate and electrical appliances remotely should the tenant wish to install these features. The Sevina Park will likewise have a centralized command center for safety and security throughout the estate."

ALCO is subject to risk on substantial sale cancellations

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

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

- The Company is subject to R.A. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. This right shall be exercised by the buyer only once in each year of the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

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

- In the event the Company experiences a material number of sales cancellations, investors are cautioned that the Company's historical revenues would have been overstated because such historical revenues would not have accurately reflected subsequent customer defaults or sales cancellations. Investors are also cautioned not to rely on the Company's historical income statements as indicators of the Company's future revenues or profits.

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

The Company mitigates this risk by ensuring that it conducts proper procedures to obtain necessary information from prospective buyers so as to have reasonable assurance of their ability to pay for or obtain financing for their units to minimize payment default as a reason for sales cancellation. The Company likewise maintains a healthy client list to aid in selling previously cancelled units to other buyers.

RISKS RELATING TO THE PHILIPPINES

Company is exposed to risks related to the slowdown in the Philippine economy

The Philippine economy remains exposed to significant economic and political risks. The performance of the Philippine economy may influence, in general, the results of the Company's operations. Any deterioration in the economic conditions in the Philippines may adversely affect consumer sentiment.

There can be no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth. The Company's results of operations depend on the performance of the Philippine economy. Movement in interest rates will affect the Company's cost of capital as well as the financial viability of its projects. Any deterioration in the Philippine economy could materially and adversely affect the Company's financial condition and results of operations.

The Company derives all of its sales and operating profits from its development activities in the Philippines and its business is highly dependent on the state of the Philippine economy and the Philippine property market.

Demand for, and prevailing prices of, developed land, are directly related to the economic, political and security conditions in the Philippines. The relatively stable interest rate environment in recent years, as well as the favorable demographics (i.e. demographic sweet spot or majority of the population or at least 50 million Filipinos reaching working age) has partly sustained the growth in the local property market.

There is no guarantee that the Philippine real estate sector will continue to be robust. Over different periods, the Philippines has faced declining economic growth rates with high inflation rates, especially during economic downturns brought about by external and local risk factors. For instance, the Philippine property market suffered a sharp downturn as a result of the Asian financial crisis in 1997 and the political crisis in 2000 brought about by the impeachment proceedings against, and eventual resignation, of former President Joseph Estrada. These crises led to a steep drop in real estate demand and consequently to an oversupply in the property market, depressed property prices and reduced demand for new residential projects. The *Bangko Sentral ng Pilipinas* increased policy rates by 175 basis points in 2018 to address the increase in inflation, although it softened its position by cutting policy rates by 75 basis points in the first nine months of 2019. Another example of an external risk factor is the global economic recession and financial market turmoil in 2008, which led to some slowdown in the local economy and property market. However, growth in the local property market continued to be resilient and sustained by the country's improved economic and credit fundamentals, as attested by the country's first-ever investment grade ratings in 2013, the continued growth in OFW remittances and BPO revenues that supported consumer spending and demand for property, as well as the relatively stable interest rate environment since the latter part of 2010 that reduced the cost of financing property purchases.

While the risks related to the Philippine economy in general and to the Philippine real estate industry in particular are uncontrollable, the Company practices prudent financial management to minimize their possible effects.

Political and social instability or acts of terrorism could adversely affect the financial results of the Company

Any political and terrorist threats could adversely affect the general conditions and business environment in the Philippines, which could have a material effect on the operations and financial performance of the Company.

The Philippines has, from time to time, experienced political and military instability. In the past 15 years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents, the removal from office of two chief justices of the Supreme Court of the Philippines via impeachment and quo warranto proceedings, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government have likewise been under investigation on corruption charges stemming from allegations of misuse of public funds.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines mainly in cities in the southern part of the country. In September 2016, for example, a bombing occurred in Davao City, which has been attributed to Abu Sayyaf, an Islamist militant group. This prompted President Rodrigo Duterte to declare the country under a state of emergency due to lawlessness violence. Moreover, in an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on 25 January 2015, 44 police commanders were killed in a 12-hour fight with two Muslim rebel groups: Moro Islamic Liberation Front and Bangsamoro Islamic Freedom Fighters in the Southern Philippines. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of the Philippine economy. In 2017, President Rodrigo Duterte declared martial law in Mindanao due to clashes between government troops and Maute group terrorists in Marawi City in Mindanao. This martial law declaration has been extended until the end of 2019.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting or election-related violence, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

Territorial disputes with China and other Southeast Asian countries may disrupt the Philippine economy and business environment

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea (“UNCLOS”). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused each other of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal later that year. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China‟s presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines to initial arbitral proceedings. In May 2013, the Philippine Coast Guard shot and killed a Taiwanese fisherman in an area of the South China Sea claimed as an exclusive economic zone by both countries.

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Company could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other‟s imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company‟s business, financial position and financial performance.

To mitigate this risk, the Company regularly monitors developments and evaluates potential impact to the economy, the real estate industry and the market segments in which it operates so that it can implement or adopt new policies as necessary.

Occurrence of natural catastrophes could adversely affect the business of the Company

The Philippines has experienced a significant number of major natural catastrophes over the years, including typhoons, volcanic eruptions, earthquakes, storm surges, mudslides, fires, droughts, and floods related to El Niño and La Niña, respectively. In the latter part of 2015, two typhoons, Nona and Onyok, brought floods and displaced thousands in the areas affected, while death tolls reached hundreds. Natural catastrophes will continue to affect the Philippines and the Company may incur losses for such catastrophic events which could materially and adversely affect its business, financial condition and results of operations.

There is no assurance that the insurance coverage of the Company maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural calamities. However, the Company mitigates this risk through the geographic diversity of its projects, thereby minimizing the impact of a potential natural catastrophe.

Occurrence of a Philippine credit rating downgrade could adversely affect the business of the Company

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. At present, the sovereign credit ratings of the Philippines are all investment grade: Moody’s rates the Philippines as Baa2 with a stable outlook, Fitch rates the Philippines as BBB with a stable outlook while S&P rates the Philippines as BBB+, with a stable outlook.

The Philippine sovereign credit ratings directly affect companies that are resident in the Philippines, such as ALCO. There is no assurance that Moody’s, Fitch, S&P, or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including ALCO, to raise additional financing, and will increase borrowing and other costs.

RISKS RELATING TO THE BONDS

An active or liquid trading market for the Bonds may not develop

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors. There is no assurance that the Securities may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

The period for the Company to fully realize the benefits resulting from the use of proceeds of the Bonds may extend beyond the relevant maturity date

The Company may only reap the benefits resulting from the use of proceeds of the Bonds after the Bonds have matured. As a result, the Company may need to utilize its internally generated cash from other projects or external financing to service and repay the Bonds.

Holders of the Bonds may face possible gain or loss if the Bonds are sold at the secondary market.

As with all fixed income securities, the Bonds' market values increase or decrease depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

The Bonds may not be able to retain its credit rating

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. However, the Company mitigates this risk by ensuring diligent application of its strategies and constant monitoring of operations.

Bondholders may incur a loss if the Company is unable to redeem the Bonds at the relevant maturity date.

At maturity, the Company will be required to redeem all of the Bonds. The Company may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem the Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Company

However, the Company mitigates this risk by ensuring diligent application of its strategies and constant monitoring of its cash position to allow for the redemption of the Bonds on maturity date.

The Bonds have no Preference under Article 2244(14) of the Civil Code and may be Subordinated to other Debt

Under Philippine Law, if a borrower submits to insolvency or liquidation proceedings, certain claims, secured obligations, and obligations evidenced by a public instrument enjoy preference over unsecured obligations such as the Bonds. As regards the preference created by ALCO's secured loan obligations, where ALCO's assets are collateralized, this is mitigated by ALCO's Negative Pledge covenant, subject to certain exceptions, under the Trust Agreement. Moreover, since most of these loans are development loans, the security on the assets falls away once a project is completed and starts to earn revenues to repay the loan.

On the other hand, the preference created by a public instrument is mitigated by ALCO's covenant in the Trust Agreement that no other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or security holder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

Inability to reinvest at a similar return on investment upon redemption

On the Optional Redemption Date or at any time redemption occurs, the Company may redeem the Bonds at the Redemption Price, as described in ''Terms of the Offer" of this Prospectus for the ASEAN Green Bonds, and the relevant Offer Supplement for the succeeding tranches of the Bonds. At the time of redemption, interest rates may be lower than at the time of the issuance of the Bonds and, consequently, the holders of the Bonds may not be able to reinvest the proceeds at a comparable interest rate or purchase securities otherwise comparable to the Bonds.

There is no guarantee that the Bonds will be listed

The Company shall file an application for the listing of each Tranche of the Bonds as they are issued on the PDEx but cannot guarantee that the Bonds will be listed on its target listing date as indicated in this Prospectus or the relevant Offer Supplement.

Each Tranche of the Bonds will be listed subject to PDEx's approval of the Company's listing applications.

The ASEAN Green Bonds may not be a suitable investment for all investors seeking exposure to green assets.

The Company may issue the ASEAN Green Bonds where the use of proceeds is specified to be for the financing and/or refinancing of specified "green" or "sustainability" projects of the Company or any of its subsidiaries, in accordance with certain prescribed eligibility criteria.

In connection with an issue of the ASEAN Green Bonds, the Company may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a "Compliance Opinion") confirming that any ASEAN Green Bonds are in compliance with the Green Bond Principles prepared and published by the International Capital Market Association (the "ICMA Green Bond Principles") and the ASEAN Capital Markets Forum (the "ASEAN Green Bond Standards 2018"). The ICMA Green Bond Principles and ASEAN Green Bond Standards 2018 are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. While the ICMA Green Bond Principles and ASEAN Green Bond Standards 2018 do provide a high level framework, there is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" or "sustainable", and therefore no assurance can be provided to potential investors that the green or sustainable projects to be specified in the use of proceeds will meet all investors' expectations regarding sustainability performance or continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognized by the ICMA Green Bond Principles and ASEAN Green Bond Standards 2018, and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. Where any negative impacts are sufficiently not mitigated, green or sustainable projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

On January 21, 2020, the SEC confirmed that the program under which the ASEAN Green Bonds have been issued complies with the requirements set forth under SEC Memorandum Circular No. 12 (2018) and has authorized the use of the ASEAN Green Bond label for the ASEAN Green Bonds (the "SEC Confirmation"). Potential investors should be aware that any Compliance Opinion or the SEC Confirmation will not be incorporated into, and will not form part of, this Offering Supplement. Any such Compliance Opinion and SEC Confirmation may not reflect the potential impact of all risks related to the structure of the relevant ASEAN Green Bonds, their marketability, trading price or liquidity or any other factors that may affect the price of value of the ASEAN Green Bonds. Any such Compliance Opinion nor the SEC Confirmation is not a recommendation to buy, sell or hold securities and is only current as of its date of issue. Prospective investors must determine for themselves the relevance of any such Compliance Opinion, the SEC Confirmation, and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Instruments. Currently, the providers of such compliance opinions and certifications are not subject to any specific regulatory or other regime or oversight.

Further, although the Company may agree at the Issue Date of any ASEAN Green Bonds to certain allocation and/or impact reporting and to use the proceeds for financing and/or refinancing of green or sustainable projects (as specified in the Use of Proceeds), it would not be an event of default under the ASEAN Green Bonds if (i) the Company were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Terms and Conditions, (ii) the Company were to fail to comply with the provisions of Company's Green Finance Framework, the SEC Confirmation, or the SEC Memorandum Circular No. 12 (2018), and/or (iii) the Compliance Opinion were to be withdrawn. Any failure to use the net proceeds of any ASEAN Green Bonds in connection with green or sustainable projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such ASEAN Green Bonds may affect the value and/or trading price of the ASEAN Green Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets which may cause one or more of such investors to dispose of the ASEAN Green Bonds held by them which may affect the value, trading price and/or liquidity of the relevant ASEAN Green Bonds.

Neither the Company nor the Joint Lead Underwriters and Joint Bookrunners make any representation as to the suitability for any purpose of any Compliance Opinion or whether any ASEAN Green Bonds fulfil the relevant environmental and sustainability criteria. Prospective investors should have regard to the eligible green bond projects and eligibility criteria described in the applicable Use of Proceeds. Each potential investor of the ASEAN Green Bonds should determine for itself the relevance of the information contained in this Prospectus, or the relevant Offer Supplement for succeeding tranches of the Bonds, and its purchase of any ASEAN Green Bonds should be based upon such investigation as it deems necessary.

In the event that any such ASEAN Green Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable", or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Company, the Joint Lead Underwriters and Joint Bookrunners or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects (as defined in the Company's Green Finance Framework). Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuers, the Joint Lead Underwriters and Joint Bookrunners or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the ASEAN Green Bonds.

Use of Proceeds

The use of proceeds for succeeding Tranches of the Offer shall be set out in the relevant Offer Supplement.

For the initial and subsequent tranches of the Bonds, the net proceeds of the issue, after deducting fees, commissions and other related expenses will be used in accordance with ALCO's Green Finance Framework, under which ALCO can issue debt financing instruments to finance or refinance new and/or existing eligible green projects (the "Eligible Green Projects") described in this Prospectus, and the relevant Offer Supplement for succeeding tranches of the Bonds.

ALCO will engage an external review provider which will be identified in the relevant Offer Supplement to review ALCO's process for project evaluation and verify the internal tracking method and allocation of the proceeds from the ASEAN Green Bonds.

ALCO will report to the investors on an annual basis until full allocation, and as necessary in the event of material developments, (a) a list of the Eligible Green Projects; (b) brief description of the projects; and (c) the amounts allocated and their expected impact. A copy of ALCO's Green Finance Framework, the annual report on the use of proceeds, and the external review of the annual report on the use of proceeds will be made available at https://www.arthaland.com.ph/investor-relations/other-disclosures-including-sec-17c.

Use of Proceeds for the ASEAN Green Bonds

The Company estimates that the net proceeds from the Offer shall amount to approximately ₱1,958,366,119.02, (assuming the Oversubscription Option is not exercised), after fees, commissions and expenses.

Estimated fees, commissions and expenses relating to the Offer are as follows:

Estimated Gross Proceeds from the Offer	**₱2,000,000,000.00**
Underwriting and Selling Fees	10,526,315.79
Documentary Stamp Taxes to be paid by the Company	15,000,000.00
Philippine SEC filing and legal research fees	1,073,125.00
PDEX listing and processing fees	100,000.00
Legal and other professional fees	13,434,440.19
Other expenses	1,500,000.00
Total Estimated Expenses	41,633,880.98
Estimated net proceeds	**₱1,958,366,119.02**

Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from the Offer shall amount to approximately Php2,945,350,461.12, after deducting the following fees, commissions and expenses:

Estimated Gross Proceeds from the Offer	**₱3,000,000,000.00**
Underwriting and Selling Fees	15,789,473.68
Documentary Stamp Taxes to be paid by the Company	22,500,000.00
Philippine SEC filing and legal research fees	1,325,625.00
PDEX listing and processing fees	100,000.00
Legal and other professional fees	13,434,440.19

Other expenses	1,500,000.00
Total Estimated Expenses	54,649,538.88
Estimated net proceeds	**₱2,945,350,461.12**

Note: (1) "Other Expenses" includes expenses for the printing of the Prospectus, roadshows and miscellaneous expenses.

Use of Proceeds from the Offer

The net proceeds of the issue, after deducting fees, commissions and other related expenses will be used in accordance with ALCO's Green Finance Framework under which ALCO can issue debt financing instruments to finance or refinance new and/or existing eligible green projects (henceforth referred to as "Eligible Green Projects") promoting environmental progress.

ALCO's Green Finance Framework outlines the criteria and guidelines for the allocation of proceeds of green financing instruments as per the following standards:

- International Capital Market Association ("ICMA") Green Bond Principles 2018
- ASEAN Capital Markets Forum ASEAN Green Bond Standards 2018
- Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association Green Loan Principles 2018

Under ALCO's Green Finance Framework, a portfolio of Eligible Green Projects qualifies uses of proceeds for as long as these meet minimum eligibility requirements which include the following standards for the development of new buildings, acquisition and renovation of completed buildings (commercial and residential) compliant with any of the following standards:

- LEED -Gold or higher
- BERDE - 4-star or higher
- IFC's EDGE - EDGE Certified or EDGE Compliant
- Building Research Establishment Environmental Assessment Method (BREEAM) – Excellent or higher, Global Real Estate Sustainability Benchmark (GRESB), and other equivalent standards

New and existing commercial and residential buildings that belong to the top 15% of low carbon buildings in their respective category and local context also qualify as Eligible Green Projects.

Vigeo Eiris, an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations, provided the second party opinion on ALCO's Green Finance Framework. Vigeo Eiris undertakes risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations. With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Milan, Montreal, Hong Kong, Casablanca, Rabat and Santiago.

In the Second Party Opinion issued by Vigeo Eiris, ALCO's Green Finance Framework is aligned with is aligned with the four core components of the ICMA's Green Bond Principlaes (2018) and Green Loan Principles (2018), and with the ASEAN Green Bond Standards developed by the EMEA Loan Market Association and the Asia Pacific Loan Market Association (revised in December 2018) and and with the ASEAN Green Bond

Standards (2018). Vigeo Eiris has expressed a reasonable assurance (the highest level of assurance) on ALCO's commitments and on the contribution of the contemplated financial instruments to sustainability.

A copy of ALCO's Green Finance Framework and Vigeo Eiris' Second Party Opinion is available at https://www.arthaland.com.ph/investor-relations/other-disclosures-including-sec-17c.

For this Offer, ALCO has identified the Arthaland Century Pacific Tower, Manila Long Term Project, and Savya Financial Center as Eligible Green Projects. ALCO has determined that the combined value of these Eligible Green Projects on ALCO 's balance sheet supports the issuance of the ASEAN Green Bonds under this Offer.

In particular, ALCO intends to allocate the net proceeds from the Offer as indicated below:

Purpose	Estimated Amount	Source		Disbursement Schedule
		Firm Offer	Oversubscription Option	
To fund the required investment from ALCO to acquire properties for the Manila Long Term Project	1,140,000,000.00	1,140,000,000.00	-	Q1 2020 to Q2 2020
To fund additional investment in Savya Financial Center or other Eligible Green Projects to retain office and retail units	1,500,000,000.00	818,366,119.02	681,633,880.98	Q3 2020 to Q4 2020
To partially fund scheduled repayments of the loan that financed ACPT	305,350,461.12	-	305,350,461.12	Q1 2020 to Q4 2020
TOTAL	**2,945,350,461.12**	**1,958,366,119.02**	**986,984,342.11**	

Use of Proceeds from the Firm Offer

Required investment from ALCO to acquire properties for the Manila Long Term Project

ALCO is currently evaluating and negotiating for the acquisition of large properties with a total area of approximately 18 hectares in areas of Metro Manila which have very high potential for growth. As an initial step towards the completion of the acquisition for the Manila Long Term Project, ALCO is negotiating for the acquisition of a 2-hectare property located in one of the fastest growing areas within Metro Manila. Once acquired, ALCO plans to develop these into sustainable master planned communities which will have commercial, residential, retail and institutional components that will qualify as Eligible Green Projects and which will be divided in several phases over a 10 to 15-year period.

As with its other projects, ALCO plans to acquire and develop these properties with joint venture partners to fully fund the equity requirement and to manage the risks associated with a project of such size. In addition to the equity from ALCO and its strategic partners, the Manila Long Term Project will also be funded by term loans and pre-selling of units. To fund its estimated required investment for the acquisition of the initial 2-hectare property for the Manila Long Term Project, ALCO is allocating ₱1,140 million from the proceeds of the Offer and estimates that this will be disbursed between Q1 2020 and Q2 2020.

The project is still in the evaluation stage and there are no definitive agreements entered into or signed yet. Should the negotiations not progress or close as planned, project cost and schedule would be subject to change. ALCO will disclose any changes in the planned use of proceeds in accordance with the disclosure rules of the SEC and the PSE.

To ensure that the Manila Long Term Project qualifies as an Eligible Green Project under ALCO's Green Finance Framework, ALCO commits to the following:

- Proceeds to be used to acquire the land is explicitly limited to the surface directly required for the "green building" acquisition or construction, i.e., including green building surface area and immediate surroundings (including required setback/easement/area to allow for access to the green building), and excluding land use not clearly related to the green buildings, or un-reasonable size of the acquired/financed lands considering the green building surface area;

- The below exclusion criteria regarding the use of procceds to not acquire lands:
    - of high environmental value regarding biodiversity conservation or water resource conservation;
    - related to cultural heritage;
    - related to property rights material controversy or litigation;
    - related to slums dwellers eviction, if no strict respect of the guidance defined by the United Nations on this regard;

- To respect international standards for "institutional buildings" financed by the proceeds in terms of (i) user safety, and (ii) accessibility for disabled people; and

- To report transparently on the above-mentioned aspects, as well on the surface of land acquired, at least to the investors and annually, covering all the pool of assets financed by the proceeds.

Additional investment in Savya Financial Center or other Eligible Green Projects

As part of its long-term goal of growing its recurring revenues from leasing operations to 30% of its total revenues, ALCO will allocate ₱818,366,119.02 from the proceeds from the Firm Offer to fund additional investment in Savya Financial Center or other Eligible Green Projects to retain approximately 5,700 sqm of NLA in these projects. ALCO expects to disburse these funds from Q3 2020 to Q4 2020. This is expected to provide additional lease revenues to its current portfolio of properties for lease which includes ACPT, Arya Plaza and Courtyard Hall.

Use of Proceeds from the Oversubscription Option

Any amount raised from the exercise of the Oversubscription Option will be used by the Company to fund the development of the following which are listed below in order of priority.
Additional investment in Savya Financial Center or other Eligible Green Projects

ALCO will allocate up to ₱681,633,880.98 from the proceeds of the exercise of the Oversubscription Option to fund additional investment in Savya Financial Center or other Eligible Green Projects to retain up to approximately 4,800 sqm of NLA in these projects. ALCO expects to disburse these funds from Q3 2020 to Q4 2020. This is expected to provide additional lease revenues to its current portfolio of properties for lease which includes ACPT, Arya Plaza and Courtyard Hall.

If the Company does not raise sufficient funds from the Oversubscription Option, it may choose to raise funds from new loans or other sources or it may choose to make additional investment in Savya Financial Center or other Eligible Green Projects when funds are raised accordingly.

Scheduled repayments on loan that funded ACPT

The Company plans to allocate the balance of the net proceeds from the exercise of the Oversubscription Option of Php305,350,461.12 to partially fund scheduled repayments of the loan from BDO Unibank, Inc. dated April 15, 2015 (the "ACPT Loan") to finance the construction and development of the Arthaland Century Pacific Tower based on the schedule below:

April 2, 2020	25,000,000.00
July 2, 2020	25,000,000.00
October 2, 2020	25,000,000.00
January 2, 2021	25,000,000.00
April 2, 2021	25,000,000.00
July 2, 2021	25,000,000.00
October 2, 2021	75,000,000.00
January 2, 2022	75,000,000.00
April 2, 2022	5,350,936.00*

*The full required amortization for April 2, 2022 is Php75,000,000.00 million. The difference between Php75,000,000.00and Php5,350,936 which will be funded from the net proceeds of the offer will be sourced from internally generated funds.

The ACPT Loan bears 5.8081% interest and will mature on July 8, 2025.

If the Company does not raise sufficient funds from the Oversubscription Option, it will fund the necessary payments for the ACPT Loan from internally generated sources of cash flows or other sources.

Plan of Distribution

ALCO plans to issue the Bonds to third party buyers / investors through a public offering to be conducted through the Underwriters.

The detailed plan of distribution and underwriting arrangements for each Tranche of the Bonds shall be as set out in this Prospectus for the ASEAN Green Bonds, and the relevant Offer Supplement for succeeding tranches of the Bonds.

Please refer to the section below for the Plan of Distribution for the ASEAN Green Bonds

Shelf Registration

On 14 October 2019, the Board of Directors of the Company approved for the shelf registration (the "**Shelf Registration**") in the Philippines of up to P6,000,000,000.00 fixed rate public debt securities (the "**Bonds**") to be issued within a period of three (3) years from the date of the effectivity of the Registration Statement (the "**Shelf Period**"). Also on 14 October 2019, the Board of Directors authorized the offer and sale of the ASEAN Green Bonds in the amount of up to ₱3,000,000,000 (the "Offer"). On December 12, 2019, the Board of Directors approved the terms and conditions of the offer of the ASEAN Green Bonds.

Issuance in Tranches

After the close of the Offer and within three (3) years following the effectivity date of the Registration Statement, ALCO may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Bonds covered by such registration statement, in one or more subsequent tranches under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such a shelf registration provides ALCO with the ability to conduct such an offering within a comparatively short period of time. ALCO believes that this provides it with the increased ability to take advantage of opportunities in a volatile debt capital market, as these occur. Any subsequent offering under such rule requires the submission by ALCO of the relevant updates and amendments to the registration statement and the issuance of the corresponding SEC Permit by the SEC. As a listed company, ALCO regularly disseminates such updates and information in its disclosures to the SEC and PSE. It is intended that subsequent tranches may likewise consist of ASEAN green bonds, subject to compliance with the SEC Guidelines on ASEAN Green Bonds.

At any time, which may include periods shortly following the completion of the Offer, ALCO may initiate subsequent offers of other Bonds in various tranches from the balance of the aggregate principal amount of Bonds that will remain unissued from the Shelf Registration. Such subsequent offers may be conducted on different terms and tenors involving different issue managers, underwriters or other transaction parties. ALCO regularly considers prevailing market conditions and opportunities in relation to such offers that are permitted within the three (3) year effectivity of the Shelf Registration.

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

The Underwriters of the ASEAN Green Bonds Offer

BDO Capital and ING, pursuant to an Underwriting Agreement with ALCO dated January 20, 2020 (the "Underwriting Agreement"), have agreed to act as the Joint Lead Underwriters for the Offer and as such, distribute and sell the ASEAN Green Bonds at the Issue Price, and have also committed to underwrite in total

₱2,000,000,000 of the Offer on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

For the Offer of ASEAN Green Bonds, the Joint Lead Underwriters and Joint Bookrunners will receive a fee of 0.50% on the principal amount of the ASEAN Green Bonds issued, which is inclusive of the fee to be ceded to any Co-Lead Manager in accordance with the terms of the Underwriting Agreement. Such fee shall be inclusive of underwriting and participation commissions. The commitments of the Joint Lead Underwriters are as follows:

Underwriter	**Commitment**
BDO Capital	₱1,000,000,000.00
ING	₱1,000,000,000.00
Total	₱2,000,000,000.00

There is no arrangement for the Joint Lead Underwriters to return any unsold portion ASEAN Green Bonds to ALCO. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to ALCO of the net proceeds of the ASEAN Green Bonds.

The Joint Lead Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the ASEAN Green Bonds. The Joint Lead Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for ALCO. The Joint Lead Underwriters have no direct relations with ALCO in terms of ownership by either of their respective major stockholder/s.

BDO Capital, one of the Joint Lead Underwriters, is a subsidiary of BDO Unibank, Inc., which serves as the Trustee. BDO Unibank, Inc., is likewise the lender for the ACPT Loan, as further discussed in the *"Use of Proceeds"* section of this Prospectus.

Hans B. Sicat is currently the Managing Director and Country Manager for ING Bank, N. V., Manila Branch and is an independent director of ALCO since June 30, 2017. His biography is further discussed in page 150 of this Prospectus.

Sale and distribution

The distribution and sale of the ASEAN Green Bonds shall be undertaken by the Joint Lead Underwriters who shall sell and distribute the ASEAN Green Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Joint Lead Underwriters from purchasing the ASEAN Green Bonds for their own respective accounts should there be any unsold ASEAN Green Bonds after the Offer Period.

For the purpose of complying with their respective commitments under the Underwriting Agreement, each Joint Lead Underwriter has, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, appointed Co-Lead Managers for the sale and distribution to the public of the Offer Bonds.

Offer Period

The Offer Period shall commence at 9:00 a.m. on January 22, 2020 and end at 5:00 p.m. on January 28, 2020 or on such other date as the Issuer and Joint Lead Underwriters may agree upon.

Application to purchase

Applicants may purchase the ASEAN Green Bonds during the Offer Period by submitting to the Joint Lead Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the ASEAN Green Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing and such other documents as may be specified in the Application to Purchase, a copy of their SEC Certificate of Registration, Articles of Incorporation and By-Laws (as amended to date), and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the ASEAN Green Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

Completed Applications to Purchase and corresponding payments must reach the Joint Lead Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Lead Underwriters. Acceptance by the Joint Lead Underwriters of the completed Application to Purchase shall be subject to the availability of the ASEAN Green Bonds and the acceptance by ALCO. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from withholding tax under the Tax Code, or is subject to a preferential withholding tax rate under an applicable tax treaty, shall be required to submit to the Underwriters or selling agents (if any) or to the Registrar, as applicable, subject to acceptance by the Issuer the requirements discussed on page 192 under the section "Taxation".

Minimum Purchase

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

Allotment of the ASEAN Green Bonds

If the ASEAN Green Bonds are insufficient to satisfy all Applications to Purchase, the available ASEAN Green Bonds shall be allotted at the discretion of the Joint Lead Underwriters, in consultation with the Issuer and subject to ALCO's right of rejection.

Refunds

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

With respect to an Applicant whose application was rejected, refund shall be made without interest by the relevant Joint Lead Underwriter by making the check payment of the Applicant concerned available for his retrieval. With respect to an Applicant whose application has been scaled down, refund shall be made by the issuance by the relevant Joint Lead Underwriter of its own check payable to the order of the Applicant and crossed ''Payees' Account Only'' corresponding to the amount in excess of the accepted Application. All checks shall be made available for pick up by the Applicant concerned at the office of the relevant Joint Lead Underwriter to whom the rejected or scaled down Application was submitted within ten (10) Banking Days after the last day of the Offer Period.

Unclaimed Payments

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

Purchase and Cancellation

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

Secondary Market

ALCO intends to list the ASEAN Green Bonds on the PDEx. ALCO may purchase the ASEAN Green Bonds at any time in the PDEx trading system without any obligation to make pro-rata purchases of ASEAN Green Bonds from all Bondholders.

Registry of Bondholders

The ASEAN Green Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the ASEAN Green Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Beneficial title to the ASEAN Green Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the ASEAN Green Bonds. Initial placement of the ASEAN Green Bonds and subsequent transfers of interests in the ASEAN Green Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the ASEAN Green Bonds held by them and of all transfers of ASEAN Green Bonds shall be entered in the Register of Bondholders.

Determination of Offering Price

The ASEAN Green Bonds shall be issued on a fully paid basis and at an issue price that is at par.

The interest rate of the ASEAN Green Bonds was based on the 3-day average of the 5-year BVAL, as published on the relevant page of Bloomberg at approximately 5:00 pm (Philippine Standard Time), ending on and including the pricing date, plus a spread of 187.5 basis points.

Various conditions have been taken into account in the final interest rate of the ASEAN Green Bonds, including but not limited to market conditions, concurrent offerings of fixed income securities, and the credit rating of the ASEAN Green Bonds.

Description of the ASEAN Green Bonds

Set forth below are additional information relating the ASEAN Green Bonds. The following discussion should be read together with, and is qualified in its entirety by reference to, the additional information appearing elsewhere in this Prospectus, including, but not limited to, the discussion on the "Terms of the Offer", the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Trust Agreement, and applicable laws and regulations.

This description of the terms and conditions of the ASEAN Green Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the ASEAN Green Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Agreement between the Issuer and the Trustee.

The issuance of up to ₱6,000,000,000.00 aggregate principal amount of ASEAN Green Bonds, in one or more tranches (each, a "Tranche"), pursuant to applicable SEC regulations effective at the time of issuance the Bonds was authorized by a resolution of the Board of Directors of ALCO dated 14 October 2019. A registration statement filed by the Company covering the Bonds was rendered effective by the SEC by its order dated January 21, 2020. Pursuant to the Order of effectivity of registration and SEC Permit to Sell to be issued by the SEC, the ASEAN Green Bonds, will be issued with an aggregate principal amount of 2,000,000,000.00, with an Oversubscription Option of up to ₱1,000,000,000.00.

The ASEAN Green Bonds are constituted by a Trust Agreement executed on January 20, 2020 (the "Trust Agreement") between the Issuer and the Trustee (which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement). The description of the terms and conditions of the ASEAN Green Bonds set out below ("Terms and Conditions") includes summaries of, and is subject to, the detailed provisions of the Trust Agreement and the Registry and Paying Agency Agreement executed on January 20, 2020 (the "Registry and Paying Agency Agreement") between the Issuer, and the Registrar and Paying Agent.

PDTC has no interest in or relation to ALCO which may conflict with its roles as Registrar and Paying Agent for the Offer. BDO Unibank, Inc. – Trust and Investments Group has no interest in or relation to ALCO which may conflict with its role as Trustee for the Offer.

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

1. Form, Denomination and Title

(a) Form and Denomination

The ASEAN Green Bonds shall be issued in scripless form, in denominations of Fifty Thousand Pesos (₱50,000.00) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

(b) Title

The beneficial interest to the ASEAN Green Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the ASEAN Green Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the ASEAN Green Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the ASEAN Green Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) ASEAN Green Bond Rating

The ASEAN Green Bonds have been rated PRS Aa minus with a Stable Outlook by Philippine Rating Services Corporation ("PhilRatings") on November 12, 2019. Obligations rated PRS Aa are of high quality and are subject to very low credit risk. A plus or minus sign may further qualify a credit rating. In coming up with the rating for the ASEAN Green Bonds, PhilRatings considered the following factors: (1) globally highly recognized real estate developer of dual certified (locally and internationally) green projects in the Philippines; (2) sustained industry growth supported by resilient demand and relatively good economic performance; (3) relatively conservative approach on the management of debt and cost estimates coupled with adequate liquidity; (4) relatively trailing asset size and scale of the Company and operating history in relation to other rated real estate companies; and (5) volatility of revenues and net income in the last five years, with signs of sustainable growth moving forward backed by a steady project pipeline in the medium term.

PhilRatings' credit ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to ALCO and may change the ratings at any time, should circumstances warrant a change. The rating is subject to annual review, or more frequently as market developments may dictate, for as long as the relevant ASEAN Green Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the ASEAN Green Bonds with the regular annual reviews.

2. Transfer of the ASEAN Green Bonds

(a) Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the ASEAN Green Bonds held by them and of all transfers of ASEAN Green Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas,* the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the ASEAN Green Bonds that is effected in the Registrar's system (at the cost of the Issuer). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the ASEAN Green Bonds may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date*."

(b) Transfers; Tax Status

Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a Banking Day, provided however that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the four (4) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, 25% tax-withheld entities, and 30% tax-withheld entities. This restriction shall be in force until a non-restricted trading & settlement environment for corporate securities is implemented. Transfers taking place in the Register of Bondholders after the ASEAN Green Bonds are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax exempt entities, if and/or when allowed under and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. Transfers to or from Bondholders claiming the benefit of any tax treaty which subjects the interest income to a final withholding tax rate other than the final withholding tax categories indicated above shall only be allowed on Interest Payment Dates that fall on a Banking Day.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corporation
29th Floor BDO Equitable Tower
Paseo de Roxas, Makati City, Metro Manila

Telephone no:	(632) 884-4425
Fax no:	(632) 757-6025
E-mail:	baby_delacruz@pds.com.ph
Attention:	Josephine Dela Cruz Associate Director

(d) Secondary Trading of the ASEAN Green Bonds

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

3. Ranking

The ASEAN Green Bonds constitute direct, unconditional, and unsecured Peso-denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations preferred by the law, (ii) any obligation incurred by the Issuer as may be allowed by the Trust Agreement, and (iii) other Indebtedness or obligations disclosed by the Issuer to the Trustee as of the Issue Date..

4. Interest

(a) Interest Payment Dates

The ASEAN Green Bonds bear interest on its principal amount from and including Issue Date at the fixed rate of 6.3517%, payable quarterly in arrears on February 6, May 6, August 6, and November 6 of each year while the ASEAN Green Bonds are outstanding (each of which, for purposes of this section is an "Interest Payment Date") commencing on April 30, 2020. In the event that any of such Interest Payment Dates are not Banking Days, such Interest Payment Dates shall be deemed to be the immediately succeeding Banking Day without any adjustment to the amount due. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Banking Day if such date is not a Banking Day, without any adjustment to the amount due.

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

(b) Interest Accrual

Each ASEAN Green Bond shall cease to bear interest, net of applicable withholding taxes, from and including the relevant Maturity Date, as defined in the discussion on *"Final Redemption",* unless, upon due presentation, payment of the principal in respect of the ASEAN Green Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply.

(c) Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

5. Early Redemption Option

(a) Early Redemption Option

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

Early Redemption Option Date	Redemption Option Price
On the 3rd year from Issue Date	101.00%
On the 4th year from Issue Date	100.50%

The amount payable to the Bondholders in respect of any such redemption shall be calculated as the sum of (i) the Early Redemption Price applied to the principal amount of the then outstanding ASEAN Green Bonds being redeemed and (ii) all accrued interest on the ASEAN Green Bonds as of the Early Redemption Option Date.

(b) Exercise of Early Redemption Option

The Issuer shall give no less than thirty (30) nor more than sixty (60) days' prior written notice to the Trustee, the Registrar and Paying Agent of its intention to redeem the ASEAN Green Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the ASEAN Green Bonds on the relevant Early Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended optional redemption. Each Bondholder in whose name the ASEAN Green Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and optional redemption price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

6. Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the ASEAN Green Bonds shall be redeemed at par or 100% of face value on the relevant Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment to the amount of interest to be paid, on the immediately succeeding Banking Day if the Maturity Date is not a Banking Day.

(b) Other Redemption Events

(1) *Redemption Due to Change in Control Event*

At any time before the occurrence of Change in Control Event, or on the date of such occurrence, or within fourteen (14) Banking Days from the occurrence of a Change in Control Event, ALCO, acting through its Corporate Secretary or through such other officer as may be authorized by its Board of Directors, shall give written notice to the Trustee, PDTC, PDEx and the SEC of the Change in Control Event, and cause PDTC to notify each ASEAN Green Bondholder, which may be through publication in a newspaper of general circulation,which notice shall state:

(i) that a Change in Control Event has occurred,

(ii) (a) if it intends to exercise its Early Redemption Option (as defined above) to redeem in whole but not in part in relation to such a Change in Control Event, or (b) if the Issuer does not intend to exercise its Early Redemption Option, that any ASEAN Green Bondholder has the right to require the Issuer to redeem its portion of the ASEAN Green Bonds at the Change in Control Redemption Price (as defined below);

(iii) if it intends to exercise its Early Redemption Option, the date set by the Issuer for such redemption, which shall be no earlier than thirty (30) days and no later than sixty (60) days from the date such notice is given (the “Change in Control Put Date”), and

(iv) if the Issuer does not intend to exercise its Early Redemption Option, the procedures determined by the Issuer, consistent with the Trust Agreement, that a ASEAN Green Bondholder must follow in order to have its portion of the ASEAN Green Bonds redeemed.

As set out in item (ii) above, if the Issuer has indicated that it will not exercise its Early Redemption Option, each ASEAN Green Bondholder shall have the right, at its option, to require the Issuer to repurchase in full (but not in part) such ASEAN Green Bondholder’s portion of the outstanding ASEAN Green Bonds, at a redemption price equal to 101.00% of the face value of the principal amount of its portion of the ASEAN Green Bonds plus accrued interest (the “Change in Control Redemption Price”) on the Change of Control Put Date (as defined above). If any ASEAN Green Bondholder exercises such right to require the Issuer to repurchase its portion of the ASEAN Green Bonds, the Issuer shall not have any obligation to also repurchase the portions of the non-exercising ASEAN Green Bondholders, and the non-exercising ASEAN Green Bondholders shall not also be obliged to sell such portions.

The Trustee shall not be required to take any steps to ascertain whether a Change in Control Event or any event which could lead to the occurrence of a Change in Control Event has occurred nor be liable to any person for any failure to do so.

A change in control event ("Change in Control Event") shall be deemed to have occurred when:

(a) CPG Holdings, Inc. ("CPG") and AO Capital Holdings 1 ("AOCH1") (or together with any of their respective affiliates) collectively cease to own 51% of the voting capital stock of ALCO and to retain the power to elect a majority of the Board of Directors; or

(b) CPG (alone or together with any affiliate) ceases to own at least 31% of the voting capital stock of ALCO; or

(c) AOCH1 (alone or together with any affiliate) ceases to own at least 20% of the voting capital stock of ALCO.

The term "affiliate" for purposes of the definition of the Change in Control Event, means a corporation (i) at least sixty-seven percent (67%) of the total issued and outstanding voting capital stock is directly or indirectly (computed in the same manner as the grandfather rule), owned by, and (ii) which is controlled by, directly or indirectly, the individuals who, as of Issue Date, are the ultimate owners of CPG or AOCH1, as applicable.

For purposes of this definition, "control" means the possession, directly or indirectly, by a person of the power to elect and remove at least a majority of the total number of the board of directors or other governing body of the corporation, or otherwise direct or cause the direction of management and policies of the corporation, whether through ownership of voting securities, contract or otherwise; provided, that a person's direct ownership of voting securities of over fifty percent (50%) of the issued and outstanding voting capital stock of the corporation is deemed to constitute control of that corporation. "Controlled by" shall have the corresponding meaning.

(2) Redemption Due to Tax Event

If payments under the ASEAN Green Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the ASEAN Green Bonds in whole, and not in part only, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' written notice to the Trustee, the Registrar and Paying Agent) at the Redemption Price and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that if the Issuer does not redeem the ASEAN Green Bonds then all payments of principal and interest in respect of the ASEAN Green Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

(c) Purchase and Cancellation

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

7. Payments

The principal of, interest on and all other amounts payable on the ASEAN Green Bonds shall be paid to the Bondholders by crediting of the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the ASEAN Green Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the ASEAN Green Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the ASEAN Green Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts; Taxation

Interest income on the ASEAN Green Bonds is subject to a final withholding tax at rates of 20%, 25% or 30% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The applicable final withholding tax applicable on interest earned on the ASEAN Green Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations promulgated by the BIR as may be in effect from time to time (the "Tax Code").
(b) Gross Receipts Tax under Section 121 of the Tax Code;
(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
(d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963.

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

Please see the sections "Terms of the Offer" and "Taxation" for documents to be submitted by a Bondholder claiming applicable tax exemption.

9. Financial Ratio Covenants

The Issuer shall maintain the following financial ratios, with testing to be done on an annual basis, for as long as any of the ASEAN Green Bonds remain outstanding:

(a) a Debt-to-Equity Ratio of not more than 2:1; and

(b) a Current Ratio of not less than 1.5:1.

Testing of both financial covenants shall be done on April 30 of each year, using the December 31 audited consolidated financial statements of ALCO and Subsidiaries.

10. Negative Pledge

The Issuer will not, and shall procure that none of its Subsidiaries shall, without the consent of the Majority Bondholders, (i) create, assume, incur or suffer to exist any Lien upon any of its properties or assets; and (ii) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any of its Subsidiaries in each case, where the arrangement or transaction is entered into primarily as method of raising Indebtednessor of financing acquisitions of an asset, provided that the foregoing restrictions shall not apply to any Permitted Liens.

The term “Permitted Liens” shall mean:

(a) any Lien over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (v) payment of the purchase or acquisition price, or cost of leasehold rights, of such asset; or (w) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (x) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset;

(b) any Lien arising from the assignment, transfer, conveyance of or creation of security interest over any of the Issuer’s or the Subsidiaries’ right to receive any income or revenues from receivables arising out of the sale of property held for sale by the Issuer or the Subsidiaries in the ordinary course of business or for raising indebtedness for funding development or project related costs or general corporate purposes;

(c) any normal rediscounting of receivable activities of the Issuer and the Subsidiaries made in the ordinary course of business;

(d) Liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or remain payable, without any penalty, or the validity of which is contested in good faith by appropriate proceedings, and adequate reserves have been provided for payment thereof;

(e) any Lien to secure, in the normal course of the business of the Issuer or its affiliates: (x) statutory or regulatory obligations; or (y) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases;

(f) any Lien to secure, in relation to a pending judicial, administrative, or arbitral proceeding, the Issuer or its affiliates’ (x) surety or appeal bonds; or (y) bonds for release of attachment, stay of execution or injunction;

(g) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement that has been assigned to such affiliate by the Issuer;

(h) any Lien created over (x) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (y) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purposes of raising an equivalent amount of Peso denominated indebtedness;

(i) any Lien on the properties and assets of the Issuer: (x) imposed by Applicable Law, such as carriers' Liens, warehousemen's Liens, mechanics' Liens, unpaid vendors' Liens, and other similar Liens arising in the ordinary course of business; (y) arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits or similar legislation, or retirement benefit plans of the Issuer; or (z) arising out of the set-off provision on other agreements of the Issuer relating to Indebtedness;

(j) any Lien over its cash deposits, short-term cash investments, and marketable investment securities in favor of banks and other financial institutions, which secure (i) any borrowed money in connection with a Treasury Transaction in the ordinary course of business of Issuer, provided that the aggregate amount of security does not at any time exceed United States Dollars: Five Million (US$5,000,000.00) or its equivalent, or 5% of the total assets of the Issuer as reflected in the consolidated financial statements, whichever is lower; and/or (ii) standby letters of credit to be used to guarantee additional equity infusions by the Issuer in its Subsidiaries or Affiliates and/or used in the ordinary course of business of Issuer, its Subsidiaries and/or Affiliates;

(k) other Liens: (x) created solely by operation of law; and (y) on such other assets, whether constituted before or after the Issue Date, as may be disclosed in writing by the Issuer to the Trustee on or before the execution of the Trust Agreement;

(l) any Lien constituted over the investment of the Issuer in any of its affiliate, and whether such investment is in the form of shares, deposits or advances to guarantee or secure the obligations of the said affiliates;

(m) any Lien constituted for the purpose of guaranteeing an affiliate's obligation in connection with any contract or agreement (other than for borrowed money); and.

(n) any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms

Provided that for purposes of "affiliate" as used in paragraphs (e), (f), (g), l, and (m) above, it shall refer to any Person in which the Issuer has investment, whether direct or indirect.

12. Events of Default

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

a. Payment Default. The Issuer fails to pay when due and payable any amount of principal or interest which the Issuer is obligated to pay the Bondholders under the Trust Agreement and the ASEAN

Green Bonds, and such failure to pay is not remedied within seven (7) Banking Days from due date thereof.

The Issuer fails to pay when due and payable any other amount payable by the Issuer in respect of the ASEAN Green Bonds and under the Trust Agreement in the manner, at the place, and in the currency in which it is expressed to be payable, and such non-payment continues for thirty (30) days from the date such payment is due. These other amounts include Penalty Interest, insofar as the payment of such interest is concerned;

b. Representation Default. Any representation or warranty made by the Issuer in the Trust Agreement or in any document issued pursuant thereto or otherwise in connection therewith shall prove to have been untrue, incorrect, or misleading in any material respect as at the time it was made or deemed to have been made or is violated or not complied with, and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect; provided the existence of any litigation, arbitration or other proceedings contemplated under Section 4.1(i) of the Trust Agreement shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within thirty (30) days from receipt by the Issuer of written notice thereof from the Trustee.

c. Other Provisions Default. The Issuer fails to perform or comply with any other term, obligation, or covenant contained in the Trust Agreement or in any other document or instruments related or otherwise in connection therewith and any such failure, violation, non-compliance is not remediable or if remediable, continues unremedied for a period of thirty (30) days from the date after written notice thereof shall have been given by the Trustee; provided, however, that for the avoidance of doubt, no additional grace period shall apply to the Events of Default specified in Section 9.1 of the Trust Agreement;

d. Cross-Default. The Issuer violates any other material obligation by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Banking Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation will, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Agreement and the ASEAN Green Bonds. Provided, however, that no event of default will occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or is in excess of Five Hundred Million Pesos (PhP500,000,000.00);

e. Insolvency Default. The Issuer becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, which act shall include: (i) the filing of a petition in any bankruptcy, reorganization, winding up or liquidation of the Issuer, or any other proceeding analogous in purpose and effect: Provided, however, that in case the foregoing petition is filed by any other party, other than the Issuer, such event shall be considered a declared Event of Default only upon the issuance of a final order by the court of competent authority; (ii) the making of an assignment by the Issuer of substantially all or all of its assets, or in fraud of creditors; (iii) the admission in writing by the Issuer of its inability to pay its debts; (iv) the entry of any final order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization, winding up or liquidation of the Issuer; or (v) the appointment of a receiver, liquidator, assignee, trustee, or sequestrator of the Issuer, or a substantial part of its property or assets or a substantial part of its capital stock or to assume custody or control of the Issuer, or the ordering of its dissolution, winding-up or liquidation of its affairs;

f. Closure Default. The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except that if the closure is: (i) due to strikes or lockouts; or (ii) necessary to prevent business losses; or (iii) due to fortuitous events or force majeure, then such closure shall not be deemed a Closure Default;

g. Judgment Default. Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of Five Hundred Million Pesos (PhP500,000,000.00) or its equivalent in any other currency is entered against the Issuer and any relevant period specified for payment in such judgment, decree, order, or agreement, shall have expired without being satisfied, discharged, or stayed; and

h. Writ and Similar Process Default. Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) days after its issue or levy (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances).

13. Notice of Default

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in *"Payment Default,"* the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the ASEAN Green Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

14. Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing, either the Trustee, upon the written instructions of the Majority Bondholders and by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the ASEAN Green Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Agreement or in the ASEAN Green Bonds to the contrary notwithstanding.

(b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

(c) At any time after any Event of Default shall have occurred, the Trustee may:
(i) by notice in writing to the Issuer, require the Registrar and Paying Agent to:
(aa) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Paying Agency and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability

under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the ASEAN Green Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the ASEAN Green Bonds on behalf of the Trustee; and/or

(bb) deliver all evidence of the ASEAN Green Bonds and all sums, documents and records held by them in respect of the ASEAN Green Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the ASEAN Green Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, provision (bb) above and the Issuer's positive covenant to pay principal and interest, net of applicable withholding taxes, on the ASEAN Green Bonds, more particularly set forth in the Trust Agreement, shall cease to have effect.

In case any amount payable by the Issuer under the ASEAN Green Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

15. Penalty Interest

In case any amount payable by the Issuer under the ASEAN Green Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay penalty interest on the defaulted amount(s) at the rate of twelve percent (12.00%) per annum (the "Penalty Interest") from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding ASEAN Green Bonds with interest at the rate borne by the ASEAN Green Bonds on the overdue principal, net of applicable withholding taxes, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first,* to the payment to the to the Trustee, the Registrar and Paying Agent, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second,* to the payment of the interest, net of applicable withholding taxes, in default, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Bondholders; *third,* to the payment of the whole amount then due and unpaid upon the ASEAN Green Bonds for principal, and interest, net of applicable withholding taxes, with Penalty Interest, which payment shall be made pro-rata among the Bondholders; and *fourth,* the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. For this purpose, the Paying Agent shall deliver to the Trustee a joint certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

18. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

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

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

20. Ability to File Suit

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

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the ASEAN Green Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

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

To the Trustee:	BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP
Attention:	Michael G. Munsayac
Subject:	ALCO ASEAN Green Bonds
Address:	15th Floor South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City
Facsimile:	+6328784270

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

Any requests for documentation or certification and other similar matters must be communicated by the Bondholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within ninety (90) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

(b) Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by ALCO to the SEC on a matter relating to the ASEAN Green Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

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

23. Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(c) None of the provisions contained in these Terms and Conditions this Prospectus, shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning trustee and one copy to the successor trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Bondholders, not the Issuer, that shall appoint the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least six (6) months (the "Bona Fide Bondholder") may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

(c) Subject to Section (f) below, a successor trustee must possess all the qualifications required under pertinent laws.

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

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Bondholders in the Terms and Conditions of the ASEAN Green Bonds.

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

25. Successor Trustee

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

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

26. Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the ASEAN Green Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the ASEAN Green Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10.00%) of the aggregate outstanding principal amount of the ASEAN Green Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Banking Day at the principal office of the Trustee:

(i) Trust Agreement
(ii) Registry and Paying Agency Agreement
(iii)Articles of Incorporation and By-Laws of the Company
(iv) Registration Statement of the Company with respect to the ASEAN Green Bonds
(v) Opinions of the legal counsel with respect to the Issuer and the ASEAN Green Bonds

27. Meetings of the Bondholders

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

(a) Notice of Meetings

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

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the ASEAN Green Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

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

(d) Procedure for Meetings

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

(ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the ASEAN Green Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more ASEAN Green Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 30 (Amendments), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

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

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

28. Evidence Supporting the Action of the Bondholders

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

29. Non-Reliance

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

30. Amendments

With the written consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement; provided, however, that no such supplemental agreement shall:

a. Without the consent of each Bondholder affected thereby:

   (i) extend the fixed maturity of the ASEAN Green Bonds, or

   (ii) reduce the principal amount of the ASEAN Green Bonds, or

   (iii) reduce the rate or extend the time of payment of interest and principal thereon;

b. Affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders; or

c. Reduce the percentage required to be obtained of the Bondholders to consent to or approve any supplemental agreement or any waiver provided for in this Agreement without the consent of all the Bondholders.

It shall not be necessary to obtain the consent of the Bondholders under this Condition for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

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

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this Section, the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

31. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Issuer with respect to the ASEAN Green Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

33. Waiver of Preference

The obligation created under the Bond Agreements and the ASEAN Green Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the

Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

34. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the ASEAN Green Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the ASEAN Green Bonds have the meanings ascribed to them in the Trust Agreement.

(a) **Affiliate** means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under common Control with, such Person;

(b) **Applicable Law** means: (i) any statute, decree, constitution, regulation, rule, order or any directive of any Government Authority; (ii) any treaty, pact, compact or other agreement to which any Government Authority is a signatory or party; (iii) any judicial or administrative interpretation or application of any law described in clause (i) or (ii) above; and (iv) any amendment or revision of any law described in clause (i), (ii) or (iii) above;

(c) **Banking Day** means a day other than Saturday, Sunday and public holidays on which commercial banks and the Philippine Clearing House Corporation are generally open for the transaction of business in Makati City, Taguig City, and the City of Manila; *provided,* that all other days unless otherwise specified herein shall mean calendar days which shall be construed as successive periods of twenty-four (24) hours each;

(d) **Consolidated Equity** means the total stockholders' equity of the Issuer as of the relevant date for calculation (for the avoidance of doubt, including non-controlling interests) as recognized and measured in its fiscal year-end audited consolidated financial statements and quarter-end unaudited consolidated financial statements, as may be applicable and available in accordance with Applicable Law, both in conformity with PFRS;

(e) **Control** means means the possession, directly or indirectly, by a Person of the power to direct or cause the direction of the management and policies of another Person whether through the ownership of voting securities or otherwise; provided, however, that the direct or indirect ownership of over fifty percent (50%) of the voting capital stock, registered capital or other equity interest of a Person is deemed to constitute control of that Person, and "**Controlling**" and "**Controlled**" have corresponding meanings;

(f) **Current Assets** means the total of (as of the relevant date for calculation) cash and cash equivalents, financial assets at fair value through profit and loss, receivables, inventories (including real estate for sale), and other current assets that are classified as current assets in the Issuer's consolidated financial statements prepared in accordance with PFRS;

(g) **Current Liabilities** means the total of (as of the relevant date for calculation) debt, accounts payables, and other obligations that are classified as current liabilities in the Issuer's consolidated financial statements prepared in accordance with PFRS;

(h) **Current Ratio** means the ratio of Current Assets to Current Liabilities;

(i) **Debt-to-Equity Ratio** means the ratio of Indebtedness to Consolidated Equity (as of the relevant date for calculation), both as reflected in the Issuer's consolidated financial statements prepared in accordance with PFRS;

(j) **Government Authority** means the Government of the Republic of the Philippines, or any political subdivision or agency thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the said government, and any national agency or body vested with jurisdiction or authority over any Person;

(k) **Indebtedness** means: (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer (except by reason of endorsement for collection in the ordinary course of business) or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer;

(l) **Lien** means with respect to any Person, any lien, pledge, mortgage, charge, hypothecation, encumbrance, or other security interest or preferential arrangement on or with respect to any asset or revenue of such Person;

(m) **Majority Bondholders** shall mean, at any time, the Bondholders who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the ASEAN Green Bonds;

(n) **Master Certificate of Indebtedness** means each of the certificates to be issued by the Issuer in the name of the Trustee for the benefit of the Bondholders evidencing and covering the aggregate principal amount of the ASEAN Green Bonds purchased during the Offer Period;

(o) **Material Adverse Effect** means, in relation to the Issuer, and in the reasonable opinion of the Joint Lead Underwriters after discussions with the Issuer, a material adverse effect on: (i) the ability of the Issuer to perform or comply with any of its obligations, or to exercise any of its rights, under the Trust Agreement, the Issue Management and Underwriting Agreement, or the ASEAN Green Bonds; (ii) the validity or enforceability of the Trust Agreement, the Underwriting Agreement, or the ASEAN Green Bonds; or (iii) the financial condition and business operations of the Issuer taken as a whole;

(p) **Person** means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization;

(q) **Subsidiary** means in respect of any Person, any entity: (i) over fifty percent (50%) of whose capital is owned directly by that Person; or (ii) for which that Person may nominate or appoint a majority of the members of the board of directors or such other body performing similar functions;

(r) **Taxes** means any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof;

(s) **Treasury Transaction** means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer’s treasury management.

The Company

OVERVIEW

ARTHALAND CORPORATION is a world-class boutique real estate developer of enduring and sustainable properties recognized internationally as the best residential and green developments. It is the recipient of various awards in the Philippines and in Asia. For *Arya Residences,* it has received various awards including *Best Residential High-Rise Development (Philippines)* from Asia Pacific Property Awards (2014), and *Best Condo Development (Philippines)* from South East Asia Property Awards (2012). For *ACPT,* it has likewise received various awards including *Best Office Development* from the Philippines Property Awards (2019), and *Best Green Development (Philippines)* from South East Asia Property Awards (2016). ALCO is building its mark in the Philippine real estate market by its unwavering 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[5] for the primary purpose of engaging in the realty development business, including home building and development, and to deal, engage, invest and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real property, 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 2007, a group of investors led by AOCH1, an investment company specializing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry into ALCO of CPG, an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the PSE under the stock symbol "CNPF", through its acquisition of 1,800,000,000 ALCO common shares. In 2014 CPG further solidified its commitment by purchasing an additional 342,619,910 ALCO common shares.

As of 30 September 2019, CPG and AOCH1 are the largest shareholders of ALCO with 40.3%[6] and 26.0%, respectively of ALCO's total issued and outstanding common shares. Both the Company's common shares, Series B Preferred Shares and Series C Preferred Shares are traded in the PSE with the trading symbol ALCO, ALCPB and ALCPC respectively.

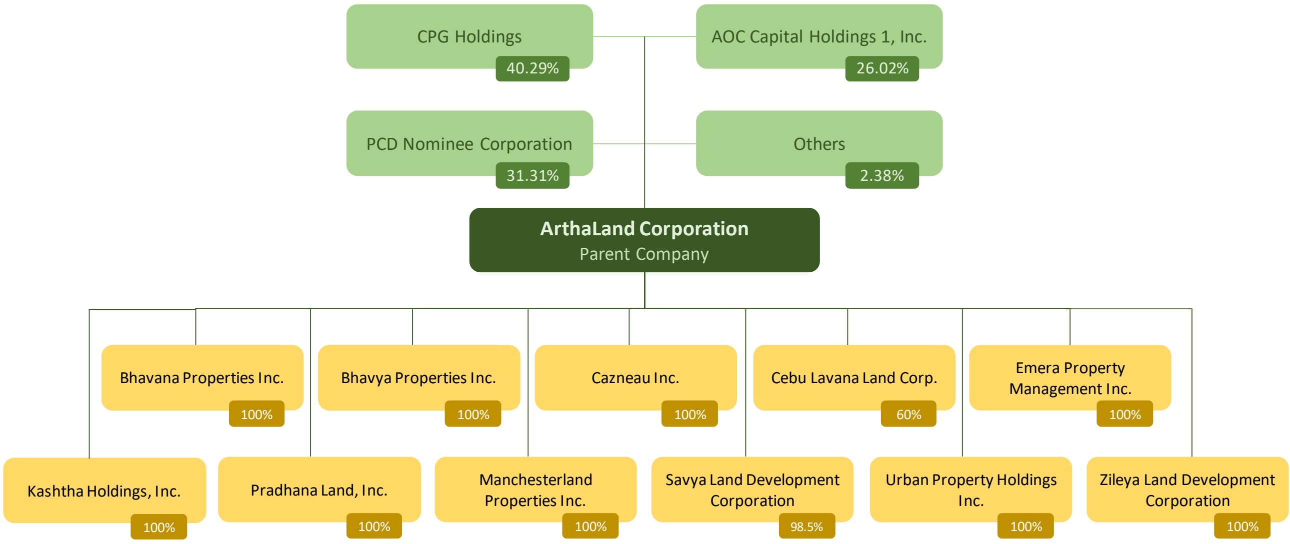
ALCO's developments are registered or are set to be registered under both the U.S. Green Building Council's LEED program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices as well as the PGBC's BERDE program. In September 2019 ALCO's flagship office development, the Arthaland Century Pacific Tower ("ACPT"), was recognized as the first Net Zero Carbon Project in the world certified under the Excellence in Design for Greater Efficiencies ("EDGE") Green Building Program of the International Finance Corporation ("IFC"). ALCO's adherence to these ratings for all its projects demonstrates its strong commitment to environmentally responsible building practices.

All of the revenues and net income of ALCO for the years 2016, 2017, 2018 and the first nine months of 2019 were contributed by the revenues and net income from (i) the sale of units in Arya and Cebu Exchange and (ii) lease income from ACPT, retail units of Arya Plaza in Arya and Courtyard Hall in Sevina Park, the student dormitory component inside Sevina Park. ALCO expects to continue to generate lease revenues from the retail units of Arya Plaza, office units in ACPT and student dormitories of Courtyard Hall moving forward. In addition to the lease revenues, ALCO expects sales revenues from Cebu Exchange and Savya Financial Center

[5] ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the SEC approved anew the change of the corporate name to ALCO.
[6] Including 125,000,000 indirectly owned shares

in 2019 to 2021. Sevina Park and Makati Residential Project are expected to contribute to revenues beginning in 2020 while Cebu Business Park Project, Makati Residential Project 2 and Manila Long Term Project are expected to contribute to ALCO's revenues beginning in 2021.

CORPORATE STRUCTURE
As of December 31, 2019



Subsidiaries and Joint Ventures

i. **Cazneau Inc.** was incorporated on 13 August 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property. ALCO has 100% ownership interest in this company. On 8 September 2016, Cazneau executed a deed of absolute sale for the acquisition of an 8.1- hectare property in Biñan, Laguna for ALCO's Sevina Park as discussed in more detail under the section *Projects.* Currently, Cazneau has an authorized capital stock of Php1,000,000.00. Its total subscribed capital and paid up capital is Php1,000,000.00.

ii. **Cebu Lavana Land Corp.** 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 with a total area of 8,440 sqm.

Arch SPV, a foreign private limited liability company existing and duly constituted under the laws of The Netherlands with principal office address at Naritaweg 165, 1043 BW Amsterdam, The Netherlands, and managed by Arch Capital, subscribed to its shares of stock which entitled it to two seats in the five-man Board of the company.

CLLC is the project company for ALCO's *Cebu Exchange Project* as discussed in more detail under the section *Projects.*

Currently, CLLC has an authorized capital stock of Php200,000,000.00. Its total subscribed capital and paid up capital is Php83,333,300.00.

iii. **Emera Property Management, Inc.** was incorporated on 31 July 2008. It was originally established to engage in the realty development business but it 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. Presently, it has twenty-two employees on board. ALCO has 100% ownership interest in this company.

Currently, Emera has an authorized capital stock of Php1,000,000.00. Its total subscribed capital and paid up capital are Php250,000.00 and Php209,700.00, respectively.

iv. **Manchesterland Properties, Inc.** was incorporated on 27 March 2008 and was the registered owner of the 6,357-sqm parcel of land located along McKinley Parkway on which Arya now stands, prior to the conveyance thereof to Arya Residences Condominium Corporation in December 2016. It still owns the commercial units and several parking slots in said development. ALCO has 100% ownership interest in this company.

Currently, MPI has an authorized capital stock of Php640,000,000.00. Its total subscribed capital and paid up capital is Php635,705,000.00.

v. **Savya Land Development Corporation** 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 SEC approved SLDC's application to merge with Arcosouth, with SLDC as the surviving entity. Arcosouth is the registered owner of Lot 11, the lot adjacent to SLDC's property. The objective of the parties to the proposed merger is to jointly develop the three lots into a two-tower office development to be known as Savya Financial Center. Following the merger, Savya issued shares to the shareholders of Arcosouth and to date, Arthaland owns 98.5% of Savya. Currently, SLDC has an authorized capital stock of Php200,000,000.00. Its total subscribed capital and paid up capital are Php50,750,000.00 and Php12,750,000.00 respectively.

Under the agreement between Arthaland and Arcosouth shareholders, Savya will issue additional shares to the Arcosouth shareholders such that Savya will be owned 50:50 by Arthaland and Arcosouth shareholders.

vi. **Kashtha Holdings, Inc.** was incorporated on 01 October 2019, as a joint venture company ("JV Company") between ALCO and Mitsubishi Estate Company Limited ("MEC"), 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 the Corporation to SLDC.

vii. **Urban Property Holdings, Inc.** was incorporated on 23 January 1995 and is presently the registered owner of the 33-hectare property located in Calamba, Laguna, which may be developed in the future subject to market conditions. ALCO has 100% ownership interest in this company.

Currently, UPHI has an authorized capital stock of Php80,000,000.00. Its total subscribed capital and paid up capital is Php20,000,000.00.

viii. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. ZLDC is the investment vehicle which ALCO used to acquire about 47.4% of the property which will be the site for the *Makati Residential Project* as discussed in more detail under the section *Projects.* ALCO has 100% ownership interest in this company. Currently, ZLDC has an authorized capital stock of Php200,000,000.00. Its total subscribed capital and paid up capital are Php50,000,000.00 and Php12,500,000.00 respectively.

ix. **Bhavana Properties, Inc.** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle used to purchase a parcel of land with a total area of two thousand two hundred forty-five (2,245) square meters, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City and which will be the site of the Cebu Business Park Project as discussed in more detail under the section *Projects*.

Currently, Bhavana has an authorized capital stock of Php100,000,000.00. Its total subscribed capital and paid up capital are Php25,000,000.00 and Php6,250,000.00 respectively.

x. **Bhavya Properties, Inc.** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle that will be used for the Makati CBD Residential Project 2.

Currently, Bhavya has an authorized capital stock of Php100,000,000.00. Its total subscribed capital and paid up capital are Php25,000,000.00 and Php6,250,000.00 respectively.

xi. **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.

Currently, Pradhana has an authorized capital stock of Php100,000,000.00. Its total subscribed capital and paid up capital are Php25,000,000.00 and Php6,250,000.00 respectively.

Subject to matters disclosed under the section "Legal Proceedings" of this Prospectus, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. During the period covered by this Prospectus, the above-named subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, with the exception of SLDC, Bhavana and Bhavya as explained above.

The revenue and net income contribution of ALCO and its subsidiaries are summarized below:

ARTHALAND CORPORATION AND SUBSIDIARIES
SUMMARY OF REVENUE AND NET INCOME
For the Years ended December 31, 2016 – 2018 and nine months ended September 30, 2018 and 2019

In Php millions	REVENUE (Audited)						REVENUE (Unaudited)			
	2016		2017		2018		3Q 2018		3Q 2019	
Company	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Arthaland Corporation	410	90	563	96	371	30	215	36%	402	24%
Manchesterland Properties, Inc.	42	9	14	3	8	1	4	1%	11	1%
Emera Property Management, Inc.	4	1	7	1	10	1	6	1%	10	1%
Cazneau, Inc.	-	0	-	0	3	0	0	0%	8	0%
Urban Property Holdings, Inc.	-	0	-	0	-	0	0	0%	0	0%
Cebu Lavana Land Corp.	-	0	-	0	845	68	368	62%	1,257	74%
Zileya Land Corporation	-	0	0	0	1	0	1	0%	0	0%
Savya Land Development Corporation	-	0	-	0	-	0	0	0%	0	0%
Total before consolidation	456	100	584	100	1,238	100	593	100%	1,688	100%
Consolidation Entries	-5		-120		-105		0		-198	
Consolidated Revenues	451		464		1,133		593		1,490	

In Php millions	NET INCOME (Audited)						NET INCOME (Unaudited)			
	2016		2017		2018		3Q 2018		3Q 2019	
Company	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Arthaland Corporation	463	52	30	18	63	15	-16	-11%	641	70%
Manchesterland Properties, Inc.	431	48	219	128	56	14	-2	-1%	3	0%
Emera Property Management, Inc.	-1	0	0	0	2	0	0	0%	1	0%
Cazneau, Inc.	-1	0	-1	-1	102	25	74	51%	11	1%
Urban Property Holdings, Inc.	23	3	44	26	76	19	67	46%	11	1%
Cebu Lavana Land Corp.	-27	-3	-115	-67	110	27	23	16%	309	34%
Zileya Land Corporation	0	0	-3	-2	0	0	0	0%	-3	0%
Savya Land Development Corporation	-	0	-3	-2	-1	0	-2	-1%	-56	-6%
Bhavana Properties, Inc.	-	0%	-	0%	-	0%	-	0%	-1	0%
Bhavya Properties, Inc.	-	0%	-	0%	-	0%	-	0%	-1	0%
Pradhana Land, Inc.	-	0%	-	0%	-	0%	-	0%	0	0%
Total before consolidation	888	100	171	100	408	100	143	100%	915	100%
Consolidation Entries	-66		-33		-19		-55		-114	
Consolidated Net Income	822		138		389		87		801	

CORPORATE HISTORY

ALCO was incorporated in the Philippines on 10 August 1994 originally as *Urbancorp Realty Developers, Inc. (URDI)*. It was the real estate arm of then Urban Bank, Inc. (UBI) which was a universal bank at the time with full authority to engage in non-allied undertakings.

URDI conducted its initial public offering in 1996 with the listing of 701 million common shares. The proceeds thereof amounting to ₱835.0 million were used to fund the company's transactions and to settle its 1995 Notes Payable Account.

URDI developed Exportbank Plaza (previously Urban Bank Plaza) and the One McKinley Place Condominium, which is a 50:50 joint venture undertaking of URDI and the Philippine Townships, Inc. (formerly RFM Properties and Holdings, Inc.) through One McKinley Place, Inc. as the corporate vehicle.

On 31 January 2002, the SEC approved the merger among UBI, then Export and Industry Bank, Inc. (a development bank) and Urbancorp Investments, Inc. UBI was the surviving entity but was renamed Export and Industry Bank, Inc. (EIB). Bangko Sentral ng Pilipinas also downgraded EIB's authority to a commercial bank with a directive to divest from its non-allied undertakings, which included URDI.

Around this time, URDI was renamed *EIB Realty Developers, Inc., (EIBR)* and the par value of its shares of stock was reduced from ₱100.00 to ₱1.00. EIB held 70%, more or less, of the outstanding shares of EIBR. EIBR had minimal operations since 2004.

In January 2006, new investors came into EIB. Mr. Jaime C. Gonzalez became the Chairman of the Board of EIB in May 2006.

On 21 May 2007, EIBR held its annual stockholders' meeting primarily for the purpose of electing the new members of its Board of Directors which were expected to develop a proactive medium and long-term business plan for EIBR. Some directors of the EIB Board became directors of the new EIBR Board and Mr. Gonzalez was also appointed Chairman thereof.

On 24 May 2007, the EIBR Board approved the quasi-reorganization of the Company by (i) decreasing the par value of EIBR's common shares from ₱1.00 to ₱0.18 per share, with the corresponding decrease in the authorized capital stock from ₱2.0 Billion to the paid-in capital stock of ₱246,257,136.00 only, and (ii) amending EIBR's Articles of Incorporation to reflect the proposed reorganization.

The foregoing corporate actions were approved at EIBR's Special Stockholders' Meeting held on 02 July 2007. Around the same time, EIBR's 50% equity investment in One McKinley Place, Inc. was sold, transferred and assigned to its joint venture partner in the said project, Philippine Townships, Inc.

On 04 December 2007, the SEC approved the amendment to the Articles of Incorporation of EIBR decreasing the par value of its common shares from ₱1.00 to ₱0.18 per share with the corresponding decrease in the authorized capital stock from ₱2.0 Billion to the paid-in capital stock of ₱246,257,135.82 only. EIB's shareholdings in EIBR were consequently reduced to approximately 19%.

Following the reduction in the par value of its shares and decrease in authorized capital stock, EIBR undertook a recapitalization program as approved by the SEC in December 2008 which led to the entry of new investors with the ₱750.0 Million subscription of AO Capital Holdings I, Inc., Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc.

On 28 January 2008, EIBR stockholders amended anew the Articles of Incorporation and approved the increase of the authorized capital stock by ₱2.70 billion or 15.0 billion common shares, *i.e.* from ₱246,257,135.82 divided 1,368,095,199 common shares at a par value of ₱0.18 per share to ₱2,946,257,135.82 divided into 16,368,095,199 common shares also at a par value of ₱0.18 per share.

With the SEC's approval on 26 January 2009, EIBR became **Arthaland Corporation** and started using the symbol **ALCO** on the board of the Philippine Stock Exchange.

On 26 April 2011, CPG acquired a total of 1,800,000,000 ALCO common shares, or an equivalent of 33.847% of ALCO's total issued and outstanding common shares.

On 13 March 2012, EIB sold its remaining shareholdings in ALCO equivalent to 981,699,819 common shares of stock to the following entities:

Edimax Investment Limited	296,460,000 shares
Kinstar Investment Limited	94,720,035 shares
Viplus Investment Limited	247,899,874 shares
Nanlong Investment Limited	342,619,910 shares

On 23 September 2014, CPG acquired the ALCO shares of Nanlong Investment Limited. As a consequence, CPG now holds a total of 2,142,619,910 ALCO common shares, or 40.29% of the outstanding 5,318,095,199 common shares.

ARTHALAND'S COMPETITIVE STRENGTHS

Strong Brand Equity Resulting from a Clear Differentiation in Value and Sustainability and Proven Track Record from Recently Completed Projects

ALCO sets itself apart from its competition by offering additional value to its customers in the form of sustainability features at the highest quality standards and at competitive price points. Arya, ALCO's multi-awarded real estate development utilized building features and design elements such as double-glazed glass facades, and efficient air conditioning and water collection systems to achieve operational efficiencies resulting to significant savings in electricity and water costs that benefit the unit owner compared with conventionally-designed buildings. In addition, the Company's projects are forward-looking and ready to adapt new technologies. ACPT and Cebu Exchange, for example, have fiber optic backbones and are poised to adapt high-speed internet as and when the technology becomes more readily available.

To date, Arya is the Philippines' first and only residential condominium to achieve dual green building certification. It is registered under the U.S. Green Building Council's ("USGBC") LEED program with a gold certification, as well as being the benchmark vertical residential development for the PGBC BERDE.

ACPT, on the other hand, has achieved LEED Platinum and BERDE 5-Star Certification, the highest standards in both U.S. and Philippine green building standards. In September 2019 ACPT was recognized as the first Net Zero Carbon Project in the world certified under the Excellence in Design for Greater Efficiencies ("EDGE") Green Building Program of the International Finance Corporation ("IFC").

The Company's current line up of projects are likewise registered under both the LEED and BERDE programs of the USGBC and the PGBC. Cebu Exchange is set to be the Philippines' single largest green office building with various environmentally sustainable and resource-efficient design features including an optimized building envelope, energy saving air-conditioning system and water saving system. Savya Financial Center offers a world-class signature office experience hinged on comfort and efficiency resulting from its leading-edge sustainable building features and exemplary design. Sevina Park is a sustainable, innovative and highly integrated community, which will include students and faculty in the adjacent De La Salle Univerity Science and Technology Campus and nearby schools. Sevina Park is the first and only development to aim for LEED Neighborhood Development and LEED Home Certification in the Philippines.

Because of its commitment to sustainability, ALCO was given the award for Special Recognition for Sustainable Development by the Philippines Property Awards and Best Eco Property Developer by CFI.CO in 2018. ALCO was also awarded the Best Boutique Developer (Philippines) by the Asia Property Awards and the Philippines Property Awards in 2018.

With the completion and lease out of ACPT, as well as the significant progress on Cebu Exchange, Savya Financial Center and Sevina Park, ALCO has further reinforced its brand equity and track record of capable delivery.

Strong, Hands-On and Committed Shareholders

ALCO's largest shareholders, CPG and AOCH1 represent groups that have substantial financial resources and track record. Aside from the approximately ₱1.0 billion in equity investment provided by ALCO's shareholders, CPG also provided a non-interest-bearing loan to ALCO for ₱1.6 billion for the development of ACPT. Both CPG and AOCH1 are well represented in ALCO's management team that deliberates on day-to-day decisions and executes its plans. *Please refer to Projects - Arthaland Century Pacific Tower (page 104) and Certain Relationships and Related Transactions (page 163) for further discussion on the interest-free loan facility provided by CPG which was repaid in full in 2018.*

Highly Professional and Entrepreneurial Management Team with Extensive Experience

ALCO draws its strength from its management team consisting of highly experienced industry veterans from various high-end real estate developers with a wealth of cumulative management experience in the Philippines and abroad. From its management team specializing in sales, development, design and engineering, ALCO draws a deep understanding of its customers and adapts best practices of established high-end real estate developers to execute its plans.

Owing to this, ALCO's Arya and ACPT were constructed comfortably within budget. Market reception was likewise very strong with Arya Tower 1 and Tower 2 already 100% sold and ACPT 100% leased out.

ALCO also engages best-in-class partners such as construction companies, architecture and design firms, and quanity surveyors. As such, ALCO's projects are excellently executed and are at the forefront of modernity and technology.

ACPT was designed by the world-renowned SOM. The same group designed some of the world's most iconic buildings such as the Burj Khalifa, the tallest man-made structure ever built, and One World Trade Center in New York City.

Purposeful Development Strategy that is Supportive to the Company's Plans

ALCO's projects are well-thought out and deliberate. Its approach to the development of its projects is inherently tied to the unique characteristics of its land bank as well as the specific needs of its target market for each of the locations of its projects.

ALCO's land bank is uniquely positioned in both prime and upcoming locations around the Philippines thereby allowing it to both realize values from buoyant prices in the central business districts of Bonifacio Global City (Arya and ACPT), Makati CBD (Makati Residential Project 1 and Makati Residential Project 2), Arca South (Savya Financial Center) and Cebu (Cebu Exchange and Cebu Business Park Project*),* while allowing it to develop its land bank in emerging communities such as Biñan (Sevina Park), Tagaytay, and Calamba which is part of the high growth Calabarzon area. Laguna's urbanization is well underway given significant infrastructure development in the area through the Cavite-Laguna Expressway and given the presence of key urbanization drivers such as at least five technology parks, four auto manufacturing plants and three of the largest IT BPO companies.

Strong Financial Management

ALCO is taking the conservative path to growth through strong financial management. ALCO's funding strategy for each of its projects uses a balanced approach which seeks to efficiently use financial leverage in a way that will minimize financial risk by ensuring that debt to equity ratios remain at conservative levels well below industry averages and acceptable debt-to-equity ratios for bank financing, while optimizing the return to the shareholders. ALCO employs a very disciplined approach to ensure that each project is legally and financially ring-fenced from the other projects so that each project stands on its own merit. To further manage risk from its growth strategy, ALCO actively seeks out joint venture partners who, apart from contributing capital to the projects, are able to contribute strategic advantages to the projects.

Conducive Macroeconomic Environment

The Philippine economy continues to remain supportive of the real estate market. GDP Growth remains robust at 6.2% for the full year 2018, as driven by sustained overseas remittances as well as the growing BPO sector which is expected to reach US$ 55 Billion in 2020. These factors have contributed to the robust demand for office space as a result of which the Company saw favorable take up for its office projects including ACPT which is 100% leased out, Cebu Exchange and Savya Financial Center. Likewise, government initiatives to push development outside of Metro Manila have been beneficial particularly for the Company's projects in Laguna and Cebu which include Sevina Park, Cebu Exchange and Cebu Business Park projects. The current interest rates which saw a decline in recent years has also been favorable for the Company and for the buyers of units in its projects.

ALCO'S BUSINESS STRATEGY

Overall Growth Strategy

With the success of its flagship residential and office projects, Arya and ACPT, ALCO has firmly established its track record and is known as a premium and sustainable property developer. At this stage, ALCO is focused on further building its brand by growing its real estate portfolio.

By 2024, ALCO expects to have in its portfolio a total of more than 506,000 sqm of developed GFA. Compared against the combined GFA of Arya and ACPT of approximately 110,000 sqm, this represents a growth multiple of almost five times its portfolio in 2016 or an estimated compounded annual growth rate of 30%.

Of the target 506,000 sqm of developed GFA, ALCO's on-going projects and projects scheduled for launch within the next 12 months, including Cebu Exchange, Savya Financial Center, Sevina Park, Makati Residential Project 1 and Cebu Business Park Project already account for 96% of the incremental GFA that ALCO expects to support its growth target. The property acquisition stage is likewise expected to be completed within quarter 4 of 2019 for ALCO's Makati Residential Project 2 which is expected to contribute the balance 4% to the incremental GFA target. Thus, ALCO has already secured the location and is mobilizing its resources for a substantial portion of its growth target.

ALCO is in the process of evaluating and negotiating for the acquisition of the required properties for its Manila Long Term Project which will allow it to sustain its revenues beyond 2024 when its current pipeline of projects is completed.

Diversification

ALCO believes that while the outlook for the entire real estate sector is positive, the real estate sub-sectors will be in varying stages of growth from 2019 to 2024. Given recent trends in the industry, ALCO has identified opportunities in the office sub-sector following the continuous strong demand for office space in key locations. In the residential sub-sector, ALCO has identified pockets of the market segments that promise significant potential.

Given these, ALCO uses a deliberate strategy of achieving an optimal mix of residential and office development in its portfolio. Of the expected 506,000 sqm portfolio by 2024, ALCO expects approximately 40% (about 203,000 sqm) to be in the office segment and the balance 60% in the upper middle to high end residential segment.

Within each of the office and residential sub-sectors, ALCO further plans to diversify its developments geographically. Of the approximately 203,000 sqm of planned developed GFA for the office segment, ALCO has deliberately allocated about half to be outside Metro Manila through the Cebu Exchange project. Of the the rest that it plans to develop within Metro Manila, ALCO has further allocated its planned office projects among the key business districts in Fort Bonifacio and Arca South.

In the residential segment, ALCO plans for about half of developed gross floor area by 2024 to be located outside Metro Manila through its Sevina Park and Cebu Business Park projects. The rest is likewise diversified across key locations in Fort Bonifacio and Makati central business districts.

Providing a Superior Value Proposition by Maintaining High Quality of Projects

ALCO is very particular about maintaining the high quality for which its flagship projects are known. As a central focus of its strategy, ALCO will continue to position itself as a premium developer of sustainable projects and is committed to achieving green building certification for all of its future projects.   All of ALCO's projects will adhere to the key principles as listed below:

Thoughtful Planning and Space Management

Every aspect of an ALCO development is well-planned and well thought-out so users can make the most, not only of the space they occupy, but also of the rest of the development. The Company anticipates what matters most to the buyers and translates these into the plans. The Company ensures that it provides what its customers expect including amenities superior to comparable developments. The Company seeks to exceed these expectations with well thought-out extras, making the projects unique and differentiated. Where applicable, ALCO creates multi-use spaces, i.e., flexible features that may be adapted to possible changes in the future.

Quality Assurance

ALCO ensures that their customers get the best value for what they pay. It is a preference for the exceptional that allows the Company to gain and keep customers. The Company's every decision — from site selection, to design specifications and reputable consultants and suppliers, to superior workmanship and construction process, down to the efficient after-sales services and warranties—centers around quality and value. To ensure that the developments continue to adhere to high standards, the Company, through its property management company, continues to manage its projects.

Safety and Security

From design to implementation, the Company considers all features to keep their customers worry-free. At the design stage, ALCO considers the appropriate configuration and the necessary systems installations to make the project secure. During operations, the Company places a well-trained property management team to ensure that sound practices are implemented. ALCO maintains and employs its own team of property managers to keep quality at a high level, instead of outsourcing property management services to third parties.

Operating Efficiency

The Company chooses the appropriate products to future proof its developments against costly maintenance and replacement in the long term.

The Company gives special attention to energy efficiency by including features designed to minimize the user's dependence on electricity.

ALCO also focuses on water conservation in its overall operating efficiency strategy. The Company makes sure to build in features in its developments to enable the residents and tenants to reduce water wastage, and thereby save on utility costs.

Enabling Technology

The Company uses the latest applicable technology and anticipates future developments to provide its customers maximum flexibility. The Company keeps itself updated with features that the market and the industry may require. It incorporates technologies that are most valuable to the customers, while maintaining the flexibility by making provisions to allow it to adapt to future upgrades.

Healthy Living and Working Experience

ALCO seeks a balanced, more meaningful, and healthier lifestyle for the customers. The Company incorporates sustainable designs that foster better health and improved comfort such as natural daylight, shading from direct sunlight, fresh air intake, greens and landscapes. These not only help promote more comfortable environments, they also decrease human dependence on energy and operations costs. They also provide practical luxuries—features and amenities for recreation to deliver a well-rounded and a more complete development.

Matching of Fixed Costs with Recurring Income

To mitigate risk, ALCO likewise intends to maintain a leasing portfolio which, at a minimum, already covers its fixed overhead costs. ALCO's leasing portfolio is currently composed of its retail units in Arya as well as the office units in ACPT.

As part of its long-term goal of growing its recurring revenues from leasing operations to 30% of its total revenues, ALCO will allot funds to retain retail or office units in its projects. In the near-term, ALCO plans to retain about 10,500 sqm of NLA from its current projects. This is expected to provide additional lease revenues to its current portfolio of properties for lease which includes ACPT, Arya Plaza and Courtyard Hall.

Establishing Strategic Partnerships

As a key component to manage risks associated with its growth strategy, ALCO actively seeks out strategic partners for its projects. Apart from providing ALCO access to capital for its projects, the strategic partnerships allow ALCO to benefit from the development expertise of its partners.

In August 2019, ALCO signed a definitive agreement with Mitsubishi Estates Co. (MEC), one of the largest real estate developers in Japan, for MEC's first venture in the Philippines. The agreement gives MEC a 40% stake in the North Tower of Savya as the initial project in what ALCO and MEC intend to be a long-term partnership with a special focus on the development of commercial projects.

ALCO also has partnerships with Arch Capital of Hong Kong for CebEx and Esquire Financing Inc. for South Tower of Savya. ALCO is also in the final stage of finalizing the agreement for the development of Makati Residential Project 1 with a local partner, who owns 52.6% of the property.

PROJECTS

Arya

Arya is a 507-unit high end residential project located at the corner of 8th Avenue and Mckinley Parkway, BGC, Taguig City. Arya currently has two towers. Tower 1 commenced construction in 2010, was completed in 2013, and was handed over to buyers in 2014, while Tower 2's construction commenced in 2012 and was handed over in 2016. Both Tower 1 and Tower 2 are sold out.

Arya is the leading high-rise residential development that has received a Gold certification from LEED. Arya is likewise the benchmark project in the PGBC's BERDE, or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. It has garnered international recognition for five years in a row now. The South East Asian Property Awards has chosen Arya as the Best Residential Development in the Philippines in 2012 and 2013 while the Asia Pacific Property Awards recognized Arya as the Best Residential High-rise Development in the Philippines for 2014-2015. Also, the Inaugural Philippines Property Awards acknowledged Arya to be the Best Residential Development in Manila with the Best Residential Architectural Design twice, in 2013 and 2014, and the project's first tower was awarded the Best Residential Interior Design by the same body in 2014.

Arthaland Century Pacific Tower

Seeing the strong demand for office space particularly in BGC, ALCO commenced the development of ACPT in 2014 and was completed in 2019. To date, the NLA of ACPT which is owned by ALCO is 100% leased out.

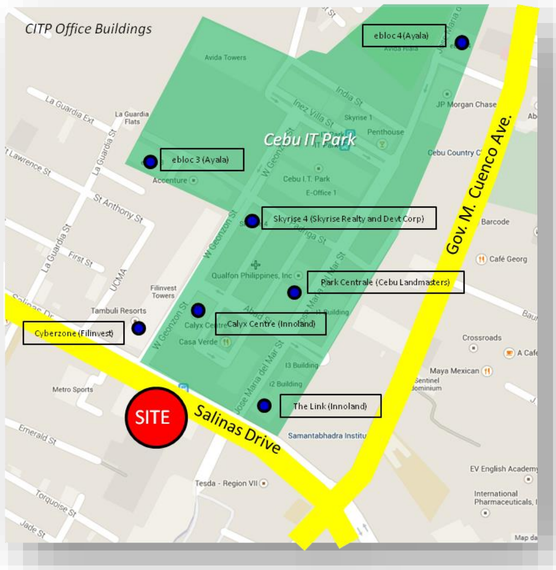
The construction of ACPT was partially funded by a non-interest-bearing loan from Centrobless Corporation, an investment vehicle of CPG and from Signature Office Property, Inc. ("SOPI"), an affiliate of the Gonzalez family. In accordance with the terms of the loan agreements, Centrobless Corporation and SOPI chose to be repaid through the dacion of office units in ACPT representing approximately 34% of ACPT's net leasable area. As a result, ALCO has 21,089 sqm of net leasable space in ACPT which it will keep to generate recurring lease revenues.

ACPT, which is BGC's landmark of sustainability, is one of the first AAA-grade office in BGC. The 30-storey AAA-grade office building is located along the prime 5th Avenue within BGC's E-Square, particularly along the street where The Shangri La at the Fort and new building of the Philippine Stock Exchange are located.

ACPT was designed by SOM New York, the same group that penned One World Trade Center and Burj Khalifa in Dubai. It has achieved LEED Platinum certification from the USGBC and achieved 5-star certification from the PGBC BERDE. ACPT is recognized by the Philippines Property Awards as the Best Green Development in the Philippines for 2016 and is cited to have the Best Office Architectural Design.

In September 2019 ACPT was recognized as the first Net Zero Carbon Project in the world certified under the Excellence in Design for Greater Efficiencies ("EDGE") Green Building Program of the International Finance Corporation ("IFC").

Cebu Exchange



Cebu Exchange is currently being built on an 8,440 sqm property located along Salinas Drive across the Cebu IT Park in Cebu City. It will be a 38-storey office building with retail establishments at the ground level and lower floors, one of the largest and tallest office developments in Cebu with total NLA or NSA of almost 90,000 sqm. ALCO's design for Cebu Exchange gives it the flexibility to serve the wide office space market in Cebu: (i) The Cebu Exchange will have a lower office zone of three levels which will have floorplates of around 5,400 sqm, which is targeted to cater to larger BPOs that may benefit from consolidating their operations; (ii) The project will have a middle zone of nineteen levels with floorplates of approximately 3,000 sqm, which will cater to conventional offices and BPOs; and (iii) a high zone of eight levels with floorplates of approximately 100 to 300 sqm, which is intended to cater to start up businesses. As with Arya and ACPT, ALCO expects the Cebu Exchange to receive green building certification from both the USGBC LEED and PGBC BERDE programs.

In January 2016, Arch SPV subscribed to 40% of the outstanding shares of CLLC, ALCO's investment vehicle for the Cebu Exchange Project. Arch SPV is the investment vehicle of Arch Capital, which is a Hong Kong based private equity fund set up to pursue investments in Asian property markets, which are in strong growth phases such as China, India, and Thailand.

Sevina Park

Sevina Park Master Plan

Sevina Park Villas, Villa Cluster Courtyard Gardens and Neighborhood Pavilion

On 8 September 2016, ALCO, through its 100% owned subsidiary, Cazneau, acquired eight hectares of land adjacent to *De La Salle Science and Technology Complex* in Canlubang from South Industrial Facilities, Inc. and YCLA Sugar Development Corp. Sevina Park is conceptualized to be a masterplanned campus-type mixed use community that will feature a mix of student and faculty housing, a mix of low rise residential buildings as well as retail, commercial and supplemental amenities which ALCO expects to fully develop in phases, in step with the growth of new and existing schools in the area namely: *the De La Salle Science and Technology Complex in Canlubang, Beacon Academy, the University of Santo Tomas, Saint Scholastica's College, Miriam College Nuvali and Xavier School Nuvali*. The project is expected to benefit from the development of the Cavite Laguna Expressway which is expected to spur the demand for residential housing, together with the development of complementary commercial sites and industrial parks.

With its strategic location and proximity to business and commercial hubs and educational institutions, Sevina Park is envisioned to be the quintessential suburban respite for starter and growing families. It will have everything within arm's reach including access to retail amenities, such as banks and groceries, proximity to excellent schools, business centers and technology parks, in a safe, green and laid-back neighborhood that fosters balance and authentic sense of community. A fresh and inspired dormitory development that will serve the immediate needs of the different schools in the area will complement the modern homes that will be offered in the Project.

As Arthaland's flagship mixed-use development, Sevina Park is poised to become the first ever development to register for LEED Neighborhood Development and LEED Home Certification. The master plan was completed by global design firm Sasaki and Associates of Boston.

In September 2018, ALCO started operations of a 348-bed student dormitory which was constructed on approximately 4,000 sqm within its eight-hectare property in Biñan City, Laguna adjacent to the De La Salle University Science and Technology campus.

In June 2019, ALCO launched the Sevina Park Villas which occupies approximately 3 hectares of the 8.1-hectare property. The Sevina Park Villas is a low-density residential development composed of 108 villas designed by Leandro V. Locsin and Partners. The 108 villas will be arranged into five blocks and each block is designed to have its own shared courtyard garden to provide residents generous green and open spaces for relaxation, convergence, and interaction.

As of 31 October 2019, Cazneau has executed sales reservation contracts amounting to approximately Php645.2 million covering approximately 35 of the 108 villas.

Makati CBD Residential Project

ALCO, through its subsidiary ZLDC, has completed the acquisition of an approximately 2,000 sqm property along Antonio Arnaiz Avenue in the Makati Central Business district, which it, together with the party that acquired 52.6% of the property, plans to develop into a high rise high-end residential property of 200 units.

Savya Financial Center

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. The project will be constructed on approximately 6,000 sqm of land with total GFA of approximately 60,000 sqm. 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 built with leading edge sustainable building features, qualifying it to be registered for dual certification in both LEED and BERDE. The project was launched in February 2019 shortly after its formal ground-breaking in January 2019. The North tower is targeted for turnover to buyers by the end of 2021.

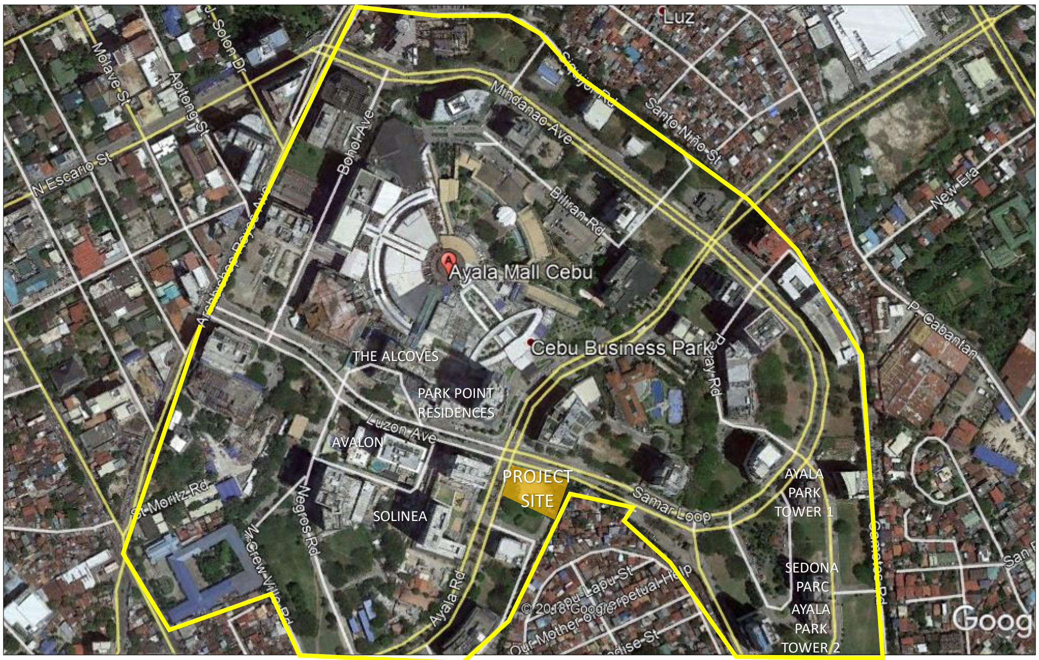
In October 2018, SLDC, the Company's investment vehicle for the project, applied for the approval of its merger with Arcosouth Development Corporation ("Arcosouth") with SLDC as the surviving entity. Arcosouth is currently the registered owner for approximately 2,000 sqm of the 6,000 sqm property. The merger is intended to implement the joint development by SLDC and Arcosouth of the 6,000 sqm property as agreed between SLDC and Arcosouth. In August 2019, the SEC approved the merger between SLDC and Arcosouth.

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan executed a joint venture agreement to invest in, establish and maintain a joint venture company ("JV Company") to be owned 60% by ALCO and 40% by MEC. The JV Company, Kashtha Holdings, Inc. was incorporated on 1 October 2019, and 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 the Corporation to SLDC. Under the terms of the partnership, ALCO will take the lead in managing the operations of the project while MEC will offer its expertise to add value to the project.

MEC is one of the largest real estate companies in Japan and has over 100 years of experience developing commercial, residential and retail properties. MEC has a substantial commercial and residential portfolio in Japan including over 30 major buildings with net leasable area of about 1.5 million sqm in the Marunouchi area, Tokyo's most premium central business district. MEC has likewise made substantial investments outside of Japan and has four regional headquarters: the Rockefeller Group in New York, Mitsubishi Estate London, Mitsubishi Estate Asia and Mitsubishi Estate Shanghai.

The North Tower of the Savya Financial Center was launched in February 2019. As of 31 October 2019, reservation contracts with a total value of approximately Php2.2 billion and covering approximately 45% of the North Tower office units have been executed.

Cebu Business Park Project



ALCO, through its subsidiary Bhavana, completed the acquisition of a 2,245 sqm property located on the corner of Samar Loop and Ayala, Hipodromo, inside the Cebu Business Park which is the foremost business district of Cebu City.

The Cebu Business Park Project is planned to be the newest signature residential address from ALCO and will be the first premier, dual certified, sustainable residential condominium in Cebu City. The project will be composed of one luxury residential tower which is expected to have approximately 27,000 sqm of GFA and approximately 21,000 sqm of NSA. Similiar to Arya, the Cebu Business Park Project will have sustainable features that are expected to result in certification from both the LEED progam of the USGBC and BERDE program of PGBC.

The Cebu Business Park Project is currently in the initial planning stage of development. The project is expected to be launched within Q4 of 2020.

Makati Residential Project 2

ALCO, through its wholly owned subsidiary, Bhavya, has directly or indirectly acquired 86.2% and is in discussions to acquire another 13.8% of a prime property located inside the Makati Central Business District. ALCO 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 GFA and approximately 11,000 sqm of NSA.

Manila Long Term Project

As part of its strategy to put in place the land bank necessary to sustain its revenues beyond 2024, ALCO is currently evaluating and negotiating for the acquisition of large properties with a total area of approximately 18 hectares in areas of Metro Manila which have very high potential for growth. As an initial step, ALCO is negotiating for the acquisition of a 2-hectare property located in one of the fastest growing areas in Metro Manila. As with its other projects, ALCO plans to acquire and develop these properties with joint venture partners to fully fund the equity requirement and to manage the risks associated with a project of such size. Once acquired, ALCO plans to develop these into sustainable master planned communities which will have commercial, residential, retail and institutional components and which will be divided in several phases over a 10 to 15-year period.

Aside from the projects mentioned above, ALCO is actively evaluating acquisition targets in the business districts of Makati, BGC, and other emerging cities. ALCO will disclose material acquisitions, as they become definite, to its stakeholders through PSE and SEC.

RELATIVE CONTRIBUTION TO REVENUES PER PRODUCT

The following shows the relative contribution to total revenues for the full year ended 2018 and the nine month period ended September 30, 2019 from each project as described above:

Amounts in PHP million	**Year-ended 2018**	**9 months ended September 30, 2019**
Lease Revenues:		
ACPT	121.1	207.0
Arya Plaza	8.0	11.1
Courtyard Hall	2.6	8.3
Others	0.7	-
Total Lease Revenues	**132.4**	**226.4**
Revenues from sale of units:		
Arya Residences	147.6	-
Cebu Exchange	845.0	1,256.5
Savya Financial Center	-	-

Total Revenues from sale of units	**992.6**	**1,256.5**
Project Management Fees	**7.5**	**7.5**
Total Revenues	**1,132.5**	**1,490.4**

The percentage contribution to revenues and net income of foreign sales in ALCO's projects is not significant as of full year 31 December 2018 and for the nine months ended 30 September 2019.

ESTIMATED REVENUES PER PROJECT

The following table shows the estimated revenues per project for various periods. These estimates are forward-looking statements based on assumptions regarding ALCO's present and future business strategies and may be subject to significant risks and uncertainties.

Amounts in PHP million	**Period Covered**	**Estimated Revenues in Phpm**
Arya Residences	2011 to 2018	8,916.6
ACPT	2018 to 2024	2,229.4
Cebu Exchange	2018 to 2024	10,774.4
Savya Financial Center	2019 to 2022	5,825.0
Sevina Park	2018 to 2031	15,855.6
Cebu Business Park	2021 to 2024	3,764.5
Makati CBD Residential 1	2021 to 2024	8,515.0
Makati CBD Residential 2	2021 to 2024	3,603.3
TOTAL		**59,483.8**

STATUS PER PROJECT

The following table summarizes the status of each project as of October 31, 2019:

	Project Status	**Availability of Funds Required for the Project**

Arya Residences	Completed and 100% sold	NA
Arya Plaza	Completed and leased out	NA
ACPT	Completed and 100% leased out	Debt and equity funding required to complete the project are in place
Cebu Exchange	Overall physical accomplishment: 49.98% Phase 1 (Basement to Level 15) • Structural top off completed in April 2019 • Estimated completion by H2 of 2020 Phase 2 (Basement to Level 16 to top floor) • Structural top off estimated in H1 2020 • Estimated completion by general contractor by H2 of 2021	Debt and equity funding required to complete the project are in place
Sevina Park	Masterplanning for the entire community has been completed. Site Development for the entire community is 16.5% completed. • Phase 1: Courtyard Hall – 100% Completed in 2018 • Phase 2: Villas ○ Detailed design completed ○ Construction to commence in H2 2020. • Phase 3: Apartments ○ Detailed design completed ○ Construction to commence in H2 2022. • Phase 4: Commercial	Debt and equity funding required to complete the project are in place

	○ Detailed design completed ○ Construction to commence in H2 2025.	
Savya Financial Center	• Excavation works for both towers substantially completed • North Tower (Tower 1) ○ Detailed designs completed ○ Estimated completion by December 31, 2021 • South Tower (Tower 2) ○ Detailed designs completed ○ Estimated completion by December 31, 2022	Debt and equity funding required to complete the project are in place
Cebu Business Park	• Conceptual designs initiated	Equity required is in place. Additional bank loan of Php761 million at level of Bhavana is required to complete the project. This will be in place prior to project launch in H2 2020.
Makati CBD Residential 1	• Land acquisition completed	Equity required is in place. Additional bank loan of Php1,556 million at the level of Zileya is required to complete the project. This will be in place prior to project launch in H2 2020.
Makati CBD Residential 2	• Land acquisition 86% complete	Equity required is in place. Additional bank loan of Php929 million at the level of Bhavya is required to complete the project. This will be in place prior to project launch in H2 2020.
Manila Long-Term Project	• Discussions on-going for land acquisition	Equity of Php3,877 million is required for the project. Of this amount, Php1,551 million will be contributed by a strategic partner and Php2,326 million will be required from ALCO. This amount will be funded by

		ALCO by a combination of proceeds from Tranche 1 of its ASEAN Green Bond Program and additional bank loans.

MATERIAL AGREEMENTS

The following agreements, not being agreements in the ordinary course of business, have been entered into by the Company or its subsidiaries and are (or may be) material:

1. **Project Management Contracts**

Project Management Agreement between ALCO and CLLC

A Project Management Agreement was entered into by ALCO and CLLC for the development of Cebu Exchange (referred to in the Agreement as the "Project") on 20 March 2018. Under the Agreement, ALCO was engaged to develop the Project, provide management services, and supervise and direct the implementation of project development and construction, marketing operations, sales and sales administration, and back office support until the completion of the Project. In consideration of these services, ALCO is entitled to receive Post Construction and Developer's Cost and Project Management Fee.

It was also provided that in the event that the Shareholders' Agreement between ALCO and Arch SPV dated 07 January 2016 is terminated for any reason, the Project Management Agreement between ALCO and CLLC shall terminate automatically.

Project Management and Marketing Agreement between ALCO, SLDC, and Arcosouth

A Project Management and Marketing Agreement was entered into by ALCO, SLDC, and Arcosouth for the development of Savya Financial Center (referred to in the Agreement as the "Project") on 31 January 2019, with ALCO as Developer of the land registered in the names of SLDC and Arcosouth. ALCO was engaged to develop the Project, provide management services, and supervise and direct the implementation of project development and construction, marketing operations, sales and sales administration, and back office support until the completion of the Project.

It was also provided that in the event that the business plans or agreements among the parties are terminated for any reason, the Agreement between ALCO, SLDC, and Arcosouth shall terminate automatically.

2. **Partnership Agreements**

Shareholders' Agreement for Cebu Lavana Land Corporation

On 7 January 2016, the Company, Arch SPV and CLLC, then a wholly-owned subsidiary of the Company, entered into a Shareholders' Agreement wherein Arch SPV agreed to invest in CLLC to the extent of 40% of its issued and outstanding capital stock, consisting of both common shares and preferred shares, among others. CLLC's purpose and business is to develop two parcels of land located at Salinas Drive, Lahug, Cebu City consisting of 8,440 sqms and to construct a condominium project for commercial and/or residential purposes which will be offered for sale or lease.

Memorandum of Agreement between CAZNEAU and De La Salle University-Manila, Inc.

On 04 September 2017, Cazneau and DLSU executed a Memorandum of Understanding which gave rise to a Memorandum of Agreement executed on 09 October 2018, and amended through a Letter Agreement dated 11 October 2018. Collectively, the Agreements provide that Cazneau shall develop and construct on a portion of its Biñan, Laguna property, a dormitory consisting of 87 dormitory units with 348 beds, provisions for 1 cafeteria, 1 laundromat, and 25 parking slots, while DLSU undertakes to refer at least 200 of its students, faculty, employees, exchange students, visiting professors, and Lasallian brothers to lease 200 out of the 348 beds of the dormitory.

The Agreement is effective from the date of its execution until the last day of the Third Term of DLSU's Academic Year 2020-2021, subject to certain provisions therein.

Merger between SLDC and Arcosouth

In October 2018, SLDC filed with the SEC its application for the approval of its merger with Arcosouth. Following the SEC's approval of the merger on 22 August 2019, the ownership over approximately 6,000 sqm of property in Arca South, composed of the approximately 4,000 sqm registered under SLDC and the approximately 2,000 sqm registered under Arcosouth, is consolidated under SLDC. The property will be the site where the two towers of Savya Financial Center will be constructed.

In January 2019, ALCO finalized the Terms of Reference with the principal shareholders of Arcosouth containing the key principles of the parties' 50-50 sharing in the returns from the development of North and South Tower of the Savya Financial Center. On 11 October 2019, ALCO and the principal shareholders of Arcosouth executed the definitive agreement to document this.

On 31 January 2019, ALCO executed a Project Management Agreement with SLDC for the development of the two towers of Savya Financial Center.

JV Agreement between ALCO and Mitsubishi Estates Corporation

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan executed a joint venture agreement to invest in, establish and maintain a joint venture company ("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 the Corporation to SLDC.

3. **Loan Agreements**

Omnibus Loan and Security Agreement between ALCO and BDO Unibank, Inc. ("BDO")

On 15 April 2015, the Company and BDO entered into an Omnibus Loan and Security Agreement (the "OLSA") where BDO has made available to the Company a loan facility of up to ₱2,000,000,000, subject to the terms and conditions of the said agreement. The loan facility was obtained to partially finance the cost of the construction and development of the Arthaland Century Pacific Tower on a parcel of land with an area of 2,233 sqms located at Block 5, Lot 5, 30th Street corner 4th Avenue, 5th Street Bonifacio Global City, Taguig City. As of 31 December 2019, the Company has drawn P1,977,500,000 from the loan facility.

Further, the loan 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 Arthaland Century Pacific Tower and a security trust agreement covering revenue and operating accounts, project receivables and project agreements (including EPC contracts, lease contracts, operations and management contracts and insurance agreements).

Omnibus Loan and Security Agreement between CLLC and Philippine National Bank

CLLC and PNB executed an OLSA, dated 15 August 2017, where CLLC acted as Borrower, Mortgagor, and Pledgor while PNB acted as Lender, Mortgagee, and Pledgee, for a loan facility of up to Two Billion Three Hundred Fifty Million Pesos (₱2,350,000,000.00), which will be made available in two tranches for a period of three (3) years from the date of the initial drawdown.

The loan shall be secured by: a) a real estate mortgage over two parcels of land located in Cebu City covered by TCT No. 107-2015002571 and TCT No. 107-2015002572, registered under the name of CLLC; and b) a pledge of shares of ALCO and Arch SPV in CLLC which shall be evidenced by a Contract of Pledge. The proceeds of the loan shall be used exclusively to finance the development and construction of an office building in

Salinas Drive, Cebu City (Cebu Exchange), with a note that if the proceeds of the loan are not sufficient for the stated purpose, the deficiency shall be shouldered by CLLC.

Omnibus Loan and Security Agreement among SLDC, Arcosouth, and BPI

An OLSA by and among SLDC, Arcosouth and BPI was executed on 22 August 2018, where SLDC acted as Borrower, Mortgagor, and/or Assignor, Arcosouth acted as Third-Party Mortgagor, and BPI acted as Lender, Mortgagee, and Assignee, for a term loan facility up to the aggregate maximum principal amount of One Billion Four Hundred Forty Million Pesos (P1,440,000,000.00), which may be availed of via staggered drawdown as follows: a) ₱940 million Development Loan; and b) ₱500 million Construction Loan, available for five (5) years from the initial borrowing date.

The loan shall be secured by: a) a real estate mortgage on the real estate properties covered by TCT No. 164-2018000374 (Lot 9) and TCT No. 164-2018000375 (Lot 10), registered under SLDC, and TCT No. 164-2018000713 (Lot 11) registered under Arcosouth, all located in Block 10, FTI Compound, Bicutan, Taguig City; b) a Corporate Continuing Suretyship of ALCO; c) assignment by way of security of ₱30 Million time deposit account in the name of SLDC; and d) such other security as the parties may agree upon.

The proceeds of the loan shall be used to partially re-finance the acquisition and development of Lots 9, 10, and 11 in Block 10, Arca South in FTI, Taguig City, for the repayment of shareholder advances, and to partially finance the Arca South Project construction of two (2) office towers (Savya Financial Center).

Contract of Pledge between ALCO and PNB, and Contract of Pledge between Arch SPV and PNB securing the Omnibus Loan and Security Agreement between CLLC and PNB

The Contact of Pledge between ALCO and PNB was executed on 9 August 2017, while the Contract of Pledge between Arch SPV and PNB was executed on 7 August 2017. Under the respective contracts, ALCO shall convey, by way of pledge, 500,000 common shares; and Arch SPV shall convey, by way of pledge, 214,349 common shares and 118,982 preferred shares. The pledged shares may not be alienated by either ALCO or Arch SPV without the prior written consent of PNB, and such alienation shall be subject to the terms and conditions of these respective contracts.

Contract to Sell Facility

An agreement for the establishment of a Php1.0 billion contract to sell facility ("CTS Facility") was executed by CLLC and Asia United Bank ("AUB") in October 2019. In December 2019, ALCO executed the necessary documents for the drawdown of an initial Php335.7 million under the CTS Facility.

Short Term Loan Facilities

ALCO secured the following short-term unsecured loan facilities from various lenders: (i) Php250 million short-term, unsecured, revolving credit line with BDO Unibank, Inc.; (ii) Php300 million short-term unsecured facility and Php10 million bills purchase line with CTBC Bank; (iii) Php100 million short-term unsecured facility and Php300 million bills purchase line with Union Bank of the Philippines ("Union Bank"); (iv) Php100 million short-term unsecured facility with BPI; (v) and Php1.3 billion short-term unsecured loan facility from Union Bank. ALCO also renewed a Php100 million secured revolving credit line with Phillipine National Bank ("PNB"). Likewise, CLLC secured a Php50 million short-term, unsecured working capital facility and a Php50 million bills purchase line with Union Bank.

Construction Contracts

On 11 April 2018, CLLC issued a letter of award to DDT Konstract, Inc. for general construction contract over Cebu Exchange.

On August 2019, Savya issued a letter of award to Datem Construction, Inc. for general construction contract over Savya Financial Center.

4. **Other Agreements**

Memorandum of Agreement between ALCO and Centrobless Corporation ("Centrobless")

On 13 October 2015, ALCO obtained a loan from the Centrobless in the amount of PhP1,650,643,779.00 with maturity date on 31 December 2018, payable in cash or in kind at the lender's option. On 21 March 2018, Centrobless advised that it would like to be paid in kind, particularly with condominium units and parking slots located in Arthaland Century Pacific Tower. This agreement is a dacion en pago and fully settles the 31 October 2015 loan through the delivery by the borrower of the full ownership and clean and peaceful possession of the properties.

Memorandum of Agreement between ALCO and Signature Office Property, Inc. ("SOPI")

The Memorandum of Agreement mentions a loan dated 8 June 2017, with ALCO as borrower and SOPI as lender, in the amount of ₱207,051,912.00 with maturity date on 31 December 2018. In this Memorandum, the Parties agreed that to settle the loan, the borrower is transferring to the lender certain units and parking slots located at Arthaland Century Pacific Tower which would serve as payment by way of dacion en pago of the loan.

DISTRIBUTION METHODS

ALCO employs four sales directors in charge of overseeing the sales efforts of the Company's sales infrastructure. The Company engages the services of thirteen sales managers, sixteen deputy sales managers and forty sales associates on a contractual basis. These sales managers and sales associates coordinate and deal with commission-based sales professionals who sell to ALCO's customers. The structure applies to both individual and corporate sales.

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 firmly established it unique position in sustainable and luxurious projects being the first company to have both LEED and BERDE-registered projects in the country, 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 and highy productive and efficient organization.

INDUSTRY OVERVIEW

The Philippine real estate sector is expected to sustain its robust growth. This positive outlook is supported by strong economic growth which in turn was sustained due to growth in investments, household spending and infrastructure spending. The benign inflation environment, stable growth in OFW remittances, higher foreign direct investments and favorable macroeconomic fundamentals continue to push demand for both residential and office space.

The Philippines' attractiveness as a business location remains strong especially as rental rates in Manila remain cheaper than most of the developed countries in the region. In addition, the Philippines continues to offer a supply of young educated talent at a cost that is still lower than comparative talent in the region.

Analysts expect the level of construction activity to remain high, particularly for the office segment. This is supported by continued access to affordable financing for both real estate developers, investors and end-buyers. The banking industry's real estate loan portfolio grew by about 12% to P1.836 trillion as of Q2 2018. Of this, approximately 65% was for office/commercial real estate while the balance 35% was for residential purposes.

Office Segment – Metro Manila

Office Stock. As of 2018, the total supply of office space in Metro Manila is estimated at 11.0 million sqm and is expected to increase to 12.0 million sqm by the end of 2019. While the older business districts of Makati and Ortigas Center accounted for almost 53% of total office space in 2018, their share is expected to decline to 33% by 2021 given the high level of construction activity in the newer business districts of Bay Area and other emerging areas in Metro Manila as well as the limited level of construction in Makati and Ortigas especially in the next three years.

Office Supply Forecast by Location (in sqm GLA)

Location	END 2018	2019F	2020F	2021F	END 2021
Makati CBD	3,283,300	75,000	113,300	90,700	3,562,300
Makati Fringe	320,000	33,100	158,500	58,400	570,000
Fort Bonifacio	2,152,500	179,100	194,100	126,200	2,651,900
Ortigas Center	1,722,000	224,400	313,500	105,000	2,364,900
Ortigas Fringe	523,400	31,500	22,600	42,100	619,600
Bay Area	673,200	131,600	245,400	238,700	1,288,900
Alabang	633,300	96,000	92,200	15,000	836,500
Quezon City	1,278,700	179,200	95,500	160,800	1,714,200
Others	393,000	88,500	64,100	54,700	600,300
Total	**10,979,400**	**1,038,400**	**1,299,200**	**891,600**	**14,208,600**

Source: Colliers International

Occupancy Rates. The high level of construction activity in the office segment is matched by heightened demand for office space, particularly form the BPO sector. As a result, the average vacancy rate as of Q2 2019 is at 4.9% with vacancy rates in key CBDs remaining low at 0.5% to 1% except Fort Bonifacio.

Lease rates. Premium and Grade A office space in Makati CBD continued to command the highest average lease rate per sqm among the business districts in Metro Manila at P 1,200 – 1,860 per sqm. In recent years, lease rates for Grade A office space in Fort Bonifacio have steadily increased and were estimated at P 950 – 1,500 per sqm in Q2 2019.

Office Segment – Cebu

As of Q2 2019, Cebu had total office stock of almost 920,000 sqm of leasable space of which approximately 308,000 sqm is in the vicinity of the Cebu IT Park where the Cebu Exchange property is located. Within the

Cebu IT Park area, the vacancy as of Q2 2019 was 5.3%. Analysts expect the take up of new office space to overtake new office supply in the next two years.

Cebu is considered as a viable alternative to locating in Metro Manila as it allows companies to tap into the talent outside Metro Manila, to achieve diversification benefits and average down on their rental costs. The average rental rate in Cebu is still currently half the rate in Grade A office space in Makati and Fort Bonifacio.

Key Figures - Grade A Office

Q2 2019	Cebu Business Park	Cebu IT Park	Cebu Fringe	Cebu
Average net rental rate (PHP/sqm/month)	593.5	623.5	511.2	579.2
Average net rental rate (USD/sqft/month)	1.1	1.1	0.9	1.0
Upper net rental rate (PHP/sqm/month)	650	700	550	700
Vacancy rate (%)	4.10%	5.30%	9.50%	6.10%
Current stock (sqm)	338,338	308,472	272,884	919,694
Development pipeline 2019-2022 (sqm)	91,778	172,638	54,519	318,935

Source: KMC Savills Research

Residential Segment

Residential Stock. As of Q2 2019, Metro Manila is estimated to have a total of 125,100 residential condominium units in the areas of Makati CBD, Rockwell, Fort Bonifacio, Ortigas and Eastwood. Makati CBD and Fort Bonifacio still cover 50% of supply with 27,900 and 34,100 condominium units, respectively. Fort Bonifacio and Eastwood City covered more than 70% of new supply.

While analysts have tempered their growth assumptions in the residential sector as the market adjusts to the increase in supply from recent completed developments, the general outlook remains positive. This is especially true for the middle to high income market segment for projects in prime locations and with high quality. Condominium supply is expected to grow by 25% in 2021 with Bay Area to account for 78% of new units.

Condominium supply forecast by location

Location	END 2018	2019F	2020F	2021F	END 2021
Alabang	4,230	200	450	500	5,380
Araneta Center	4,550	-	-	-	4,550
Eastwood City	8,540	630	-	-	9,170
Fort Bonifacio	32,230	3,350	2,140	3,220	40,940
Makati CBD	27,020	860	670	240	28,790
Bay Area	19,850	2,580	8,950	3,440	34,820
Ortigas Center	17,940	800	200	640	19,580
Rockwell Center	4,510	760	-	540	5,810
Total	**118,870**	**9,180**	**12,410**	**8,580**	**149,040**

Source: Colliers International

SUPPLIERS

Construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. In instances when management finds it to be more cost-effective, ALCO may opt to procure owner-supplied construction materials.

ALCO's material suppliers as well as the products and services supplied to ALCO as of the date of this Prospectus are summarized below:

Supplier	Products and Services Provided
Datem Construction, Inc.	General contractor for Savya Financial Center
DDT Konstract, Inc.	General contractor for Cebu Exchange
Datem Construction, Inc.	General contractor for Arya
Megawide Construction Corporation	General contractor for ACPT
Sasaki and Associates	Masterplanner for Sevina Park
SOM	Architecture Services
GF and Partners	Architecture Services
Rchitects, Inc.	Architecture Services
Leandro V. Locsin and Partners	Architecture Services
Saraiva Associados	Architecture Services
Arcadis NV	Quantity Surveyor for Arya, ACPT and Cebu Exchange
Quantity Solutions, Inc.	Quantity Surveyor for SLDC
Metri Quantity Surveyors	Quantity Surveyor for Sevina Park
Danilo C. Mancita, Inc.	Construction Manager

DEPENDENCE ON CERTAIN CUSTOMERS

The Company has a broad customer base and is not materially dependent on a single or a few customers.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

In the normal course of the business, the Company provides management and financial support to its subsidiaries. The financial support is given in the form of cash advances and equity infusion to fund certain financial obligations. The advances to MPI, UPHI, Cazneau, Emera and ZLDC are non-interest bearing, unsecured and settled in cash whenever possible. The advances to CLLC and SLDC are interest-bearing and unsecured.

Please refer to page 163 for a discussion on Certain Relationships and Related Transactions for a more comprehensive discussion of transactions with related parties.

PATENTS, TRADEMARKS AND COPYRIGHTS

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.

NEED FOR 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.

As of the date of this Prospectus, ALCO and its subsidiaries have secured such governmental approvals, permits and licenses issued by the relevant government bodies or agencies listed below, as which are necessary to conduct their business and operations. While the governmental approvals, permits and licenses required for specific projects have either been secured or are currently being processed by the relevant government bodies or agencies, as indicated in the list below.

CORPORATE PERMITS

Arthaland Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 8RC0000050946 TIN 004-450-721-000	01-Jan-96	N/A
2. Business Permit	City of Taguig	LCN-11-004292	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00966, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032811	11-Jan-20	31-Dec-20
5. Fire Safety Inspection Certificate	Taguig City Fire Station IV, FDIV-NCR, Bureau of Fire Protection	16-0525321-R	4-Oct-18	30-Aug-19
6. Employer Data Form	Home Development Fund (Pag-IBIG)	Registration Tracking No. 800170013567	N/A	N/A
7. Certificate of Employer's Registration	Pag-IBIG	Employer No. 204213480002	31-Aug-16	N/A
8. Certificate of Employer's Registration	Social Security System (SSS)	SSS Employer No. 03-9211531-5-000	23-Aug-16	N/A
9. Certificate of Employer's Registration	PhilHealth	PhilHealth Employer No. 001000014010	23-Aug-16	N/A
10. Unified Registration Record	SEC, BIR, Pag-IBIG, SSS, PhilHealth	SEC Registration No. CS201518355 TIN 009-129-450-000 Pag-IBIG Employer Number (Employer ID) 205669160009	N/A	N/A

		Philhealth Employer Number (PEN) 001000041180 SSS Employer Number (ER No.) 0395044218		

Arya Residences Condominium Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	TIN No. 008-886-797	12-Jan-18	N/A
2. Business Permit	City of Taguig	LCN-11-017193	18-Jan-19	Application for renewal duly filed and in process
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 005480, s. 2019	16-Jan-19	Application for renewal duly filed and in process

Urban Property Holdings, Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000374352 TIN 004-477-699-000	01-Jan-96	N/A
2. Business Permit	City of Taguig	LCN-11-004561	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00964, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032760	11-Jan-20	31-Dec-20

Cazneau, Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000373071 TIN 007-089-627-000	31-Jul-08	N/A
2. Business Permit	City of Taguig	LCN-11-004560	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00971, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032758	11-Jan-20	31-Dec-20

Manchesterland Properties, Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000392698 TIN 006-939-384-000	27-Mar-08	N/A
2. Business Permit	City of Taguig	LCN-11-011924	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00970, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032759	11-Jan-20	31-Dec-20

Emera Property Management, Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN N/A TIN 007-089-597-000	28-Dec-15	N/A

2. Business Permit	City of Taguig	LCN-11-004559	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00968, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032769	11-Jan-20	31-Dec-20

Zileya Land Development Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration-BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000447436 TIN 009-195-830-000	28-Dec-15	N/A
2. Business Permit	City of Taguig	LCN-11-020068	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00969, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032775	11-Jan-20	31-Dec-20

Cebu Lavana Land Corp.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration-BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000263458 TIN 009-129-450-000000	02-Oct-15	N/A
2. Business Permit	City of Taguig	LCN-11-019642	14-Jan-20	31-Dec-20

3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00965, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1401-033257	14-Jan-20	31-Dec-20

Savya Land Development Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000882334E TIN 009-559-200-000	27-Feb-17	N/A
2. Business Permit	City of Taguig	LCN-11-023117	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 00967, s. 2020	09-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032761	11-Jan-20	31-Dec-20

Bhavya Properties Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000542173 TIN 010-364-838-000	22-Jul-19	N/A
2. Business Permit	City of Taguig	LCN-11-030209	11-Aug-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 002575, s. 2020	10-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032772	11-Jan-20	31-Dec-20

Bhavana Properties Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000539799 TIN 010-359-930-000	16-Jul-19	N/A
2. Business Permit	City of Taguig	LCN-11-030020	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 002579, s. 2020	10-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032766	11-Jan-20	31-Dec-20
5. PhiVocs Certificate	UP Campus, Diliman, Quezon City	HAS-Oct-19-1214	18-Oct-19	N/A

Pradhana Land Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000551996 TIN 010-397-407-000	10-Sep-19	N/A
2. Business Permit	City of Taguig	LCN-11-030746	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Seial No. 002576, s. 2020	10-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032750	11-Jan-20	31-Dec-20

Kashtha Holdings, Inc.

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date

1. Certificate of Registration- BIR Forms 2302	Bureau of Internal Revenue (BIR)	OCN 9RC0000551429 TIN 010-410-757-000	02-Oct-19	N/A
2. Business Permit	City of Taguig	LCN-11-030863	11-Jan-20	31-Dec-20
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Seial No. 002578, s. 2020	10-Jan-20	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4 1101-032754	11-Jan-20	31-Dec-20

PROJECT PERMITS

Arthaland Century Pacific Tower

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Zoning Certification (as "Urban Core Zone")	HLURB	N/A	15-Oct-14	N/A
2. HLURB Development Permit	HLURB	D.P. No. 15-07-042	02-Jul-15	N/A
3. Environmental Compliance Certificate	DENR	ECC-NCR-0810-107-5010	07-Oct-08	N/A
4. Certificate of Installation of Earthquake Recording Instrumentation	Office of the Building Official, City of Taguig	N/A	10-July-18	N/A
5. Certificate of Occupancy	Office of the Building Official, City of Taguig	15-2017-0290	29-Jun-17	N/A
6. Permit to Operate Air Pollution Source Installation	DENR - EMB	POA No. 18-POA-J-137607-395	30-July-18	21-Oct-18
7. Certificate of Compliance	ERC	COC No. 18-05-S-03498L	27-May-18	26-May-23
8. ECC Amendment	DENR EMB NCR	ECC-NCR-1410-0384	18-Jun-2018	N/A

Arya

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Certificate of Registration	Housing and Land Use Regulatory Board ("HLURB")	No. 22290	26-Apr-10	N/A
2.	Zoning Certification	HLURB	N/A	28-Aug-09	N/A
3.	License to Sell (Sale of units in Tower 1)	HLURB	No. 23693	13-Oct-10	N/A
4.	License to Sell (Sale of units in Tower 2)	HLURB	No. 25103	25-Nov-11	N/A
5.	Certificates of Occupancy (Towers 1 and 2)	DPWH, Office of the Building Official, Taguig City	Nos. 15-2015-0438 and 15-2014-0142	06-Mar-2014 and 20-Aug-15	N/A
6.	Zoning Certification	HLURB	N/A	28-Aug-09	N/A
7.	Environmental Compliance Certificate	DENR-EMB	ECC Ref. Code ECC-NCR-0907-0645	13-Oct-11	N/A
8.	Fire Safety Evaluation Clearance	Taguig City Fire Department	Tower 1: R16-20231 Tower 2: R16-191699	Tower 1: 10-July-12 Tower 2: 7-July-15	N/A
9.	Certificate of Installation of Earthquake Recording Instrumentation	Office of the Building Official, City of Taguig	N/A	21-Sept-16	N/A
10.	Certificate of Occupancy (Towers 1 and 2)	Office of the Building Official, City of Taguig	No. 15-2014-0142 and 15-2015-0438	6-Mar-14 and 20-Aug-15	N/A
11.	Barangay Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 005480	16-Jan-19	N/A
12.	Temporary Permit to Operate Air Pollution Source Installation	DENR - EMB	POA No. 19-POA-J-137607-237	08-Nov-2019	28-Feb-20
13.	BESC Estate Clearance Certificate	Bonifacio Estate Services Corporation	No. CAA014-2018	8-May-2019	N/A

Cebu Exchange

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Zoning Certification	City Planning and Development Office, City of Cebu	N/A	08-Mar-13	N/A
2.	Locational Clearance	City Planning and Development Office, City of Cebu	Locational Clearance No. LC16-02-03-02	21-Apr-16	N/A
3.	HLURB Development Permit	HLURB	CVR-016-0397	20-Jul-16	N/A
4.	HLURB Preliminary Approval and Locational Clearance	HLURB	CVR-016-0647	20-Jul-16	N/A
5.	Environmental Compliance Certificate	DENR-EMB	ECC-R07-06160009	8-Jul-16	N/A
6.	Fire Safety Evaluation Clearance (Project Salt)	Cebu City Fire Station, Cebu Provincial Office, Bureau of Fire Protection	FSEC No. R 16-00222176	19-Jan-17	N/A
7.	Fire Safety Evaluation Clearance (Fee Gallery)	Cebu City Fire Station, Cebu Provincial Office, Bureau of Fire Protection	FSEC No. R 07-001231	3-Nov-17	N/A
8.	Certificate of Site Zoning Classification	HLURB Central Visayas	N/A	1-Feb-17	N/A
9.	Permit/License to Sell	HLURB Central Visayas	License No. 032788	11-Sept-17	N/A
10.	Certificate of Registration	HLURB Central Visayas	No. 028434	11-Sept-17	N/A
11.	Advertisement Approval (Billboards, AVP, and brochure approvals)	HLURB Central Visayas	N/A	7-Aug-18 and 28-Mar-19, 14-Jan-19, and 14-Jan-19	N/A

12. PEZA Board Resolution	PEZA	Resolution no. 16-726	19-Dec-16	N/A

Savya Financial Tower

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Site Zoning Classification	HLURB	N/A	9-Jul-18	N/A
2. Locational Clearance	City Planning and Development Office, Taguig City	Decision No. 4-1515-18	24-Oct-18	N/A
3. Development Permit	HLURB	D.P. No. 18-10-070	23-Oct-18	N/A
4. Fire Safety Evaluation Clearance (Towers 1 and 2)	Taguig City Fire Station	FSEC No. R 16-95697 and FSEC No. R 16-95698	1-Mar-19	N/A
5. Certificate of Registration	HLURB	CR No. 029476	11-Feb-19	N/A
6. License to Sell (Towers 1 and 2)	HLURB	License to Sell No. 034553	11-Feb-19	N/A
7. License to Sell (Tower 2)	HLURB	License to Sell No. 034615	1-Jul-2019	N/A
8. Environmental Compliance Certificate (ECC) Tower 1	DENR EMB NCR	ECC-OL-NCR-2018-0190	24-Aug-2018	N/A
9. Environmental Compliance Certificate (ECC) Tower 2	DENR EMB NCR	ECC-OL-NCR-2018-0213	11-Sept-2018	N/A
10. Laguna Lake Development Clearance	LLDA DENR	LLDA No. 01610	9-Nov-2018	N/A
11. CAAP Height Clearance Certificate	CAAP	No. I-1023-18-802511	26-Sept-2018	26-Sept-2020

Sevina Park

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Development Permit	City Planning and Development Office, City of Binan	CZC-2040-002-2019	18-Feb-2019	N/A
2.	Certificate of Registration	HLURB	029827	17-Jun-2019	N/A
3.	Permit/License to Sell	HLURB	034445	17-Jun-2019	N/A
4.	Environmental Compliance Certificate	DENR - EMB	ECC-OL-R4A-2019-0119	21-Mar-2019	N/A
5.	LLDA Clearance	LLDA	LLDA No. 05100	22-May-2019	N/A
6.	Zoning Certificate	HLURB STR	HLURB Certification no. 19-266-04	17-Jun-2019	N/A

Courtyard Hall (Sevina Park Phase 1)

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Zoning Permit	City Planning and Development Office, City of Binan	N/A	18-Sept-18	N/A
2.	Certificate of Occupancy	Office of the Building Official, City of Binan	Certificate No. 091800498	26-Sept-19	N/A
3.	Certificate of Registration	HLURB	N/A	N/A	N/A

RESEARCH AND DEVELOPMENT

There have been no significant Research and Development costs recorded by the Company in the past three years.

EMPLOYEES

As of 30 September 2019, ALCO has a total of 106 personnel, 50 of whom are in management and 56 are non-managers. As of the same period, ALCO also engaged 75 sales agents.

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

It cannot yet 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.

Description of Property

ALCO is the registered owner of the 2,233-sqm property along 5th Avenue corner 30th Street in Bonifacio Global City, Taguig City, Metro Manila, on which ACPT is currently built. ACPT is mainly leased out to provide a source of recurring income for ALCO. This lot is presently mortgaged with BDO Unibank, Inc.

Cazneau is the registered owner of the eight-hectare property in Biñan City, Laguna, on which will be established the Sevina Park, a masterplanned campus-type residential community that will feature a mix of student and faculty housing, a mix of low rise residential buildings as well as retail and supplemental amenities which ALCO expects to fully develop in phases throughout 2023, in step with the growth of new and existing schools in the area.

CLLC is the owner of two parcels of adjacent land in Barangay Lahug, Cebu City, Philippines with a total area of 8,440 sqms, to be developed as Cebu Exchange, a 38-storey office building with retail establishments, poised to be one of Cebu's largest and tallest office developments and will cater to Cebu's booming office space market.

MPI was the registered owner of the 6,357 sqm parcel of land along McKinley Parkway on which Arya currently stands. This property was conveyed to Arya Residences Condominium Corporation in December 2016 but MPI retained ownership over the commercial units in The Plaza at Arya Residences and a number of non-appurtenant parking slots therein. The Condominium Corporation membership is composed of all the owners of both the residential and commercial units in Arya.

UPHI is the registered owner of a 33-hectare raw land[7] located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one hectare of this property is subject of an expropriation proceeding, a full disclosure of which is discussed in the succeeding item.

SLDC is the registered owner of lots 9 and 10 or approximately 4,000 sqm of block 10 in Arca South, Taguig City. In October 2018, it filed with the SEC an application for the approval of its merger with Arcosouth, which is the registered owner of approximately 2,000 sqm lot adjacent to the property owned by SLDC. In August 2019, SEC approved the application for merger. The combined property of approximately 6,000 sqm will be the site of Savya Financial Center.

ALCO, through ZLDC, executed sale and purchase agreements to acquire approximately 47.4% of a 2,018 sqm property located in Makati City. This property will be the site of ALCO's Makati CBD Residential Project.

Bhavana acquired from Union Bank of the Philippines its parcel of land with a total area of two thousand two hundred forty-five (2,245) square meters, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. The site will be the location of the Cebu Business Park Project.

ALCO, through its wholly owned subsidiary, Bhavya, acquired various condominium units in a condominium property which currently stands on an approximately 1,000 sqm property located in Makati CBD. Bhavya has acquired condominium units equivalent to 86.2% of the total net saleable area of the condominium. The property will be the site of the Company's Makati Residential Project 2.

[7] The carrying value of this property amounts to Php149.8 million. Based on the appraisal report dated 26 February 2019, the fair value of the land amounted to Php577.3 million as of December 31, 2018.

BOOK VALUE OF BATANGAS PROPERTIES

Based on available records, it is the understanding of the Company that the Batangas Properties[8], along with 45% of the outstanding shares of UPHI and other real assets, formed part of the security for a loan granted by then EIB to PR Builders Developers and Managers, Inc. ("PR Builders"). Subsequently, the Batangas Properties and other assets comprising the PR Builders account became part of the non-performing asset portfolio of EIB which were sold in 2006 to special purpose vehicles ("SPVs") specializing in the acquisition of similar non-performing assets. Because of the various cases filed by PR Builders, the concerned SPV was unable to consolidate its ownership over the Batangas Properties and the other assets which formed part of the PR Builders account. The SPV subsequently exercised its option to return the Batangas Properties and other assets comprising the PR Builders account to EIB in 2007, and EIB, in turn, returned the amount of Php13 million the SPV had paid for these assets and proceeded to negotiate directly with PR Builders for a compromise so that the former may sell the assets to other interested third parties.

The Company, on the other hand, was interested in acquiring the Batangas Properties for future development. It was also interested in acquiring the shares comprising 45% of the equity of UPHI as the Company already owned the balance of 55%. The acquisition of 100% of UPHI would consolidate the Company's ownership of the underlying asset of UPHI which included a 33-hectare property in Tagaytay. In addition, the Company planned to acquire from the major shareholders of PR Builders ("Spouses Villarin") the 1.8-hectare property in Tagaytay ("Tagaytay Property") which is adjacent to the existing 33-hectare property of UPHI and which is important to the future development of the said 33- hectare property.

Following negotiations with PR Builders, the Absolute Mutual Release and Quitclaim (the "Compromise Agreement") was executed between EIB and PR Builders with the conformity of the Company (then EIB Realty Developers, Inc.) and Spouses Villarin on 15 April 2008.

As a result of the Compromise Agreement, PR Builders waived, ceded and assigned, among others, the following assets to the Company for and in consideration of the amount of ₱42.5 million which ALCO paid to PR Builders in 2008 for the benefit of EIB:

- The Batangas Properties, and
- The forty-five percent (45%) equity investment in UPHI.

PR Builders also caused one of its shareholders, Mr. Pablito Villarin, to sell to the Company his rights, title and interest in the 1.8-hectare Tagaytay Property which is adjacent to the 33-hectare property owned by UPHI. The consideration for the Tagaytay Property was included in the Php42.5 million that the Company paid to PR Builders in 2008.

In addition to the Php42.5 million paid to PR Builders, the Company also undertook to pay EIB the sum of Php13 million, the same amount it had returned to the SPV, for the assignment in favor of the Company of EIB's rights, title, interest and participation in the Batangas Properties and the shares in UPHI. The Company's records show that it had paid EIB Php13 million in March 2011. Thereafter, in April 2011, the Deed of Absolute Sale for the Batangas Properties was executed between EIB and the Company.

In documenting the sale of the Batangas Properties, the Company understood that EIB allocated ₱9.7 million out of the Php13 million it had received from the Company to the Batangas Properties. Thus, the Deed of Absolute Sale between EIB and Arthaland for the Batangas Properties reflected the amount of ₱9.7 million.

The total acquisition cost of the Company for the above assets was Php55.5 million, comprised of the Php42.5 million paid to PR Builders in 2008 and the Php13 million paid to EIB in 2011. The carrying values of the Batangas Properties and the Tagaytay Property amounting to Php34.1 million and Php10.9 million[9], or Php45

[8]Composed of two parcels of agricultural land located at Bo. Niyugan, Laurel, Batangas covered by Transfer Certificates of Title (TCT) Nos. 99702 (56,711m^2) and 99703 (28,356m^2)
[9]Includes amounts paid by Arthaland for taxes and other transfer related expenses for the Tagaytay Property of approximately Php1.1 million in addition to the Php55.5 million total amount paid to PR Builders and EIB.

million combined, represent the amounts allocated to these assets from the total acquisition cost of Php55.5 million.

Information on the carrying values of the Batangas Properties and the Tagaytay Property was disclosed in Note 6.1(b) of the 31 December 2011 Audited Financial Statements of the Company. The same information was disclosed in the Note 7(d) of the 31 December 2008 Audited Financial Statements of the Company. The carrying values of these properties reflect their market or appraised values for each reporting period consistent with the Company's accounting policies in reporting Investment Property.

OPERATING LEASE COMMITMENTS—GROUP AS LESSOR

ALCO entered into various lease agreements in ACPT 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. 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.

Leasing revenue recognized from these operating leases amounted to ₱226.4 million for the first nine months of 2019, ₱132.4 million in 2018, ₱23.0 million in 2017, and ₱8.1 million in 2016. Lease receivables amounted to ₱36.6 million as at 30 September 2019 and ₱30.4 million as at 31 December 2018. Advance rent from tenants amounted to ₱65.5 million as at 30 September 2019 and ₱53.3 million and ₱10.8 million as at 31 December 2018 and 2017, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, including construction bonds which are refunded after each unit fit out amounted to ₱108.7 million as at 30 September 2019 and ₱95.6 million and ₱22.0 million in 2018 and 2017, respectively.

In 2018, Cazneau entered into a Memorandum of Agreement with a university for the development of a dormitory and the guaranteed procurement by the university of lessees of two hundred (200) beds. The lease term for individual lessees shall be a period of four (4) months with required security deposit equivalent to one and a half of the monthly rental.

OPERATING LEASE COMMITMENTS—GROUP AS LESSEE

ALCO was a lessee under non-cancellable operating lease where its previous principal office was situated. On 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:

	2018	**2017**	2016
Within one (1) year	**N.A**	**₱ 10,333,726**	₱ 16,140,214
After one (1) year but not more than five years	**N.A**	**46,766,678**	18,600,665
	N.A	**₱ 57,100,404**	₱ 34,740,879

Rent expense recognized from the foregoing operating lease amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016.

Legal Proceedings

As of the date of this Prospectus, 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:

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 EIB represented by the Philippine Deposit Insurance Corporation (PDIC). ALCO maintained a Trust Account with EIB prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three transfer certificates of title which had been placed in the custody of the bank's Trust Department. Two of these titles are in the name of UPHI, a wholly owned subsidiary of ALCO, while one title is under the name of EIB Realty Developers, Inc. (the former name of ALCO). ALCO does not have any interest in EIB's remaining assets 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 8 May 2017, ALCO was ordered 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.

Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's 33-hectare property. The case is now submitted for decision.

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 the determination of just compensation for UPHI to commissioners. 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.

Claim for Refund

a. A buyer offered to purchase a unit in Arya, 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 by filing a complaint before the Housing and Land Use Regulatory Board (HLURB) on May 2017, as well attorney's and appearance fees.

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 offered to purchase a unit in Arya 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 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 P942,718.53.

   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. It is the special law governing transactions that involve, subject to certain exceptions, the sale on installment basis of real property. The buyer filed a Counter Memorandum on 18 July 2019. There is no resolution on the appeal at this time.

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.

Please also see "Directors and Executive Officers & Key Persons - Involvement in Certain Legal Proceedings" on page 153 of this Prospectus for additional discussions on these proceedings involving certain directors and an officer of the Company.

Ownership and Capitalization

SHARE CAPITAL

As of 30 September 2019, the Company had a total authorized capital of 16,368,095,199 common shares, of which 5,318,095,199 are issued and outstanding, and 50,000,000 preferred shares, of which 12,500,000 of the Series A Preferred Shares, 20,000,000 of the Series B Preferred Shares and 10,000,000 Series C Preferred Shares are issued and outstanding.

Top 20 Stockholders

Common Shares (As of 31 December 2019)

Rank	Name	No. of Ordinary Shares	%
1	CPG HOLDINGS INC	2,017,619,910	37.93
2	AO CAPITAL HOLDINGS 1, INC.	1,383,730,000	26.01
3	PCD NOMINEE CORPORATION (FILIPINO)	1,357,788,532	25.53[10]
4	PCD NOMINEE CORPORATION (NON-FILIPINO)	307,439,318	5.78
5	ELITE HOLDINGS, INC.	119,809,996	2.253
6	TINA KENG	25,000,000	0.47
7	EQL PROPERTIES, INC.	14,671,125	0.28
8	URBAN BANK TRUST DEPARTMENT A/C NO. 625	4,838,488	0.09
9	RBL FISHING CORPORATION	4,350,000	0.08
10	VERONICA D. REYES	3,799,272	0.07
11	VERONICA D. REYES &/OR CECILIA D. REYES	2,654,061	0.05
12	THEODORE G. HUANG &/OR CORAZON B. HUANG	2,501,250	0.05
13	ANITO TAN &/OR LITA TAN	2,027,049	0.04
14	LOURDES D. DIZON	1,740,000	0.03
15	KWAN YAN DEE &/OR CHRISTINA DEE	1,631,250	0.03
16	DANTE GARCIA SANTOS	1,631,250	0.03
17	LUCIANO H. TAN	1,505,950	0.03
18	SAMUEL UY	1,087,500	0.02
19	DATACOM SYSTEMS CORP.	1,004,394	0.02
20	MITSU MACHINE PHILS. INC.	998,313	0.02
		5,255,827,658	98.83
	Others	62,267,541	1.17
	Total Outstanding	**5,318,095,199**	**100.00**

Series A Preferred Shares (As of 31 December 2019)

Rank	Name	No. of Preferred Shares	%[11]
1	Manchesterland Properties, Inc.	12,500,000	100.00

Series B Preferred Shares (As of 31 December 2019)

Rank	Name	No. of Preferred Shares	%
1	PCD NOMINEE CORP. (FILIPINO)	19,564,860	97.82
2	PCD NOMINEE CORP. (NON-FILIPINO)	196,040	0.98

[10] Excluding 125,000,000 shares indirectly owned by CPG Holdings
[11] The percentages of ownership listed indicate only the number up to two decimal points of total outstanding preferred shares.

3	DOMINIC G. HING	114,000	0.57
4	ANTONIO T. CHUA	35,100	0.18
5	CHIONG PING G. CHING AND/OR MARIA GRACIA J. TAN	29,000	0.15
6	CHIONG PING GO CHING /OR CHIONG BIO GO CHING	29,000	0.15
7	CHING BUN TENG TIU AND/OR CHING CHIONG PING GO &/OR ONGKING GIOVANNA JOY TAN	29,000	0.15
8	CHRISTOPHER CHUA W. KAWPENG	600	0.00
9	DANIEL CHUA W. KAWPENG	600	0.00
10	DAVID CHUA W. KAWPENG	600	0.00
11	EDWIN CHUA W. KAWPENG	600	0.00
12	TOMAS CHUA W. KAWPENG	600	0.00
	GRAND TOTAL	**20,000,000**	**100.00**

Series C Preferred Shares (As of 30 September 2019)

Rank	Name	No. of Preferred Shares	%
1	PCD NOMINEE CORP. (FILIPINO)	9,795,500	97.95
2	MANFEL CARGO SHIPPING CORPORATION	180,000	1.8
3	PCD NOMINEE CORP. (NON FILIPINO)	24,500	0.25
	GRAND TOTAL	**10,000,000**	**100.00**

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

As of 31 December 2019, the following are persons directly or indirectly the record and/or beneficial owner of more than five percent (5%) of any class of the Company's voting securities:

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	40.29
Common	**AO Capital Holdings I, Inc.**	Filipino	1,383,730,000 Direct	26.02

Excluding the indirect holdings of CPG Holdings, Inc., PCD Nominee Corporation (Filipino) is the holder of 1,156,073,382 Common shares, or 21.74% of the total issued and outstanding Common shares of ALCO.

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

As of 31 December 2019, to the best of ALCO's knowledge, no beneficial owner registered with the PCD Nominee Corporation holds more than five percent (5%) of a class of shares of the Company.

SECURITY OWNERSHIP OF MANAGEMENT

As of December 31, 2019, there are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

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	0.00 %
Common	**Ricardo Gabriel T. Po** *Director/Vice Chairman*	Filipino	1 Direct and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director*	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 %
		TOTAL	**76,715,159 shares**	

Except as disclosed above, none of the Company's other executive officers or department managers own shares directly or indirectly in the Company. Their ownership in the Company is limited to that indicated in the foregoing.

VOTING TRUST HOLDERS

There are no persons holding more than five percent (5%) of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

CHANGES IN CONTROL

The Company has no knowledge of any arrangements that may result in a change in control of the Company.

SALE OF UNREGISTERED OR EXEMPT INCLUDING SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

On 30 August 2016 and 7 September 2016, the Board of Directors of ALCO (the "BOD") and stockholders representing at least 2/3 of the outstanding capital stock of the Company approved, respectively, the increase of its authorized capital by ₱50,000,000.00 or from ₱2,946,257,135.82 to ₱2,996,257,135.82 through the creation of 50,000,000 preferred shares with a par value of ₱1.00 per share as well as the corresponding amendments to ALCO's Articles of Incorporation. The SEC approved the said increase of authorized capital on 22 September 2016.

Pursuant to the board resolution approved on 7 September 2016, ALCO issued 12,500,000 Series A Preferred Shares, at an offer price of ₽1.00 per share, to its subsidiary, MPI. The issuance constitutes an exempt transaction under Section 10.1 of the SRC.

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. The issuance of Options constitutes an exemption transaction under Section 10.2 of the SRC, with exemption certified by the SEC under Resolution No. 081 (Series of 2010). On February 6, 2019 minutes of the meeting, stock options equivalent to a total of ₱56.2 million common shares will be granted to qualified employees as defined under the stock option plan of the corporation.

FOREIGN EQUITY HOLDERS

Common shares owned by foreigners as of 31 March 2019 amount to 384,826,293 or 7.23% of the Company's total number of outstanding shares entitled to vote.

Market Price of and Dividends on the Equity of ALCO and Related Shareholder Matters

Market Information

The common equity of ALCO is listed on the PSE. The high and low sales prices for each period are indicated in the table below.

	2019			**2018**				**2017**				**2016**			
	1Q	**2Q**	**3Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Hi	**1.03**	**0.88**	**1.14**	1.01	0.9	0.78	0.65	1.66	0.9	0.78	0.96	0.23	0.29	0.30	0.49
Low	**0.82**	**0.73**	**0.50**	0.85	0.76	0.64	0.51	0.44	0.76	0.64	0.51	0.20	0.23	0.26	0.27

The closing price as of 26 December 2019, the latest practicable trading date, is ₱ 0.80.

The approximate number of shareholders on record as of 30 September 2019 is 1,944 for its common shares, 1 for its Series A Preferred Shares and 12 for its Series B Preferred Shares, and 2 for its Series C Preferred Shares.

Dividends and Dividend Policy

ALCO declared cash dividends to Common stockholders, as follows:

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

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

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

21 February 2019	01 March 2019	06 March 2019	₱1.76145/Series B share
08 May 2019	22 May 2019	06 June 2019	₱1.76145/Series B share
08 August 2019	22 August 2019	06 September 2019	₱1.76145/Series B share
23 October 2019	15 November 2019	06 December 2019	₱1.76145/Series B share

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

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

No dividends to common shareholders were declared in 2016.

Dividends may be declared at the discretion of the BOD and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors the BOD may deem relevant.

Similarly, the subsidiaries of ALCO may declare dividends at the discretion of their respective boards of directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from their respective subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors their respective boards of directors may deem relevant.

As of the date of this Prospectus, there have been no dividends declared by any of the subsidiaries of ALCO.

Directors and Executive Officers & Key Persons

The overall management and supervision of the Company is vested in its Board of Directors. The Company's officers and management team cooperate with its BOD by preparing relevant information and documents concerning the Company's business operations, financial condition and results of operations for the review and action by the BOD. At present, the BOD consists of nine members, including three independent directors in accordance with the requirements of the SRC.

Members of the Board of Directors

All of the Company's directors were elected at the Company's annual stockholders' meeting held last 28 June 2019 and will continue to serve as such until the next annual stockholders' meeting or until their successors have been duly elected and qualified. Information on each member of the Company's BOD as of the date of this Prospectus, including each director's term of office as a director and the period during which the director has served is set out in the table below.

Name	Age	Position in ALCO	Period	Citizenship
Ernest K. Cuyegkeng	72	Chariman/Regular Director	24 June 2016-Present	Filipino
		Chairman/Independent Director	6 June 2012 – 24 June 2016	
		Independent Director	21 May 2007 – 6 June 2012	
Jaime C. Gonzalez	73	President	01 March 2017 - Present	Filipino
		Vice Chairman/Regular Director	01 August 2016 – Present	
		Regular Director	06 June 2012 – 01 August 2016	
		Chairman/Regular Director	21 May 2007 – 06 June 2012	
Ricardo Gabriel T. Po	51	Vice Chairman/Regular Director	26 June 2015 - Present	Filipino
		Regular Director	28 March 2012 – 26 June 2015	
Jaime Enrique Y. Gonzalez	42	Regular Director	24 June 2011 – Present	Filipino
Christopher Paulus Nicolas T. Po	49	Regular Director	24 June 2011 - Present	Filipino
Leonardo Arthur T. Po	41	Treasurer and Regular Director	01 August 2016 - Present	Filipino
		Executive Vice President	28 June 2019 – Present	

Hans B. Sicat	58	Independent Director	30 June 2017 – Present	Filipino
Andres B. Sta. Maria	70	Independent Director	24 June 2016 – Present	Filipino
Fernan Victor P. Lukban		Independent Director	25 April 2011 – 23 June 2016 23 October 2019 – Present	Filipino

The directors' previous and present positions and tenure in listed companies other than ALCO are likewise summarized below:

PREVIOUS AND PRESENT POSITIONS AND TENURE IN LISTED COMPANIES OTHER THAN ALCO		
Name	**Position/Company**	**Period**
Ernest K. Cuyegkeng	*Director/Executive Vice President/Chief Financial Officer* – A. Soriano Corporation	April 2009 – Present
	Director – iPeople, Inc.	2016 – Present
Jaime C. Gonzalez	*Chairman of the Board* – IP E-game Ventures, Inc.	October 2005 – Present
	Independent Director – Southeast Asia Cement Holdings, Inc. (subsidiary of Lafarge S.A.)	1998 – April 2013
	Independent Director - Euromoney Institutional Investors PLC (UK publicly listed media company)	November 2005 – January 2013
	Director – Export and Industry Bank, Inc. (Chairman of the Board from May 2006)	February 2006 – April 2012
Ricardo Gabriel T. Po	*Vice Chairman/Director* – Century Pacific Food, Inc.	October 2013 – Present
Jaime Enrique Y. Gonzalez	*Deputy Chairman/President* – IP E-game Ventures, Inc.	October 2005 – Present
Christopher Paulus Nicolas T. Po	*President & Chief Executive Officer/Director* – Century Pacific Food, Inc.	October 2013 – Present
Leonardo Arthur T. Po	*Treasurer/Director* – Century Pacific Food, Inc.	October 2013 – Present
Hans B. Sicat	President – Philippine Stock Exchange	2011 – 2017
	Director – Philippine Stock Exchange	2018 - 2019
Andres B. Sta. Maria	Director – South East Asian Cement, Inc.	2000 – 2013

Fernan Victor P. Lukban	Independent Director – Century Pacific Food, Inc.	April 2011 – June 2016

The business experience of each of the Company's directors for the past five years is described below.

Ernest K. Cuyegkeng, 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, iPeople, TO Insurance, Sumifru Singapore and Sumifru Philippines. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York. He attended corporate governance seminars in 2017 and 2018 on Adapting Changes in the Corporate Governance Code and Internal Control Environment, and Sustainability Reporting and Audit Committee Effectiveness

Jaime C. González, 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 provided 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, 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 SoftbankSoftbak-led fund), a venture capital focused on SE Asia, and a shareholder and director of Retail Specialist Inc., the exclusive retailer of Naturalizer and Florsheim brands in the Philippines. Enrique was IT Executive of the Year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year in 2011. He is also part of the Young Presidents Organization and sits on the Board of Trustees of Asia Society Philippines. He continues to hold the record of being the youngest person to have listed a company on the Philippine Stock Exchange at 27 years old. He has structured profitable exits such as PCCW Teleservices (sold to PCCW of Hong Kong), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US$ 300.0M), 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, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF, and he concurrently serves as

Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business trading under the symbol PIZZA, and as Chief Executive Officer of Century Pacific Group, Inc. (CPG). Prior to joining CPG, he was Managing Director for Guggenheim Partners, a US 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 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. Mr. Christopher Po is a member of the board of trustees of WWF-Philippines and the President of the CPG-RSPo Foundation.

Leonardo Arthur T. Po, is concurrently Executive Vice President and Treasurer of ALCO. He is likewise the Treasurer and Director 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 the consumer marketing, finance and operations of fast moving consumer goods, food service, quick-serve restaurants, and real estate development.

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

Hans B. Sicat, has been involved with the global capital market for about three decades, being a trained mathematician and economist. He is currently the Managing Director and Country Manager for ING Bank, N. V., Manila Branch and sits in the boards of the Bankers Association of the Philippines and the Investment House Association of the Philippines. 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. 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 is Acting Chairman of LegisPro Corporation; Independent Director of Serica Balanced Fund & Master Fund, and Skycable Corporation. He sits as a Director in List Sotheby's Philippines and is on the Advisory Board of Fintonia Fund, which has an Asian FinTech focus. The Endeavor (Philippines) organization allows Mr. Sicat to interact, select and mentor high impact entrepreneurs, to connect them with global leaders. He is also a Director in the Philippine Map Collectors Society and was active in leadership roles for six years in the Young Presidents Organization, Philippines Chapter, culminating as Chapter Chairman in 2009. 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, 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 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 on 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.

Executive Officers and Significant Employees

In addition to the directors listed above, the following are the names, ages and citizenship of the Company's executive officers and significant employees elected and appointed as of the date of this Prospectus.

Name	Age	Position	Years Served in the Company	Citizenship
Riva Khristine V. Maala	46	Corporate Secretary	08 February 2017 – Present	Filipino
		Compliance Officer	1 March 2017 – Present	
		Assistant Corporate Secretary/Corporate Information Officer	21 May 2007 – 07 February 2017	
		Vice President/ Head, Legal Affairs	1 October 2012- Present	
		Vice President/ Investor Relations	1 October 2012 – 08 February 2017	
Gabriel I. Paulino	62	Senior Vice President/Head, Technical Services	31 August 2011 – Present	Filipino
Ferdinand A. Constantino	57	Chief Finance Officer	01 July 2016 – Present	Filipino
Christopher G. Narciso	49	Executive Vice President, Head of the Business and Project Development Department	09 May 2018 - Present	Filipino
Sheryll P. Verano	41	Senior Vice President/ Head, Strategic Funding and Investments and Investor Relations Officer	21 March 2018 - Present	Filipino
		Vice President/Head, Strategic Funding and Investments and Investor Relations Officer	08 February 2017 – 21 March 2018	
		Vice President- Head, Strategic Funding and Investments	01 July 2016 – 08 February 2017	
Oliver L. Chan	38	Senior Vice President/Head of Sales Operations	21 March 2018 - Present	Filipino
Leilani G. Kanapi	45	Vice President/Head of Procurement	21 March 2018 - Present	Filipino

Clarence P. Borromeo	47	Data Privacy Officer	09 May 2018 –- Present	Filipino
		Head of Information Technology	15 June 2009 – Present	
Ma. Angelina B. Magsanoc	49	Vice President – Head of Marketing	24 October 2018 – Present	Filipino
Edgar V. Sabidong	59	Chief Sustainability Officer	20 March 2019 – Present	Filipino
		Vice President—Technical Services	09 May 2018 – Present	

The business experiences covering the past five years of the Company's executive officers and significant employees who are expected to make a significant contribution to the business of ALCO are described below.

Christopher G. Narciso, is an Executive Vice President who heads and supervises the Business and Project Development 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 and currently serves as a board adviser thereof.

Gabriel I. Paulino, 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, 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.

Oliver L. Chan, 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.

Ferdinand A. Constantino, 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, 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, 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. In 2018, he participated in various workshops, summit and conferences on data privacy and cyber security, namely, "Data Privacy Act: A Practical Approach to Compliance" conducted by Pineda Security, CIFI Security Summit 2018 by InnoXcell CIFI, and Fortinet 361° Security 2018 Cyber Security Conference by Fortinet Philippines.

Ma. Angelina B. Magsanoc, 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. for four years. 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, 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, from Hidalgo, Rizal, Luna, and Amorsolo East and West. Engr Sabidong was elected as the Chairman of the Philippine Green Building Council for 2019. 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 the company's Chief Sustainability Officer.

Riva Khristine V. Maala, Filipino, is the Corporate Secretary and 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.

CORPORATE GOVERNANCE

The directors and officers of ALCO believe that good corporate governance is a necessary component of a sound and strategic business management and therefore, undertake every effort necessary to create awareness of this policy and of ALCO's Manual of Corporate Governance (hereinafter, the "Manual") within the entire organization.

ALCO believes that compliance with the principles of good corporate governance starts with its Board of Directors but to ensure adherence to corporate principles and best practices as stated in the Manual and pertinent laws and regulations of the SEC and the PSE, the BOD designated a Compliance Officer tasked to monitor compliance and he reports directly to the BOD.

ALCO recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. At the minimum, ALCO provides its shareholders, minority or otherwise, all rights granted to them under the law, particularly the Revised Corporation Code of the Philippines (the "Corporation Code"), with the exception of pre-emptive rights. The reports or disclosures required under the Manual and by the SEC and the PSE, including any and all material information that could potentially affect share price, are prepared and submitted through relevant corporate officers of ALCO.

The Company likewise safeguards the independence of its auditors, financial analysts, investment banks, and other relevant third parties through the following measures:

Auditors	Financial Analysts	Investment Banks
Strict observance of rotation requirement	Public disclosure of all financial information as approved by the Audit Committee	Public disclosure of all financial information as approved by the Audit Committee
Access to management	Access to management	Access to management

Manual on Corporate Governance

The Company first adopted the Manual in December 2002, which was amended on 23 July 2014 and most recently revised on 31 May 2017. The Manual has been submitted to the SEC in compliance with Revised Code of Corporate Governance SEC Memorandum Circular No. 6, Series of 2009, and SEC Memorandum Circular No. 9, Series of 2014.

The Company's policy of corporate governance is based on its Manual, which provides that it shall institutionalize the principles of good corporate governance in the entire organization. The Manual also provides that, to the extent applicable, it shall also serve as a guide in the management and operations of the Company's operating subsidiaries. The BOD periodically reviews its performance to determine the level of compliance of the Board and Senior Management with the Manual and the necessary steps required to improve.

ALCO's Code of Conduct ("Code") (which deals with conflict of interest, business and fair dealing, receipt of gifts from third parties, compliance with laws and regulations, trade secrets, nonpublic information, company assets, and employment/labor policies, among others) is part of the orientation of newly hired employees regardless of rank. Each new employee is given a copy of this Code and a letter-agreement he or she must sign to signify his or her undertaking to comply with its provisions. Any violation of any provision of this Code is essentially determined through periodic activities carried out by ALCO's Human Resources Department, reports submitted by the employees themselves, and performance meetings with managers. Disciplinary measures taken are commensurate with the seriousness of the offense and comply with the Labor Code of the Philippines.

Insofar as the directors, the Manual is clear that a director's office is one of trust and confidence. Having vetted his/her qualifications, the Nomination Committee ensures that ALCO directors shall at all times act in a manner characterized by transparency, accountability and fairness.

As of the date of this Prospectus, ALCO has substantially complied with the Manual.

While ALCO continually evaluates its corporate governance policy, there are no definite plans to change its corporate governance policy as of the date of this Prospectus.

Independent Directors

The Manual provides that the BOD shall have at least two independent directors or such number that constitutes 20% of the total number of directors of the BOD pursuant to the Company's Articles of Incorporation, whichever is lesser, but in no case less than two (2). The Company's has three (3) independent directors: Messrs. Andres B. Sta. Maria, Hans B. Sicat and Fernan Victor P. Lukban.

In addition, the Manual directs that independent directors should always attend board meetings, but their absence shall not affect the quorum requirement. However, the BOD may, to promote transparency, require the presence of at least one independent director in all its meetings.

Independent directors must be independent of management and free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director, and possesses the necessary qualifications and none of the disqualifications for an independent director as provided by the By-laws of the Corporation.

COMMITTEES OF THE BOARD

The BOD has constituted certain committees to effectively manage the operations of the Company. The Company's committees include the Executive Committee, Nomination Committee, Stock Option and Compensation Committee and Audit Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committee

The Executive Committee is the body to which the BOD may delegate some of its powers and authorities which may lawfully be delegated. It shall be composed of the Chairman, the President and CEO, the Chief Finance Officer and such other officers of the Company as may be appointed by the BOD. The Executive Committee shall adopt and observe its own internal procedures and conduct of business.

The Executive Committee is composed of: Ernest K. Cuyegkeng as Chairman, Jaime C. Gonzalez and Ricardo Gabriel T. Po, Jr. as Vice Chairmen, and Jaime Enrique Y. Gonzalez, Leonardo Arthur T. Po, Christopher Paulus Nicolas T. Po and Ferdinand A. Constantino as members.

Nomination Committee

The Nomination Committee is composed of at least three members of the BOD, one of whom must be an independent director. The committee shall review and evaluate the qualifications of all persons nominated as directors and such other appointments which require board approval, and to assess the effectiveness of the processes and procedures in the election or replacement of directors. It shall pre-screen and shortlist all candidates nominated as director in accordance with the qualifications outlined in the Company's By-laws and the Corporation Code of the Philippines, the SRC and other relevant laws. The decision of the Nomination Committee is final for purposes of the election.

The Nomination Committee is composed of: Ricardo Gabriel T. Po as Chairman and Hans B. Sicat and Andres B. Sta. Maria as members.

Stock Option and Compensation Committee

The Stock Option and Compensation Committee is composed of at least three members of the BOD, one of whom must be an independent director. The Stock Option and Compensation Committee shall, among others, establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy, and control environment.

The Stock Option and Compensation Committee is composed of: Jaime C. Gonzalez as Chairman and Ricardo Gabriel T. Po and Hans B. Sicat as members.

Audit Committee

The Audit Committee shall be composed of at least three members of the BOD, at least two of whom shall be independent directors, including the Chairman thereof, and preferably all members shall have accounting, auditing or related financial management expertise or experience. Each member should have adequate understanding at least or competence at most of the Company's financial management system and environment.

The Audit Committee shall, among others, assist the BOD in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. It shall also review the quarterly, half-year and annual financial statements before their submission to the BOD, with particular focus on: (a) any change/s in accounting policies and practices; (b) major judgmental areas; (c) significant adjustments resulting from the audit; (d) going concern assumptions; (e) compliance with accounting standards; and, (f) compliance with tax, legal and regulatory requirements.

The Audit Committee is composed of: Andres B. Sta. Maria and Hans B. Sicat.

Risk Management Committee

The Risk Management Committee is composed of four members of the BOD.

The Risk Management Committee is composed of: Hans B. Sicat as Chairman, and Jaime Enrique Y. Gonzalez, Christopher Paulus Nicolas T. Po, and Andres B. Sta Maria as members.

Family Relationships

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

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence of any of the following events during the past five years up to the date of this Prospectus, which are material to an evaluation of the ability or integrity of any director, any person nominated to become a director, executive officer or control person of the Company:

1. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Directors and Executive Officers & Key Persons – Involvement in Certain Legal Proceedings

One director and an officer of the Company are currently parties to legal proceedings which directly involve neither the Company nor their acts as such directors and officers of the Company, but which are nevertheless discussed below. There are no final resolutions on these proceedings at this time. The Company believes that the involvement of these directors and officer in the said proceedings is not material to an evaluation of the ability or integrity of such person to become a director, executive officer, or control person of the Company.

1. In 2013, the PDIC had filed one and the same complaint against one of the Company's directors, Mr. Jaime C. Gonzalez, among other former officers of then Export and Industry Bank, before one, the Department of Justice (DOJ) and two, 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. There is, therefore, no criminal case against Mr. Gonzalez as of the date of filing of this Prospectus.

   Insofar as the administrative case, 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 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. He submitted his response on 05 September 2019 and 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.

   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 and the BSP. Trial is currently ongoing with the presentation of defense evidence.

2. In 2015, PDIC filed one and the same complaint against Mr. Gonzalez, the Company's former President and CEO, Ms. Angela de Villa Lacson, and then Assistant Corporate Secretary, Ms. Riva Khristine V. Maala, among other former officers of then Export and Industry Bank and of the Company, one, before 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 two, 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 the Company for the alleged purchase by the Company 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 the criminal complaint against the respondents for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended. There is, therefore, no criminal case against Mr. Gonzalez or Ms. Maala at this time although 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.

EXECUTIVE COMPENSATION

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 Php75,000.00 for independent directors and Php10,000.00 for regular directors, except for the Chairman of the Board who receives Php100,000.00.

Each director is also paid a per diem of Php2,500.00 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	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
Risk Management Committee	Hans B. Sicat, Chairman Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po Andres B. Sta. Maria
Executive Committee[12]	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" The following table sets out the CEO and the four most highly compensated senior officers as of the date of this Prospectus:

Name	**Position**
Jaime C. Gonzalez	President and CEO
Leonardo Arthur T. Po	Executive Vice President and Treasurer
Christopher G. Narciso	Head of Project and Business Development
Gabriel I. Paulino	Head of Technical Services
Sheryll P. Verano	Head, Strategic Funding and Investments

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers including all Directors and employees with the rank of Vice President and higher, and all other officers and the directors as a group, for the years ended 31 December 2018, 2017 and 2016, and estimated for 2019:

	Year	**Basic Compensation** (in millions of pesos)	**Other Compensation** (in millions of pesos)
Directors and Executives			
	2018	81.72	19.48

[12]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.

	Year	Basic Compensation (in millions of pesos)	Other Compensation (in millions of pesos)
	2017	49.53	9.18
	2016	57.49	5.91
Aggregate compensation paid to all other officers and directors as a group unnamed……………………	2018	48.69	5.63
	2017	12.97	1.30
	2016	14.81	2.04
Estimated aggregate compensation paid to all officers and directors as a group	2019	138.20	None[13]

The total annual compensation paid to all senior personnel was all paid in cash. The total annual compensation includes the basic salary and other variable pay (guaranteed bonus and performance bonus). The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered employees' retirement fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

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

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

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.

[13] Whether bonuses will be given in 2019 is uncertain at this time.

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%
(i) Within the 13th to the 24th month from Grant Date - up to 33.33%
(ii) Within the 25th to 36th month from Grant Date - up to 33.33%

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

As of the period covering this Report, options equivalent to 164,800,000 were granted. However, 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.

The exercise price granted in December 2018 is different from the exercise price granted in 2010, given the increase of the share price in the market. 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. On February 6, 2019 minutes of the meeting, stock options equivalent to a total of ₱56.2 million common shares will be granted to qualified employees as defined under the stock option plan of the corporation

Certain Relationships and Related Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company 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.

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses.

ALCO ensures that 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.

Interest Free Loan provided by Centrobless

The construction of ACPT is partially funded by a non-interest bearing loan from Centrobless Corporation (an investment vehicle of CPG), amounting to ₱1.6 billion with a maturity date of December 31, 2018. Under the terms of the loan agreement, Centrobless Corporation may choose to be repaid through the dacion of office units in ACPT representing approximately 31% of ACPT's net leasable area. If Centrobless Corporation chooses to be repaid as described above, ALCO will have 20,976 sqm of net leasable space in ACPT which it will keep to generate recurring lease revenues.

On 24 October 2018, ALCO and Centrobless Corporation entered into a Memorandum of Agreement wherein ALCO shall transfer and convey by way of *dacion en pago*, in favor of the latter, 31% of ACPT's net leasable area and one hundred fifty (150) parking slots to fully settle the abovementioned loan. Under the Agreement, on December 31, 2018, or on such other date agreed upon by the parties, ALCO shall: (i) execute, together with Centrobless Corporation, a Deed of Absolute Sale via Dacion En Pago for the transfer of the parking slots, and (ii) turn over the certificates of title covering the parking slots free and clear of any liens and encumbrances and such other documents required by Centrobless. As of the date of filing of this Prospectus, the said Deed of Absolute Sale via Dacion en Pago has not yet been executed.

Interest Free Loan provided by SOPI

In June 2017, Signature Office Property, Inc. ("SOPI") (a company majority-owned and chaired by ALCO Director Jaime Enrique Y. Gonzalez), extended a non-interest-bearing loan amounting to ₱207 million, with a maturity date of December 31, 2018, to ALCO. This loan is interest free and payable in cash or in kind at the option of SOPI. Under the loan agreement, if SOPI elects to be paid in kind, ALCO shall pay the loan via *dacion en pago* with the net saleable area of the 28th floor of ACPT, and ten (10) parking slots therein.

In December 2018, SOPI and ALCO executed a Memorandum of Agreement, wherein ALCO shall transfer and convey by way of *dacion en pago*, in favor of SOPI, the net saleable area of the 28th floor of ACPT and ten (10) parking slots to fully settle the said loan. Under the Agreement, on December 31, 2018, or on such other date agreed upon by the parties, ALCO shall: (i) execute, together with SOPI, a Deed of Absolute Sale via Dacion En Pago for the transfer of the parking slots, and (ii) turnover the certificates of title covering the parking slots free and clear of any liens and encumbrances and such other documents required by SOPI. As of the date of filing of this Prospectus, the said Deed of Absolute Sale via Dacion en Pago has not yet been executed.

Continuing Suretyship

Pursuant to the OLSA by and among SLDC, Arcosouth, and BPI executed on 22 August 2018, ALCO and BPI executed a Continuing Suretyship, dated 22 August 2018. ALCO's obligation consists of guaranteeing to pay BPI any and all indebtedness of SLDC in the principal amount of ₽720 million, until the completion of the construction of North Tower of Savya Financial Center and the 100% sale of units therein.

Transactions between ALCO and its subsidiaries

A summary of related party transactions between ALCO and its subsidiaries for the nine months ended September 30, 2019 and the years ended 31 December 2018, 2017 and 2016 are summarized below:

SUBSIDIARY	As of December 31 (Audited)			As of September 30 (Unaudited)	
	2016	2017	2018	3Q 2018	3Q 2019
UPHI	56,792,941	59,257,734	62,304,320	64,765,569	68,615,569
MPI	3,514	314	314		-
CAZNEAU	318,305,242	354,362,919	483,817,470	448,470,833	569,270,833
EMERA	2,183,742	1,328,813	-		2,060,156
CLLC	560,500,397	270,000,000	447,504,789	370,000,000	495,000,000
ZILEYA	7,573,444	106,434,006	353,023,444	323,423,444	376,773,444
SAVYA	-	1,042,812,933	497,381,392	497,382,991	487,500,000
BHAVANA	-	-	-	-	508,938,896
BHAVYA	-	-	-	-	544,520,644
PRADHANA	-	-	-	-	250,000
Total	**945,359,280**	**1,834,196,719**	**1,844,031,729**	**1,704,042,837**	**3,052,929,542**

In the normal course of the business, the Company provides management and financial support to its subsidiaries. The financial support is given in the form of cash advances to fund certain financial obligations. The advances to MPI, UPHI, Cazneau, Emera and ZLDC are non-interest bearing, unsecured and settled in cash whenever possible. The advances to CLLC are interest-bearing and unsecured.

While there have been no guarantees provided or received relating to these amounts, no impairment losses were recognized. This assessment is undertaken each financial year through a review of the subsidiaries' financial position and the perceived condition, existing and prospective, of the market they operate in. These amounts are eliminated to arrive at the consolidated financial statements of ALCO and its subsidiaries.

Advances for Project Development provided by Arch SPV to CLLC

In addition to the advances from the Company, CLLC obtained from Arch SPV 3.5% interest-bearing advances for its real estate projects with outstanding balance of P386.7 million and P286.7 million and recognized interest expense of P11.8 million and P9.1 million as at December 31, 2018 and 2017, respectively. These advances are unguaranteed, unsecured, and payable in cash at gross amounts upon demand.

Management's Discussion and Analysis of Results of Operations and Financial Condition

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of ALCO and its subsidiaries for the three-year period ended 31 December 2018. The following discussion is lifted from the 2018 annual report (SEC Form 17-A) filed with the SEC and should be read in conjunction with the attached audited consolidated statements of financial position of ALCO as of 31 December 2018, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended 31 December 2018.

SELECT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

The Company adopted the following accounting policies based on PFRS 9, *Financial Instruments*, which is effective for annual periods beginning on or after January 1, 2018:

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 September 30, 2019 and December 31, 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.

The Group classified its investment in money market fund under this category. The Group does not have financial liabilities at FVPL.

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 September 30, 2019 and December 31, 2018, the Group's cash and cash equivalents, receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), deposits, amounts held in escrow and investment in time deposits are classified under this category.

Cash and cash equivalents comprise cash on hand, demand deposits with banks and 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 September 30, 2019 and December 31, 2018, the Group's loans payable, accounts payable and other liabilities (excluding statutory liabilities, advance rent and payable to buyers) and due to a related party are classified under this category.

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. ECL is 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. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

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.

Fair Value Measurement

The carrying amounts of the Group's assets and liabilities approximate their fair values due to their short-term maturities except for the following assets and liabilities which are measured at fair value and for which fair values are disclosed as of September 30, 2019 and December 31, 2018.

		2019		
		Fair Value		
	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	**₱186,149,270**	**₱186,149,270**	**₱–**	**₱–**
Investment properties	**6,950,321,017**	**–**	**1,144,482,587**	**5,805,838,430**
Asset for which fair value is disclosed -				
Financial assets at amortized cost -				
Deposits	**98,826,342**	**–**	**–**	**96,791,662**
	₱7,235,296,629	**₱186,149,270**	**₱1,144,482,587**	**₱5,902,630,092**
Liability for which fair value is disclosed -				
Loans payable	**₱5,105,792,573**	**₱–**	**₱–**	**₱5,021,068,603**

		2018		
		Fair Value		
	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	₱154,828,061	₱154,828,061	₱–	₱–
Investment properties	5,901,514,575	–	689,974,781	5,211,539,794
Asset for which fair value is disclosed -				
Financial assets at amortized cost -				
Deposits	59,239,173	–	–	45,737,104
	₱6,115,581,809	₱154,828,061	₱689,974,781	₱5,257,276,898
Liability for which fair value is disclosed -				
Loans payable	₱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 and 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 ACPT was determined using discounted cash flow approach and land development approach in 2019 and 2018, respectively. Arya Residences and raw land were determined using discounted cash flow approach and market data approach, respectively.

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.

OVERALL GROWTH STRATEGY

Following its reorganization in 2007, ALCO focused on establishing its brand and track record by developing its flagship projects, Arya and ACPT, which are meant to represent ALCO's solid presence in both the residential and office segments of the real estate sector. After the huge success of Arya and ACPT, ALCO has established itself as a premium and sustainable property developer and is now focused on growing its real estate portfolio.

By 2023, ALCO expects to have in its portfolio a total of more than 520,000 sqm of developed GFA. Compared against the combined GFA of Arya and ACPT of approximately 110,000 sqm, this represents a growth multiple of almost five times its portfolio in 2016 or an estimated compounded annual growth rate of 30%.

ALCO's two of its most immediate projects, the Cebu Exchange and the Sevina Park projects, already account for 56% of the incremental GFA that ALCO expects to support its growth target. For these two projects, ALCO has secured the land on which the projects will rise and for the Cebu Exchange, ALCO expects construction to begin within the first half of 2017. Thus, ALCO has already secured the location and is mobilizing its resources for a substantial portion of its growth target. ALCO is in the process of constructing or securing the land for the balance 44% of the target incremental GFA and will disclose when the acquisitions are completed.

Diversification

ALCO believes that while the outlook for the entire real estate sector is positive, the real estate sub-sectors will be in varying stages of growth from 2016 to 2023. Given recent trends in the industry, ALCO has identified opportunities in the office sub-sector following the continuous strong demand for office space in key locations. In the residential sub-sector, ALCO has identified pockets of the market segments that are promising.

Given these, ALCO uses a deliberate strategy of achieving an optimal mix of residential and office development in its portfolio. Of the expected 520,000 sqm portfolio by 2023, ALCO expects approximately 50% (about 260,000 sqm) to be in the office segment and the balance 50% in the upper middle to high end residential segment.

Within each of the office and residential sub-sectors, ALCO further plans to diversify its developments geographically. Of the approximately 260,000 sqm of planned developed GFA for the office segment, ALCO has deliberately allocated 40% outside Metro Manila through the Cebu Exchange project. Of the 60% that it plans to develop within Metro Manila, ALCO has further allocated its planned office projects among the key business districts in Fort Bonifacio, Makati, Ortigas and Arca South.

In the residential segment, ALCO plans for almost 50% of developed gross floor area by 2023 to be located outside Metro Manila through its Sevina Park project. The other 50% is also allocated among key locations in Fort Bonifacio and Makati.

Maintaining High Quality in its Projects

ALCO is very particular about maintaining the high quality for which its flagship projects are known. As a central focus of its strategy, ALCO will continue to position itself as a premium developer of sustainable projects and will continue to target to achieve green building certification for all of its future projects

Matching of Fixed Costs with Recurring Income

To mitigate risk, ALCO likewise intends to maintain a leasing portfolio which, at minimum, is planned to match its fixed overhead costs. ALCO's leasing portfolio is currently composed of its retail units in Arya as well as the office units in ACPT. Depending on market conditions, ALCO may also choose to retain retail or office units in its future projects to grow its leasing portfolio.

KEY PERFORMANCE INDICATORS

The table below sets forth the comparative performance indicators of the Company and its subsidiaries for the nine months ended September 30, 2019 and fiscal years 2016, 2017 and 2018.

Key Performance Indicators	Nine Months Ended September 30, 2019	FY December 2018	FY December 2017	FY December 2016
Current Ratio	2.91	2.45	1.55	3.08
Total Liabilities to Equity Ratio	1.37	1.35	1.22	0.97
Interest Bearing Debt to Equity Ratio	0.74	0.79	0.52	0.31
Interest Coverage Ratio	15.64	8.61	3.87	15.80
Return on Equity[14]	13.28%	7.55%	2.73%	22.29%
Acid test Ratio[15]	0.37	0.49	0.44	1.89
Net profit margin	53.76%	34.32%	29.86%	182.32%

All of the revenues and net income of ALCO for the years 2016, 2017, 2018, and the first 9 months of 2019 were contributed by the revenues and net income from (i) the sale of units in Arya and Cebu Exchange and (ii) lease income from ACPT, retail units of Arya and Sevina Park. ALCO expects to continue to generate lease revenues from retail units of Arya, ACPT and Sevina Park moving forward and sales from Cebu Exchange, Savya Financial Center, and Sevina Park in 2019, subject to take up.

EXECUTIVE COMPENSATION

Please refer to page 159 of this Prospectus for a discussion on Executive Compensation.

RELATED PARTY TRANSACTIONS

Please refer to page 163 of this Prospectus for the further discussion on related party transactions.

[14] Calculated as Net Income over Average Equity (Excluding Series B and Series C Preferred Shares)
[15] Calculated as Quick Assets divided by Current Liabilities. Quick Assets are assets easily convertible to cash and only include cash and cash equivalents, financial assets at FVPL, and trade and other receivables.

Interim Periods
FINANCIAL POSITION
September 2019 vs September 2018

	SEPT 30, 2019	SEPT 30, 2018	% Change
Cash and cash equivalents	**P 382,678,857**	P 446,020,248	-14%
Financial assets at fair value through profit or loss (FVPL)	**186,149,270**	581,077,572	-68%
Trade and other receivables	**776,643,695**	964,762,263	-19%
Contract assets	**1,252,604,544**	-	100%
Real estate for sale	**5,359,584,772**	2,958,192,058	81%
Investment properties	**6,950,321,017**	7,185,167,757	-3%
Property and equipment	**271,868,245**	95,611,223	184%
Net deferred tax assets	**46,461,777**	85,410,477	-46%
Creditable withholding tax	**314,342,190**	296,890,413	6%
Other assets	**720,918,928**	615,523,805	17%
Total Assets	**16,261,573,295**	13,228,655,816	23%
Loans payable	**5,105,792,573**	5,736,163,729	-11%
Accounts payable and other liabilities	**2,066,762,408**	1,240,070,107	67%
Contract liabilities	**48,785,389**	-	100%
Due to a related party	**1,007,586,279**	386,666,690	161%
Retirement liability	**58,095,964**	50,668,546	15%
Net deferred tax liabilities	**1,114,184,671**	833,886,432	34%
Total Liabilities	**9,401,207,283**	8,247,455,504	14%
Equity attributable to equity holders of the Parent Company			
Capital stock	**999,757,136**	989,757,136	1%
Additional paid-in capital	**3,008,959,878**	2,031,441,541	48%
Retained earnings	**2,674,683,056**	1,991,534,231	34%
Cumulative remeasurement 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%
	6,689,069,565	5,007,681,299	34%
Non-controlling interests	**171,296,447**	(26,480,987)	747%
Total Equity	**6,860,366,012**	4,981,200,312	38%
Total Liabilities and Equity	**P 16,261,573,295**	P 13,228,655,816	23%

The Company's total resources as of September 30, 2019 increased by 23% to ₱16.3 billion from September 30, 2018 level of ₱13.2 billion due to the following:

14% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, acquisition of properties and project related costs, net of inflows from loan availments and revenue collections.

68% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)
The reduction was due to termination of money market placements which were subsequently used to fund the operating requirements of the company including its ongoing projects.

19% Decrease in Trade and Other Receivables
The decrease was due to the collection of receivables from ACPT tenants and reclassification of receivables from Cebu Exchange sales to Contract Assets only in December 2018.

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

81% Increase in Real Estate for Sale
The increase was mainly due to the acquisition of land and condominiums for future development and additional construction costs for ongoing projects.

184% Increase in Property and Equipment
The increase was due to the reclassification from investment property to Property and Equipment account of the ACPT floor used as ALCO's principal office.

46% Decrease in Net Deferred Tax Assets
The decrease was due to realization of net income in CLLC.

6% Increase in Creditable Withholding Tax

The increase represents the amount withheld from payments by customers in relation to pre-selling activities of Cebu Exchange and Savya offices.

17% Increase in Other Assets

The increase was accounted for by the increase in prepaid commissions related to the pre-selling activities of Cebu Exchange and Savya offices.

11% Decrease in Loans Payable

The decrease was due to payment of loans from Centrobless and SOPI through dacion en pago of ACPT floors in the last quarter of 2018 and partial payment of Parent Company's OLSA.

67% Increase in Accounts Payable and Other Liabilities
The increase was mainly attributable to customers' deposit from pre-selling of Savya offices.

100% Increase in Contract liabilities
This pertains to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as of end of the period.

161% Increase in Due to a Related Party
This pertains to advances made by a shareholder of CLLC and advances recognized from the merger of SLDC and Arcosouth in August 2019.

15% Increase in Retirement Liability
The increase was due to the amended retirement plan in December 2018 which changed the benefits payable, resulting in the recognition of past service cost.

34% Increase in Net Deferred Tax Liabilities
The increase was due to the deferred tax liabilities attributable to the gain on change in fair value of investment properties.

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

34% Increase in Retained Earnings
The increase was due to net income for the period, net of dividends declared.

144% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax
The difference was due to the change in financial assumptions and experience adjustments based on the amended retirement plan, as mentioned above.

747% Increase in Non-Controlling Interests
The increase was due to NCI's net income recognized for the period.

FINANCIAL RATIOS
September 2019 vs September 2018

	SEPT 30, 2019	SEPT 30, 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.91:1	1.41:1	106%
Solvency Ratio (Net income before depreciation over total liabilities)	0.087:1	0.012:1	625%
Debt-to-equity Ratio (Total liability over total equity)	1.37:1	1.66:1	-17%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.74:1	0.81:1	-9%
Asset-to-equity Ratio (Total assets over total equity)	2.37:1	2.66:1	-11%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	15.64:1	3.55:1	341%
Profitability Ratio (Net income over total equity)	0.097:1	0.015:1	547%

FINANCIAL POSITION
September 2019 vs December 2018

	SEPT 30, 2019	DEC 31, 2018	% Change
Cash and cash equivalents	**P 382,678,857**	P 326,679,590	17%
Financial assets at fair value through profit or loss (FVPL)	**186,149,270**	154,828,061	20%
Trade and other receivables	**776,643,695**	742,932,730	5%
Contract Assets	**1,252,604,544**	785,197,944	60%
Real estate for sale	**5,359,584,772**	3,412,713,425	57%
Investment properties	**6,950,321,017**	5,901,514,575	18%
Property and equipment	**271,868,245**	237,452,955	14%
Net deferred tax assets	**46,461,777**	16,197,731	187%
Creditable withholding tax	**314,342,190**	259,819,891	21%
Other Assets	**720,918,928**	499,128,861	44%
Total Assets	**16,261,573,295**	12,336,465,763	32%
Liabilities			
Loans payable	**5,105,792,573**	4,169,976,102	22%
Accounts payable and other liabilities	**2,066,762,408**	1,655,848,013	25%
Contract liabilities	**48,785,389**	20,385,280	139%
Due to related party	**1,007,586,278**	386,666,691	161%
Retirement liability	**58,095,964**	66,088,998	-12%

	SEPT 30, 2019	DEC 31, 2018	% Change
Net deferred tax liabilities	**1,114,184,671**	779,222,593	43%
Total Liabilities	**9,401,207,283**	7,078,187,677	33%
Equity attributable to equity holders of the Parent Company			
Capital stock	**999,757,136**	989,757,136	1%
Additional paid-in capital	**3,008,959,878**	2,031,441,541	48%
Retained earnings	**2,674,683,056**	2,214,144,875	21%
Cumulative remeasurement gains on retirement liability - net of tax	**18,169,495**	18,169,495	0%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
	6,689,069,565	5,241,013,047	28%
Non-controlling interests	**171,296,447**	17,265,039	892%
Total Equity	**6,860,366,012**	5,258,278,086	30%
Total Liabilities and Equity	**P 16,261,573,295**	P 12,336,465,763	32%

The Company's total resources increased by 32% from ₱12.3 billion in December 31,2018 to ₱16.3 billion as of September 30, 2019, due to the following:

17% Increase in Cash and Cash Equivalents
The increase was accounted by the proceeds from various loans, advances from shareholders, and sales collections.

20% Increase in Financial assets at fair value through profit or loss
The increase was due to investments in money market placements of the additional cash from loan proceeds and sales collections.

5% Increase in Trade and Other Receivables
The increase was due to receivables from ACPT tenants and sale of Cebu Exchange offices.

60% Increase in Contract Assets
The increase was due to the additional excess of cumulative revenues from the sale of Cebu Exchange offices over the total collections received from the buyer.

57% Increase in Real Estate for Sale
The increase was mainly due to the acquisition of land and condominiums for future development and additional construction costs for ongoing projects.

18% Increase in Investment Properties
The increase was attributable to the appraisal gain of ACPT and other investment properties.

14% Increase in Property and Equipment
The increase was largely due to the completion costs of the new corporate office in ACPT.

187% Increase in Net Deferred Tax Assets
The increase was due to the net loss in SLDC recognized for the period.

21% Increase in Creditable Withholding Tax
The increase represents the amount withheld from payments by customers in relation to pre-selling of Cebu Exchange and Savya offices.

44% Increase in Other Assets
The increase was accounted for by the increase in prepaid commissions related to the pre-selling of Cebu Exchange and Savya offices.

22% Increase in Loans Payable
The increase was largely due to additional drawdowns from bank loan facilities, availed to partly fund the Company's working capital and project financing requirements.

25% Increase in Accounts Payable and Other Liabilities
The increase was attributable to payables to contractors / suppliers for ongoing projects and customers' deposit from pre-selling of Savya offices.

139% Increase in Contract Liabilities
The increase pertains to additional downpayments received from buyers of Cebu Exchange offices at the inception of the contracts in which the related revenue is not yet recognized.

161% Increase in Due to a Related Party
This pertains to advances made by a shareholder of CLLC and SAVYA as a result of SEC-approved merger with Arcosouth in August 2019.

12% Decrease in Retirement Liability
The decrease was due to the payment of contribution in the retirement fund.

43% Increase in Net Deferred Tax Liabilities
The increase was mainly due to gain on change in fair value of investment properties.

48% Increase in Additional Paid-in Capital
This was due to the excess of the proceeds over par value of the Preferred shares – Series C issued, net of stock issuance costs, as previously mentioned.

21% Increase in Retained Earnings
The increase was due to the net income for the period, net of dividends declared.

892% Increase in Non-Controlling Interests
The increase was due to CLLC's net income recognized for the period.

FINANCIAL RATIOS
September 2019 vs December 2018

	SEPT 30, 2019	DEC 31, 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.91:1	2.45:1	19%
Solvency Ratio (Net income before depreciation over total liabilities)	0.087:1	0.060:1	45%
Debt-to-equity Ratio (Total liability over total equity)	1.37:1	1.35:1	1%

	SEPT 30, 2019	DEC 31, 2018	% Change
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.74:1	0.79:1	-6%
Asset-to-equity Ratio (Total assets over total equity)	2.37:1	2.35:1	1%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	15.64:1	8.61:1	82%
Profitability Ratio (Net income over total equity)	0.097:1	0.074:1	31%

RESULTS OF OPERATIONS
September 2019 vs September 2018

	SEPT 30, 2019	SEPT 30, 2018	% Change
Revenues	**P 1,490,392,620**	P 593,154,442	151%
Cost of sales and services	**740,453,509**	393,066,415	88%
GROSS INCOME	**749,939,111**	200,088,027	275%
OPERATING EXPENSES			
Administrative expenses	**318,445,716**	189,774,956	68%
Selling and marketing expenses	**124,284,729**	46,996,602	164%
	442,730,445	236,771,558	87%
OPERATING INCOME (LOSS)	**307,208,666**	(36,683,531)	937%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**78,758,594**	61,190,988	29%
Gain on change in FV of investment properties	**(901,017,579)**	(223,952,494)	302%
Other income – net	**(18,436,775)**	(28,143,107)	-34%
INCOME BEFORE INCOME TAX	**1,147,904,426**	154,221,082	644%
TAX EXPENSE	**346,707,642**	67,135,453	416%
NET INCOME	**P 801,196,784**	87,085,629	820%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of Arthaland Corporation	**647,361,323**	75,639,872	756%
Non-controlling interest	**153,835,461**	11,445,757	-1244%
	P 801,196,784	87,085,629	820%

The company reported a ₱801.2 million net income in the third quarter of 2019 as against ₱87.1 million net income recognized over the same period in 2018.

151% Increase in Revenues
The increase was attributable to revenue recognized from the sale of Cebu Exchange offices and leasing revenue from ACPT and Courtyard Hall.

88% Increase in Cost of Sales and Services
The increase in cost of sales was directly related to the increase in revenues from the sales of Cebu Exchange offices.

68% Increase in Administrative Expenses
The increase was due to personnel related fees, professional fees, expenses related to Preferred shares offering, and real property taxes.

164% Increase in Selling and Marketing Expenses
The increase was mainly due to amortized commissions from sales of Cebu Exchange offices as well as marketing related expenses for Cebu Exchange, Savya Financial Center and Sevina Park.

29% Increase in Finance Costs
The increase was due to interests from working capital loans and recognition of interest expense from OLSA loans due to completion of ACPT this year.

302% Increase in Gain on Change in FV of Investment Properties
The increase was attributable to the appraisal gain of ACPT and other investment properties.

34% Decrease in Other Income - Net
The decrease was due to the reduced level of interest earning placements.

416% Increase in Tax Expense
The increase was mainly due to the fair value gain of investment properties.

RESULTS OF OPERATIONS
September 2019 vs December 2018

	SEPT 30, 2019	DEC 31, 2018	% Change
Revenues	**P 1,490,392,620**	P 1,132,470,086	32%
Cost of sales and services	**740,453,509**	618,799,239	20%
GROSS INCOME	**749,939,111**	513,670,847	46%
OPERATING EXPENSES			
Administrative expenses	**318,445,716**	325,187,083	-2%
Selling and marketing expenses	**124,284,729**	72,423,411	72%
	442,730,445	397,610,494	11%
OPERATING INCOME	**307,208,666**	116,060,353	165%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**78,758,594**	73,647,288	7%
Gain on change in FV of investment properties	**(901,017,579)**	(172,819,094)	421%
Other income – net	**(18,436,775)**	(339,120,693)	-95%
INCOME BEFORE INCOME TAX	**1,147,904,426**	554,352,852	107%
TAX EXPENSE	**346,707,642**	165,735,606	109%
NET INCOME	**P 801,196,784**	P 388,617,246	106%

	SEPT 30, 2019	DEC 31, 2018	% Change
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Arthaland Corporation	**647,361,323**	333,479,516	94%
Non-controlling interest	**153,835,461**	55,137,730	-179%
	P 801,196,784	P 388,617,246	106%

The Company posted a consolidated net income of ₱801.2 million in the third quarter of 2019 as compared with the 2018 full year net income of ₱388.6 million.

RESULTS OF OPERATIONS
July - September 2019 vs July - September 2018

	JULY 1 - SEPT 30, 2019	JULY 1 - SEPT 30, 2018	% Change
Revenues	**P 409,474,980**	P 382,371,642	7%
Cost of sales and services	**162,794,041**	258,877,959	-37%
GROSS INCOME	**246,680,939**	123,493,683	-100%
OPERATING EXPENSES			
Administrative expenses	**157,303,644**	63,631,087	147%
Selling and marketing expenses	**51,526,230**	18,981,843	171%
	208,829,874	82,612,930	153%
OPERATING INCOME (LOSS)	**37,851,065**	40,880,753	-7%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	**(37,052,673)**	(15,803,553)	134%
Gain on change in FV of investment properties	**281,247,517**	58,978,767	377%
Other income – net	**4,791,909**	21,302,538	-78%
	248,986,753	64,477,752	286%
INCOME BEFORE INCOME TAX	**286,837,818**	105,358,505	172%
TAX EXPENSE	**42,429,678**	25,379,400	-67%
NET INCOME	**P 244,408,140**	P 79,979,105	206%

From a ₱80.0M reported net income over the three-month period from July to September 2018, the company recognized a ₱244.4M income for the same period in 2019.

7% Increase in Revenues
The increase was attributable to revenue recognized from the sale of Cebu Exchange offices and leasing revenue from ACPT and Courtyard Hall.

37% Decrease in Cost of Sales and Services
The change in Cost of Sales can be attributed to price increases over the year which inversely affected the cost ratio.

147% Increase in Administrative Expenses
The increase was due to professional fees, expenses related to Preferred shares offering, travel expenses and DST on working capital loans.

171% Increase in Selling and Marketing Expenses
The increase was mainly due to amortized commissions from sales of Cebu Exchange offices as well as marketing related expenses for Cebu Exchange, Savya Financial Center, and Sevina Park.

134% Increase in Finance Costs
The increase was due to additional working capital loans and cessation of capitalized borrowing costs related to the completion of ACPT early this year.

377% Increase in Gain on change in FV of Investment Properties
The increase was attributable to the appraisal gain of ACPT and other investment properties.

78% Decrease in Other Income - Net
The decrease was due to the reduced level of interest earning placements.

Full-year Periods

FINANCIAL POSITION
31 December 2018 vs. 31 December 2017

	31 Dec 2018	31 Dec 2017	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 was 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 was due to 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 was accounted for by the receivables from the ACPT leasing operations and downpayments 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 Cebu Exchange offices 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 was due to property acquisition in Mid-land Mansions Condominium in Makati City, the consolidated cost of Lot 11 of Arcosouth in Taguig City, and additional construction costs for the Laguna and Cebu projects, net of sold remaining units in Arya and Cebu Exchange office units.

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

497% Increase in Property and Equipment
The increase was due to the reclassification from investment properties of the ACPT floor used as ALCO's principal office, as mentioned above.

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

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

83% Decrease in Contract Liabilities
The decrease pertains to downpayments received that were 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 for the Cebu project.

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

6% Increase in Retained Earnings
The increase was 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 was 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 was due to CLLC's net income recognized for the year.

RESULTS OF OPERATIONS
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 with the year ended 31 December 2017.

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

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

19% Increase in Administrative Expenses
The increase was mainly due to recognition of past service costs as mentioned under Retirement Liability.

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

9% Decrease in Finance Costs
The decrease was largely accounted for by the settlement on 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 was 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 was 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 was due to the remeasurement gains based on the new retirement plan as mentioned under Retirement Liability.

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 ₱11.3 billion, or about 12% higher than the 31 December 2016 level of ₱10.1 billion due to the following:

27% Decrease in Cash and Cash Equivalents

The decrease was due to normal operating and project related disbursements including final payment of Cebu property.

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

38% Decrease in Trade and Other Receivables
The decrease was largely due to 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 was mainly accounted for by the cost of property acquired in Q1 2017 and the on-going development at the Cebu Project.

42% Increase in Investment Properties
The increase was largely attributable to the appraisal increment and additional construction costs of ACPT that were 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 was largely accounted for by VAT inputs from the property acquired and advance payments made to suppliers and contractors.

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

8% Decrease in Accounts Payable and Other Liabilities
The net decrease was largely due to payments made to suppliers as well as contractors and the full payment 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 was due to additional provisions for the year to comply with the requirements of PAS 19.

17% Increase in Net Deferred Tax Liabilities
The increase was 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 was attributed to pre-income losses incurred in CLLC.

RESULTS OF OPERATIONS
31 December 2017 vs. 31 December 2016

	31 Dec 2017	31 Dec 2016	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 with the year ended 31 December 2016.

16% Decrease in Cost of Sales and Services
The decrease in cost of sales was due to the decrease in revenues from sales of the few remaining units in Tower 2.

7% Decrease in Administrative Expenses
The decline was 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 was mainly attributable to lower commission expenses and lesser marketing efforts in 2017 as compared with the previous year.

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

54% Decrease in Other Income – Net
The decrease was attributable to the "Day 1 Gain" on a larger loan acquired in 2016 as compared with 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 POSITION
31 December 2016 vs. 31 December 2015

	31 Dec 2016	31 Dec 2015	Change
Cash and cash equivalents	**₱990,742,203**	**₱604,613,767**	64%
Financial assets at fair value through profit or loss (FVPL)	**2,050,075,279**	**732,635,225**	180%
Trade and other receivables	**301,089,586**	**1,831,115,193**	-84%
Real estate for sale	**1,722,192,699**	**1,558,711,101**	10%
Creditable withholding taxes (CWT)	**243,216,792**	**214,119,974**	14%
Investment properties	**4,534,143,705**	**2,005,226,322**	126%
Property and equipment	**20,071,668**	**17,202,058**	17%
Deferred tax assets	**15,282,811**	**32,010**	47644%
Other assets	**184,828,088**	**190,629,078**	-3%
Total Assets	**₱10,061,642,831**	**₱7,154,284,728**	41%
Loans payable	**3,111,038,703**	**3,091,768,912**	1%
Accounts payable and other liabilities	**899,207,290**	**1,377,927,383**	-35%
Due to a related party	**249,789,836**	**-**	100%
Retirement liability	**47,244,365**	**40,801,518**	16%
Net deferred tax liabilities	**644,775,603**	**352,484,029**	83%
Total Liabilities	**₱4,952,055,797**	**₱4,862,981,842**	2%
Capital stock	**989,757,136**	**957,257,136**	3%
Additional paid-in capital	**2,031,441,541**	**75,000,000**	2609%
Retained earnings	**2,098,281,063**	**1,258,055,239**	67%
Cumulative re-measurement gains on retirement liability – net of tax	**3,022,025**	**990,511**	205%
Parent Company's shares held by a subsidiary	**(12,500,000)**	**-**	100%
Total equity attributable to the Parent Company	**5,110,001,765**	**2,291,302,886**	123%
Non-controlling interest	**(414,731)**	**-**	100%
Total Equity	**₱5,109,587,034**	**₱2,291,302,886**	123%
Total Liabilities And Equity	**₱10,061,642,831**	**₱7,154,284,728**	41%

ALCO's total resources as of 31 December 2016 was at ₱10.1 billion, or about 41% higher than the 31 December 2015 level of ₱7.2 billion due to the following:

64% Increase in Cash and Cash Equivalents
The increase can be attributed to the collection of the prior year's receivables, shareholders' advances in CLLC, as well as down payments from sales of the few remaining unsold units in Arya and from the pre-selling of some units of Cebu Exchange, most of which were invested in short term placements.

180% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The significant increase is mainly brought about by proceeds from the Parent Company's P2.0 billion Series B Preferred shares issuance in December 2016, which are invested in money market placements pending actual use.

84% Decrease in Trade and Other Receivables
The decrease can be largely attributed to the 2015 trade receivable balances which had matured and were collected in 2016 as well as the application of previous advances to contractors against their 2016 progress billings.

10% Increase in Real Estate for Sale
The increase is basically accounted for by the additional investments made and paid by ALCO during the year for its other ongoing projects.

14% Increase in Creditable Withholding Taxes
The additional creditable withholding taxes were attributable to the collections of receivables both from prior and current years' sales of Arya units.

126% Increase in Investment Properties
The significant increase was brought about by the adoption of fair value accounting for the Group's investment properties which included restatement prior years' balances.

17% Increase in Property and Equipment
The increase is basically due to the acquisition of new office machinery, furniture and fixtures, and transportation equipment.

47644% Increase in Deferred Tax Assets
This refers to the net operating loss of a subsidiary for the previous and current years which were recognized in full as NOLCO in 2016.

35% Decrease in Accounts Payable and Other Liabilities
The decrease is accounted for by payments made to the different contractors and suppliers of the Group, among others.

100% Increase in Due to a Related Party
The increase is due to the advances made by a shareholder to CLLC as previously mentioned in the discussion for Cash and Cash equivalent.

16% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

83% Increase in Net Deferred Tax Liabilities
The increment is attributable to this year's gain on change in fair value of investment properties.

2609% Increase in Additional paid-in capital
This is largely accounted for by the additional or over par payments made by subscribers to the Series B Preferred shares issuance last December 2016.

67% Increase in Retained Earnings
The consolidated net income of the Group for the year contributed to the increase in this year's reported retained earnings.

205% Increase in Cumulative remeasurement 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.

100% Increase in Parent Company's Shares Held by a Subsidiary
This represents a subsidiary's subscription to the Series A Preferred shares issued by the Parent company in 2016.

100% Increase in Non-controlling Interest
This represents the 40% share of a third party shareholder in CLLC's net equity for 2016.

RESULTS OF OPERATIONS
31 December 2016 vs. 31 December 2015

	31 Dec 2016	31 Dec 2015	Change
Revenues	**₱451,075,061**	₱1,587,578,861	-72%
Cost of sales and services	**396,312,817**	1,043,700,643	-62%
Gross income	**54,762,244**	543,878,218	-90%
Administrative expenses	**295,722,649**	244,806,979	21%
Selling and marketing expenses	**66,767,530**	69,323,793	-4%
Operating expenses	**362,490,179**	314,130,772	15%
Income (loss) from operations	**(307,727,935)**	229,747,446	-234%
Gain on change in fair value of investment properties	**1,417,865,206**	33,495,000	4133%
Finance costs	**(80,348,345)**	(40,566,579)	98%
Other income - Net	**147,643,198**	122,372,763	21%
Income before income tax	**1,177,432,124**	345,048,630	241%
Income tax expense	**355,015,749**	98,017,162	262%
Net income	**822,416,375**	247,031,468	233%
Other comprehensive income			
Change in actuarial gain - Net of tax	**2,031,514**	1,048,252	94%
Total comprehensive income	**₱824,447,889**	₱248,079,720	232%

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

72% Decrease in Revenue
Lesser revenue was recognized inasmuch as there were very few remaining units left for sale in 2016 as compared with the previous year.

62% Decrease in Cost of Sales and Services
The decrease in cost of sales is directly related to the decrease in revenues mentioned in the foregoing.

21% Increase in Administrative Expenses
The increase is basically attributable to documentation and other expenses incurred during the year in relation to the turnover and titling of fully paid units in Arya Towers 1 and 2.

4133% Increase in Gain on Change in Fair Value of Investment Properties
The significant increase is due to the Group's adoption of fair value model of accounting for investment properties which also resulted in the restatement of prior years' reports.

98% Increase in Finance Costs
The increase is due to amortization of "Day 1" gain on loan discounting.

21% Increase in Other Income – Net

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

262% Increase in Income Tax Expense
The substantial increase is attributable to the tax effect of gain on change in fair value of investment properties.

94% Increase in Change in Actuarial Gain – Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 based on the latest actuarial valuation report.

FINANCIAL RATIOS

	December 2018	December 2017	December 2016
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.45	1.55	3.08
Solvency Ratio (Net income (Loss) before depreciation over total liabilities)	0.06	0.02	0.17
Debt-to-equity Ratio (Total debt to total equity)	1.35	1.22	0.97
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	0.79	0.52	0.31
Asset-to-equity Ratio (Total assets over total equity)	2.35	2.22	1.97
Interest Coverage Ratio (Pretax income before Interest over interest expense)	8.61	3.87	15.80
Profitability Ratio (Net income over total equity)	0.07	0.03	0.16

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

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

Except for the development costs of Arthaland Century Pacific Tower, Cebu Exchange, Savya Financial Center, Sevina Park and Makati Project, there are no other material commitments for capital expenditures as of the period covered by the Report.

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

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

External Audit Fees and Services

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

The audit fees of Reyes Tacandong and Co. (“RT&Co”) are ₱1,650,000 for 2018, P1,500,000.00 for 2017, and ₱950,000.00 for 2016, all of which are exclusive of VAT.

The audit fees of RT&Co for services rendered to ALCO’s subsidiaries are as follows:

In ₱	2018	2017	2016
Cazneau Inc.	180,000.00	120,000	100,000
Emera Property Management, Inc.	150,000.00	140,000	110,000
Manchesterland Properties, Inc.	330,000.00	300,000	270,000
Savya Land Development Corporation	180,000.00	110,000	-
Urban Property Holdings, Inc.	120,000.00	110,000	90,000
Zileya Land Development Corporation	120,000.00	100,000	80,000

RT&Co did not charge ALCO for non-audit work in 2018 and 2017. In 2016 however, RT&Co. charged ALCO for non-audit work in the amount of ₱1,500,000.00 in relation to the public offering of ALCO’s Series B Preferred Shares.

The partner-in-charge for the ensuing year is Ms. Michelle R. Mendoza Cruz of Reyes Tacandong & Co.

The stockholders approve the appointment of the external auditors of the Company. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the BOD and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with external auditor’s duties as such or threaten its independence.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the external auditor of the Company on accounting and financial disclosure.

Interest of Named Experts

Independent Auditors

The consolidated financial statements of the Company as at and for the years ended 31 December 2018, 2017, and 2016 have been audited by Reyes Tacandong & Co., independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Audit Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Asses and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.

- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.

- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.

- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.

- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.

There is no arrangement that experts and independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

Legal Matters

All legal opinions/matters in connection with the issuance of the ASEAN Green Bonds will be passed upon by SyCip Salazar Hernandez & Gatmaitan ("**SyCipLaw**") for the Company and Romulo Mabanta Buenaventura Sayoc & de los Angeles ("**Romulo**") for the Joint Lead Underwriter and Joint Bookrunner. SyCipLaw and Romulo have no direct interest in the Company.

SyCipLaw and Romulo may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that SyCipLaw and Romulo provide such services to their other clients.

Taxation

The statements herein regarding taxation are based on the laws in force as of the date of this Preliminary Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds.

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

TAXATION ON INTEREST

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

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

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from or is not subject to withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Underwriters or selling agents (if any) or to the Registrar, as applicable, subject to acceptance by the Issuer as being sufficient in form and substance:

(i) a BIR-certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(ii) with respect to tax treaty relief,

(a) for Applicant investors, (1) 3 originals of a duly accomplished valid, current and subsisting Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form or the prescribed certificate of residency of their country together with the CORTT Form as required under BIR Revenue

Memorandum Order No. 8-2017 and (2) 3 originals of the Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) shall be submitted by the Bondholder to the Issuer upon the submission of the Application to Purchase or no later than the 1st day of the month when the initial interest payment date shall fall due. For subsequent interest payment/s due, 3 originals of Part II (D) of the CORTT Form shall be submitted by the Bondholder to the Issuer through the Registrar no later than the 1st day of the month when such subsequent interest payment/s shall fall due.

(b) For transferee Bondholders, (1) 3 originals of a duly accomplished valid, current and subsisting CORTT Form or the prescribed certificate of residency of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No.8-2017 and (2) 3 originals of the Special Power of Attorney executed by the Bondholder in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) shall be submitted by the Bondholder to the Issuer through the Registrar upon the submission of the account opening documents or no later than the 1st day of the month when the first interest payment date shall fall due following the transfer of the Bonds to the said transferee Bondholder. For subsequent interest payment/s due, 3 originals of Part II (D) of the CORTT Form shall be submitted by the Bondholder to the Issuer through the Registrar no later than the 1st day of the month when such subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto.

(iii) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(iv) such other documentary requirements as may be required by the Issuer or Registrar or Paying Agent or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, upon submission of the Application to Purchase to the Underwriters or selling agents (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

The foregoing notwithstanding, the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

VALUE-ADDED TAX

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

GROSS RECEIPTS TAX

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

> On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:
>
> > Maturity period is five years or less: 5%
> > Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived, based on the following schedule:

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

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of PhP1.50 for each PhP200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

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

Regulatory Framework

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

Laws on housing and land projects

Presidential Decree No. 957: The Subdivision and Condominium Buyers' Protective Decree

Presidential Decree No. 957, or the Subdivision and Condominium Buyers' Protective Decree ("PD 957"), as amended, is the principal statute regulating the development and sale of real property as part of a condominium project or subdivision. It was enacted pursuant to the policy of the state to ensure that real estate subdivision owners, developers, operators, and/or sellers provide and properly maintain roads, drainage, sewerage, water systems, lighting systems and other similar basic requirements in order to guarantee the health and safety of home and lot buyers. PD 957 covers condominium and subdivision projects for residential, commercial, industrial and recreational areas as well as open spaces and other community and public areas in the project. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the government which, together with local government units, enforces PD 957 and has jurisdiction over real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant local government unit of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Before it is approved, the subdivision plan must comply with the Subdivision Standards and Regulations. On the other hand the condominium plan, in addition to complying with the same procedure, must also comply with Presidential Decree No. 1096, or the National Building Code, with respect to the building or buildings included in the condominium project. The owner or developer shall submit the condominium plan in accordance with the requirements of the National Building Code to the building official of the city or municipality where the property lies and the same shall be acted upon subject to the conditions in accordance with the procedure prescribed in Section 4 of Republic Act No. 4726, or the Condominium Act.

Alterations of approved condominium plans affecting significant areas of the project, such as infrastructure and public facilities, also require prior approval of the HLURB and the city or municipal engineer.

The development of subdivision and condominium projects can only commence after the relevant government body has issued the required development permit and the necessary building or construction permits in accordance with the requirements of the city or municipality where the property lies. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements that may differ depending on the nature of the project; and (ii) issuance of the barangay clearance, the locational clearance, permits issued by the Department of Environment and Natural Resources ("DENR") (such as the Environmental Compliance Certificate ("ECC") or Certificate of Non-Coverage ("CNC")), conversion order or exemption clearance from the Department of Agrarian Reform ("DAR"), permit to drill from the National Water Resources Board, and such other permits and approvals. In cases where the property involved is located in an area already classified as residential, commercial, industrial or other similar development purposes, a DAR conversion order shall no longer be required as a precondition for issuance of certificate of registration and license to sell.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may only be sold or offered for sale after a license to sell has been issued by the HLURB. Further, to ensure that the owner or developer of a proposed subdivision or condominium project shows firm commitment to proceed with a project, current HLURB regulations require minimum developments before the issuance of a license to sell: (a) for subdivision projects, proof of land clearing and grubbing, road tracing and entrance gate if included in the brochure or advertisement; and (b) for condominium projects, excavation per approved plan/excavation permit, are required.

As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

1. a surety bond equivalent to 20% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited bonding company (whether private or government), and acceptable to the HLURB;

2. a real estate mortgage executed by the applicant developer as mortgagor in favor of the Republic of the Philippines, as represented by the HLURB, as mortgagee, over property other than that subject of the application, free from any liens and encumbrance and provided that the value of the property, computed on the basis of the zonal valuation of the Bureau of Internal Revenue, shall be at least 20% of the total development cost; or

3. other forms of security equivalent to 10% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:

   a) a cash bond;
   b) a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
   c) a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
   d) a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the HLURB at any time the developer fails or refuses to comply with its duties and obligations under the bond contract; or
   e) any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

The HLURB is vested with quasi-judicial powers and regulatory functions necessary for the enforcement and implementation of PD 957. Among these regulatory functions are: (i) regulation of the real estate trade and business; (ii) registration of subdivision lots and condominium projects; (iii) issuance of license to sell subdivision lots and condominium units in the registered units; (iv) approval of performance bond and the suspension of license to sell; (v) registration of dealers, brokers and salesman engaged in the business of selling subdivision lots or condominium units; (vi) revocation of registration of dealers, brokers, and salesmen; (vii) approval of mortgage on any subdivision lot or condominium unit made by the owner or developer; (viii) granting of permits for the alteration of plans and the extension of period for completion of subdivision or condominium projects; (ix) approval of the conversion to other purposes of roads and open spaces found within the project which have been donated to the city or municipality concerned; (x) regulation of the relationship between lessors and lessees; and (xi) hear and decide cases on unsound real estate business practices, claims involving refund filed against project owners, developers, dealers, brokers or salesmen, and cases of specific performance.

The HLURB is also authorized, *motu proprio* or upon verified complaint filed by a buyer of a subdivision lot or condominium unit, to revoke the registration of any subdivision project or condominium project and the license to sell any subdivision lot or condominium unit in said project upon showing that the owner or dealer:

   a) is insolvent;

b) has violated any of the provisions of PD 957, or any applicable rule or regulation of the HLURB, or any undertaking under his/its bond;
c) has been or is engaged or is about to engage in fraudulent transactions;
d) has made any misrepresentation in any Prospectus, brochure, circular, or other literature about the subdivision project or condominium project that has been distributed to prospective buyers; or
e) does not conduct his business in accordance with law or sound business principles.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation, and/or failure to conduct business in accordance with law or sound business principles. A license or permit to sell may only be suspended, cancelled or revoked after a written notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Executive Order No. 71, Series of 1993

Under *Executive Order No. 71, Series of 1993*, cities and municipalities assume the powers of the HLURB over the following:

a) approval of preliminary as well as final subdivision schemes and development plans of all subdivisions, residential, commercial, industrial, and for other purposes;
b) approval of preliminary as well as final subdivision schemes and development plans of all economic and socialized housing projects;
c) evaluation and resolution of opposition against issuance of development permits for any of said projects; and
d) monitoring the nature and progress of its approved land development projects, to ensure their faithfulness to the approved plans and its specifications.

Republic Act No. 7279: Urban Development and Housing Act of 1992

Republic Act No. 7279, as amended, or the Urban Development and Housing Act of 1992, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development.

Republic Act No. 9646: Real Estate Service Act

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. Furthermore, no person shall practice or offer to practice real estate service in the Philippines, unless he/she has satisfactorily passed the licensure examination given by the Professional Regulatory Board of Real Estate Service. Under Republic Act No. 9646, or the Real Estate Service Act, the real estate service practitioners required to take the licensure examination are:

1. Real estate consultants — duly registered and licensed natural persons who, for a professional fee, compensation or other valuable consideration, offer or render professional advice and judgment on: (i) the acquisition, enhancement, preservation, utilization or disposition of lands or improvements thereon; and (ii) the conception, planning, management and development of real estate projects;

2. Real estate appraisers — duly registered and licensed natural persons who, for a professional fee, compensation or other valuable consideration, perform or render, or offer to perform services in estimating and arriving at an opinion of or act as an expert on real estate values, such services of which shall be finally rendered by the preparation of the report in acceptable written form; or

3. Real estate brokers — duly registered and licensed natural persons who, for a professional fee, commission or other valuable consideration, act as an agent of a party in a real estate transaction to offer, advertise, solicit, list, promote, mediate, negotiate or effect the meeting of the minds on the sale, purchase, exchange, mortgage, lease or joint venture, or other similar transactions on real estate or any interest therein.

Republic Act No. 4726: The Condominium Act

Under the Condominium Act, the owner of a project shall, prior to the conveyance of any condominium therein, register a declaration of restrictions relating to such project, which restrictions shall constitute a lien upon each condominium in the project, and shall insure to and bind all condominium owners in the project. Such liens, unless otherwise provided, may be enforced by any condominium owner in the project or by the management body of such project. The RD shall enter and annotate the declaration of restrictions upon the certificate of title covering the land included within the project.

The declaration of restrictions shall provide for the management of the project by anyone of the following management bodies: a condominium corporation, an association of the condominium owners, a board of governors elected by condominium owners, or a management agent elected by the owners or by the board named in the declaration. It shall also provide for voting majorities *quorums*, notices, meeting date, and other rules governing such body or bodies.

Further, any transfer or conveyance of any unit or an apartment, office or store or other space, shall include the transfer or conveyance of the undivided interests in the common areas, or, in a proper case, the membership or shareholdings in the condominium corporation.

A condominium corporation shall not, during its existence, sell, exchange, lease, or otherwise dispose of the common areas owned or held by it in the condominium project unless authorized by the affirmative vote of a simple majority of the registered owners with prior notification to all registered owners. Further, the condominium corporation may expand or integrate the project with another upon the affirmative vote of a simple majority of the registered owners, subject only to the final approval of the HLURB.

HLURB Memorandum Circular No. 03, Series of 2016

HLURB Memorandum Circular No. 03, Series of 2016, or the 2015 Guidelines on Time Completion (the "Guidelines") provides that projects required by law to be registered with the HLURB such as industrial, commercial and residential subdivisions, residential or commercial condominiums, and similar projects, such as memorial parks, should be completed within one year from the date of the issuance of the license to sell, or any other period fixed by the HLURB ("Time of Completion"). Failure to comply with the Time of Completion will: (1) entitle buyers to exercise their rights under PD 957 and the Civil Code of the Philippines in addition to other rights and remedies under other laws; and (2) subject the owner or developer to administrative fines, sanctions and penalties which may include the suspension of the license to sell and a cease and desist order.

The HLURB shall rely on the work program or program of development submitted during the application for a Certificate of Registration and license to sell in determining the applicable Time of Completion of a project.

Residential subdivision projects are subject to different Times of Completion for the land and the housing components. The Time of Completion for land development, which includes land clearing and grubbing, road construction, installation of power and water distribution system, construction of drainage and sewerage systems, and other developments, will depend on the work program or program of development submitted by the owner or developer. All subdivision amenities and facilities such as clubhouse, playgrounds, sports facilities and other infrastructures included in the approved project plans, brochures, prospectus, printed matters, letters or any forms of advertisement shall be developed and completed within the period for the project's land development. Meanwhile, the completion and delivery of any housing unit purchased shall be explicitly provided in the contract to sell or any purchase agreement, and absent any indication thereof, will not exceed one year from the date of purchase.

For condominium projects, all facilities and amenities included in the approved project plans, brochures, prospectus, printed matters, letters or any forms of advertisement shall be completed in accordance with the work program or program of development of the project. The Time of Completion as stated in the license to sell shall be binding and obligatory upon the owner or developer, but if it provides a shorter period in any form of advertisement, it shall be bound by the shorter period.

The Guidelines also provides that the Time of Completion which shall include the date, time and year shall be indicated in the license to sell of the project, which shall be binding and obligatory on the part of the owner or developer, unless a shorter period of completion or delivery is represented in any form of advertisement. The Time of Completion should be indicated in any advertisement of a project.

As a general rule, the Time of Completion is non-extendible, except in the following instances and upon the posting of a bond or security:

1. Existence of sub-soil conditions discoverable only after actual excavation and would require additional excavation time;

2. Occurrence of a fortuitous event completely independent of the will of the owner or developer, that requires reconstruction or causes delays in the project, and renders its completion within the original approved period impossible in a normal manner;

3. Issuance of a lawful order of a court, other government agency or local government unit that temporarily enjoins the development of the project, unless such issuance is caused by the fault, mistake or negligence of the owner or developer.

If an owner or developer wishes to apply for additional time due to the foregoing grounds, it shall file a sworn application with the Regional Field Office of the HLURB where the project is registered, including a proof of notice to all lot or unit buyers, a revised work program with computation of remaining cost of completion and other requirements, within 60 days from the discovery of the unfavorable sub-soil conditions, the occurrence of the fortuitous event, or from receipt of the order or issuance of a court or government body.

The owner or developer of a project that is not completed on time will be given a Notice of Alleged Reported Violation requiring it to explain under oath why no administrative fine and sanctions and cease and desist order should be imposed against it. Should the owner or developer fail to comply with the order or justify the non-completion of a project, an order imposing administrative fines and sanction shall be issued, and the owner or developer shall be required to submit additional documentations on the project.

Upon review of the submitted documents, a final order shall be issued requiring the completion of the project within such period as may be fixed by the HLURB, and a performance bond shall be secured conditioned on this undertaking. In case of non-completion of the project within the approved Time of Completion, an administrative fine shall be imposed in accordance with the approved Schedule of Fines and other existing HLURB guidelines, the license to sell shall be suspended, and a cease and desist order shall be issued enjoining the owner or developer from further selling any lot, including any building or improvement thereon, or any unit in a project, from advertising the project, and from collecting amortization payment, until the completion of the project and issuance of a Certificate of Completion.

Republic Act No. 11201: Department of Human Settlements and Urban Development Act

Republic Act No. 11201 or the Department of Human Settlements and Urban Development Act, creates the Department of Human Settlements and Urban Development (the "Department"), through the consolidation of the HLURB and the Housing and Urban Development Coordinating Council ("HUDCC"). It shall act as the primary national government entity responsible for the management of housing, human settlement and urban development. It shall be the sole and main planning and policy-making, regulatory, program coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to and the affordability of basic human needs.

The Deparment shall exercise administrative supervision over the following housing agencies, which shall remain to be attached for purposes of policy and program coordination, monitoring and evaluation: (a) National Housing Authority (NHA), (b) National Home Mortgage Finance Corporation (NHMFC), (c) Home Development Mutual Fund (HDMF), and (d) Social Housing Finance Corporation (SHFC).

The HLURB is reconstituted and shall be known as Human Settlements Adjudication Commission (the "Commission"). The adjudicatory functions of the HLURB are transferred to the Commission, and is attached to the Department for policy, planning and program determination only.

On July 19, 2019, the implementing rules and regulations ("**IRR**") of R.A. No. 11201 were approved. These describe in more detail the functions of the Department and enumerates the functions of the HLURB that were transferred to it, such as, among others, its regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivitions, condominiums and similar real estate developments. The IRR also enumerates the oversight and monitoring functions of the Department and its powers and functions in relation to public housing and urban development.

HLURB Resolution No. 985, Series of 2019: 2019 Real Estate Development Monitoring Rules of HLURB

On June 17, 2019 the HLURB released HLURB Resolution No. 895 entitled approving the 2019 Administrative Rules of Procedure in the Monitoring of Real Estate Development Projects and Imposition of Sanctions for Violation of Presidential Decree No. 957 and Other Related Laws and their Implementing Rules and Regulations. This is primarily aimed at ensuring the faithful observance by owners and/or developers of their obligation to fully develop the project on time and in accordance with the approved development plan, contractual stipulations, sales representations, and pertinent conditions imposed in clearances, permits and licenses.

The Regional Officer shall have jurisdiction and power to investigate land use or development projects in real estate transactions and verify reports of alleged violations of the laws, rules and regulations implemented by the HLURB. The Regional Officer may issue Authority to Monitor specific projects, cease-and-desist orders restraining the commission or continuance of acts, impose fines and penalties for violations of law, rules and regulation, cite any person in direct contempt, and issue writs or alias writs of execution to enforce orders and rulings of the Regional Office.

Real estate sales on installments

Republic Act No. 6552: Maceda Law

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots).

Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

1. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.

2. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); Provided, that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

The computation of the total number of installment payments made includes down payments, deposits, or options on the contract.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Zoning and land use

Republic Act No. 7160: Local Government Code of the Philippines

A city or municipality may, through an ordinance passed by the Sanggunian, after conducting public hearings for the purpose, authorize the reclassification of agricultural lands and provide for the manner of their utilization or disposition in the following cases: (i) when the land ceases to be economically feasible and sound for agriculture or (ii) where the land shall have substantially greater economic value for residential, commercial or industrial purposes, as determined by the Sanggunian concerned; provided that such reclassification shall be limited to the following percentage of total agricultural land area at the time of the passage of the ordinance:

1. For Highly Urbanized and Independent Component Cities, fifteen percent (15%);

2. For Component Cities and First to Third Class Municipalities, ten percent (10%);

3. For Fourth to Sixth Class Municipalities, five percent (5%).

Zoning ordinances may also limit land use. Once enacted, a comprehensive land use plan approved by the relevant local government unit may restrict land use in accordance with such land use plan. Zoning ordinances may also classify lands as commercial, industrial, residential or agricultural. Lands may also be further re-classified based on a local government unit's future projection of needs.

Republic Act No. 6657: Comprehensive Agrarian Reform Law of 1988

Under Republic Act No. 6657, as amended, or the Comprehensive Agrarian Reform Law of 1988, and such other rules and regulations currently in effect in the Philippines, however, land classified for agricultural purposes as of or after June 1, 1988 cannot be converted to non-agricultural use without the prior approval of the DAR.

Republic Act No. 11231: Agricultural Free Patent Reform Act

This Act removes restrictions on free patents to allow the efficient and effective utilization of these lands. Under this Act, agricultural public lands alienated or disposed in favor of qualified public land applicants under Section 44 of Commonwealth Act No. 141, as amended, shall not be subject to restrictions imposed under Sections 118, 119 and 121 thereof regarding acquisitions, encumbrances, conveyances, transfers, or dispositions. Agricultural free patent shall now be considered as title in fee simple and shall not be subject to any restriction on encumbrance or alienation.

This Act has retroactive effect and any restriction regarding acquisitions, encumbrances, conveyances, transfers, or dispositions imposed on agricultural free patents issued under Section 44 of Commonwealth Act No. 141, as amended, before the effectivity of this Act shall be removed and are hereby immediately lifted.

Property registration and nationality restrictions

Presidential Decree No. 1529: Property Registration Decree

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Once registered, title to registered land becomes indefeasible after one year from the date of entry of the decree of registration except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, or the Property Registration Decree, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

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

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under the said decree, the registration shall be made in the office of the RD for the province or city where the land lies. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the RD for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

All interests in registered land less than ownership (such as liens created by mortgages and leases) shall be registered by filing with the RD the instrument which creates or transfers or claims such interests and by a brief memorandum thereof made by the RD upon the certificate of title, and signed by him. A similar memorandum shall also be made on the owner's duplicate.

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

All documents evidencing conveyances of subdivision and condominium units should also be registered with the RD. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the sales price. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer. To evidence ownership of condominium units, the RD issues a Condominium Certificate of Title.

Article XII, Section 7 of the Constitution; Commonwealth Act No. 141

Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, pursuant to Republic Act No. 4726 (as amended), with respect to condominium developments, the ownership of condominium units where the common areas in the condominium project are co-owned by the owners of the separate units or owned by a corporation is limited to up to 40% foreign equity.

Environmental laws and safety standards

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. In determining the scope of the EIS System, two factors are considered: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences of the project to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, each contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team organized to monitor compliance with the ECC and applicable laws, rules and regulations.

While a development project may not fall under the categories wherein an ECC is required, it is still required to obtain a CNC from the EMB or the DENR Regional Office. The applicant must submit a Project Description to the EMB, which will then evaluate whether or not an ECC is required for the project. If an ECC is not required, then the EMB will issue a CNC to be submitted to the HLURB.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

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

All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of safe construction under the National Building Code. Every applicant for a building permit under the National Building Code is likewise required to secure a Height Clearance Permit from the Civil Aviation Authority of the Philippines.

Real property taxation

Republic Act No. 7160: Local Government Code of the Philippines

Real property taxes are payable annually or quarterly based on the property's assessed value. Assessed values are determined by applying the assessment levels (fixed by ordinances of the concerned Sanggunian) against the fair market values of real property. Under Republic Act No. 7160, as amended, or the Local Government Code of the Philippines, the assessed value of property and improvements varies depending on the location, use and nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed up to 80% of their fair market values; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. A province or city, or a municipality within Metro Manila may also levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax to accrue exclusively to the Special Education Fund of the local government unit where the property is located.

Construction license

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

ASEAN Green Bonds

SEC Memorandum Circular No. 12-18: Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines

The issuance of ASEAN Green Bonds is subject to the requirements under the ASEAN Green Bonds Standards, as enumerated and incorporated in the *Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards in the Philippines* issued by SEC in its Memorandum Circular No. 12-18 on August 31, 2018.

These requirements shall be in addition to the applicable requirements under Sections 8 and 12 of the SRC, unless an exemption is available under Section 9 or 10 of the SRC.

ASEAN Green Bonds are bonds which comply with ASEAN Green Bonds Standards, the proceeds of which will be exclusively applied to finance or refinance, in part or in full, new and/or existing Green Projects. To be eligible to issue ASEAN Green Bonds, the issuer must be a member of the ASEAN. However, a non-member of the ASEAN can also issue ASEAN Green Bonds as long as the Eligible Green Projects it funds are located in any ASEAN member country. Eligible Green Projects are those that provide clear environmental benefits and address one or more key areas of environmental concern, except fossil fuel power generation.

The guidelines stipulate that the use of proceeds from ASEAN Green Bonds must be described in the documentation for issuance of the ASEAN Green Bonds. The issuer must also disclose information on the following: i) the categories of eligible Green Projects to which the ASEAN Green Bonds proceeds will be allocated; ii) information on specific Green Projects in cases where the Issuer has identified the specific Green Projects to which the ASEAN Green Bonds proceeds will be allocated; iii) the process for project evaluation and selection; iv) the process of managing the net proceeds from the ASEAN Green Bonds; and v) the intended types of temporary placement for the balance of unallocated proceeds.

It also recommends that the issuer's process of project evaluation and selection and its management of proceeds from the ASEAN Green Bonds be supported by external review or audit. Issuers of ASEAN Green Bonds must also continuously report to investors on the use of proceeds from the ASEAN Green Bonds and on material developments in a) the list of the projects to which the ASEAN Green Bonds proceeds have been allocated; b) brief description of the projects; and c) the amounts allocated and their expected impact. These reports must be done at least annually and are recommended to be confirmed by external review.

Issuers of ASEAN Green Bonds must make the external review reports on their project evaluation and selection process and auditor or third party reports on their management of proceeds publicly available on a website designated by the Issuer.

Appendix

Consolidated Audited Financial Statements for December 31, 2018, 2017 and 2016
Consolidated Unaudited Financial Statements for September 30, 2019 and 2018

COVER SHEET
for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	7	1	6	0

COMPANY NAME

ARTHALAND CORPORATION AND SUBSIDIARIES

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
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(02) 403-6910	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,955	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
Ferdinand A. Constantino	faconstantino@arthaland.com	(02) 403-6910	–

CONTACT PERSON'S ADDRESS

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The 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 2018, 2017 and 2016** 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 or members.

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 or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this **20th** day of **March 2019, 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 **20th** day of **March 2019**, 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	Competent Evidence of Identity	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. EC3327271	31 January 2015/Manila
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	Passport No. EC5969532	13 November 2015/NCR South

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

Doc No. 226
Page No. 47;
Book No. 8;
Series of 2019.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. A-4252429 / 1-3-19 TAGUIG CITY
IBP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No.32(2019-2020)

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries

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, 2018 and 2017, 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, 2018, 2017 and 2016, 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, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 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 ₱5,901.5 million as at December 31, 2018.

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 47.8% of the Group's total assets as at December 31, 2018 (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, 2018, the Group recognized revenue of ₱845.0 million from real estate sales using the percentage of completion (POC) method.

We focused our audit on 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, 2018 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 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, 2018, 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, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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. 08-005144-012-2017
Valid until March 8, 2020
PTR No. 7334342
Issued January 3, 2019, Makati City

March 20, 2019
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017
ASSETS			
Cash and cash equivalents	6	**₱326,679,590**	₱721,795,236
Financial assets at fair value through profit or loss (FVPL)	7	**154,828,061**	387,879,631
Receivables	8	**742,932,730**	186,274,230
Contract assets	5	**785,197,944**	–
Real estate for sale	9	**3,412,713,425**	2,646,731,618
Creditable withholding taxes		**259,819,891**	253,188,078
Investment properties	10	**5,901,514,575**	6,457,315,253
Property and equipment	11	**237,452,955**	39,743,166
Net deferred tax asset	22	**16,197,731**	61,212,233
Other assets	12	**499,128,861**	492,672,321
		₱12,336,465,763	₱11,246,811,766
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	**₱4,169,976,102**	₱4,268,892,416
Accounts payable and other liabilities	14	**1,655,848,013**	702,744,459
Contract liabilities	5	**20,385,280**	121,712,461
Due to a related party	23	**386,666,691**	286,666,691
Net retirement liability	20	**66,088,998**	50,668,546
Net deferred tax liabilities	22	**779,222,593**	752,508,368
Total Liabilities		**7,078,187,677**	6,183,192,941
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	**989,757,136**	989,757,136
Additional paid-in capital		**2,031,441,541**	2,031,441,541
Retained earnings		**2,214,144,875**	2,085,398,501
Cumulative remeasurement gains on net retirement liability - net of tax	20	**18,169,495**	7,448,391
Parent Company's preferred shares held by a subsidiary	15	**(12,500,000)**	(12,500,000)
		5,241,013,047	5,101,545,569
Non-controlling Interests	4	**17,265,039**	(37,926,744)
Total Equity		**5,258,278,086**	5,063,618,825
		₱12,336,465,763	₱11,246,811,766

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
REVENUES	16			
Real estate sales		**₱992,593,844**	₱433,964,838	₱439,160,673
Leasing operations		**132,436,268**	22,997,690	8,103,925
Project management fees		**7,439,974**	6,576,066	3,810,463
		1,132,470,086	463,538,594	451,075,061
COST OF SALES AND SERVICES				
Cost of real estate sales	9	**599,734,444**	320,515,983	389,043,136
Cost of leasing operations	10	**15,260,471**	7,993,692	4,631,402
Cost of services		**3,804,324**	4,315,726	2,638,279
		618,799,239	332,825,401	396,312,817
GROSS INCOME		**513,670,847**	130,713,193	54,762,244
OPERATING EXPENSES	17	**397,610,494**	322,243,222	362,490,179
INCOME (LOSS) FROM OPERATIONS		**116,060,353**	(191,530,029)	(307,727,935)
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	**172,819,094**	428,390,699	1,417,865,206
FINANCE COSTS	18	**(73,647,288)**	(80,663,240)	(80,348,345)
OTHER INCOME - Net	19	**339,120,693**	67,443,318	147,643,198
INCOME BEFORE INCOME TAX		**554,352,852**	223,640,748	1,177,432,124
PROVISION FOR INCOME TAX	22	**165,735,606**	85,240,763	355,015,749
NET INCOME		**388,617,246**	138,399,985	822,416,375
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss -				
Remeasurement gains on net retirement liability	20	**15,315,863**	6,323,380	2,902,163
Income tax expense relating to item that will not be reclassified	22	**(4,594,759)**	(1,897,014)	(870,649)
		10,721,104	4,426,366	2,031,514
TOTAL COMPREHENSIVE INCOME		**₱399,338,350**	₱142,826,351	₱824,447,889

(Forward)

	Note	Years Ended December 31 **2018**	2017	2016
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱333,479,516**	₱191,850,580	₱840,225,824
Non-controlling interests	4	**55,137,730**	(53,450,595)	(17,809,449)
		₱388,617,246	₱138,399,985	₱822,416,375
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱344,200,620**	₱196,276,946	₱842,257,338
Non-controlling interests	4	**55,137,730**	(53,450,595)	(17,809,449)
		₱399,338,350	₱142,826,351	₱824,447,889
EARNINGS PER SHARE - Basic and diluted	25	**₱0.0362**	₱0.0096	₱0.1514

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2018**	2017	2016
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		**32,500,000**	32,500,000	32,500,000
		989,757,136	989,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**2,031,441,541**	2,031,441,541	75,000,000
Issuance of preferred shares	15	**–**	–	1,980,000,000
Stock issuance costs	15	**–**	–	(23,558,459)
Balance at end of year		**2,031,441,541**	2,031,441,541	2,031,441,541
RETAINED EARNINGS				
Balance at beginning of year		**2,085,398,501**	2,098,281,063	1,258,055,239
Net income for the year		**333,479,516**	191,850,580	840,225,824
Dividends declared during the year	15	**(204,733,142)**	(204,733,142)	–
Balance at end of year		**2,214,144,875**	2,085,398,501	2,098,281,063
CUMULATIVE REMEASUREMENT GAINS ON NET RETIREMENT LIABILITY - Net of tax	20			
Balance at beginning of year		**7,448,391**	3,022,025	990,511
Remeasurement gains on retirement liability		**15,315,863**	6,323,380	2,902,163
Income tax expense relating to other comprehensive income for the year		**(4,594,759)**	(1,897,014)	(870,649)
Balance at end of year		**18,169,495**	7,448,391	3,022,025
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		**5,241,013,047**	5,101,545,569	5,110,001,765
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		**(37,926,744)**	(414,731)	–
Share in net income (loss) during the year		**55,137,730**	(53,450,595)	(17,809,449)
Effect of consolidation of Arcosouth Development Inc. (Arcosouth)	3	**54,053**	–	–
Subscription to a subsidiary		**–**	15,938,582	17,394,718
Balance at end of year		**17,265,039**	(37,926,744)	(414,731)
		₱5,258,278,086	₱5,063,618,825	₱5,109,587,034

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱554,352,852**	₱223,640,748	₱1,177,432,124
Adjustments for:				
Gain on settlement of loans payable	13	**(319,553,431)**	–	–
Net gain on change in fair value of investment properties	10	**(172,819,094)**	(428,390,699)	(1,417,865,206)
Interest expense	13	**72,872,660**	77,918,542	79,540,215
Retirement expense	20	**35,736,315**	9,747,561	9,345,010
Depreciation and amortization	11	**15,449,610**	9,330,955	8,214,176
Realized gain on disposals of financial assets at FVPL	7	**(14,190,431)**	(37,576,414)	(17,310,183)
Loss on disposal of investment properties	10	**8,334,033**	–	–
Unrealized holding (gains) loss on financial assets at FVPL	7	**6,385,529**	(1,874,352)	(5,856,676)
Interest income	6	**(6,088,906)**	(14,245,251)	(10,692,204)
Amortization of initial direct leasing costs	10	**1,126,823**	249,952	–
Foreign exchange gains	19	**(906,754)**	(83,998)	(600,156)
“Day 1” gain on loan discounting	13	**–**	(2,907,783)	(80,883,656)
Loss (gain) on sale of property and equipment	11	**–**	475,131	(185,888)
Operating income (loss) before working capital changes		**180,699,206**	(163,715,608)	(258,862,444)
Decrease (increase) in:				
Receivables		**(556,576,406)**	115,652,434	1,530,025,607
Contract assets		**(785,197,944)**	–	–
Real estate for sale		**(423,556,692)**	(888,977,768)	(179,886,377)
Other assets		**(6,456,540)**	(307,844,233)	5,800,990
Increase (decrease) in:				
Accounts payable and other liabilities		**240,318,176**	19,945,138	(460,884,204)
Contract liabilities		**(101,327,181)**	(100,425,968)	(21,286,493)
Net cash generated from (used for) operations		**(1,452,097,381)**	(1,325,366,005)	614,907,079
Interest paid		**(174,354,580)**	(118,691,181)	(81,791,916)
Income taxes paid		**(103,536,471)**	(35,305,720)	(107,942,444)
Interest received		**6,006,812**	13,408,173	10,692,204
Contribution to retirement plan assets	20	**(5,000,000)**	–	–
Net cash provided by (used in) operating activities		**(₱1,728,981,620)**	(₱1,465,954,733)	₱435,864,923

(Forward)

	Note	2018	2017	2016
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		**₱1,507,648,191**	₱2,611,246,414	₱3,475,401,873
Investment properties		**20,462,000**	–	6,630,000
Property and equipment		**623,878**	1,173,957	2,101,160
Additions to:				
Financial assets at FVPL	7	**(1,266,791,719)**	(909,600,000)	(4,769,675,068)
Investment properties	10	**(486,818,962)**	(1,422,318,493)	(1,043,245,128)
Property and equipment	11	**(36,917,708)**	(30,651,541)	(12,999,058)
Net cash provided by (used in) investing activities		**(261,794,320)**	249,850,337	(2,341,786,221)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	13	**1,846,036,912**	2,050,662,463	2,386,606,892
Due to a related party	23	**100,000,000**	36,876,855	249,789,836
Issuance of preferred shares		**–**	–	1,976,441,541
Payment of dividends	15	**(204,273,545)**	(204,884,469)	–
Payments of loans payable	13	**(152,000,000)**	(951,520,000)	(2,338,783,409)
Subscription of non-controlling interest		**–**	15,938,582	17,394,718
Net cash provided by financing activities		**1,589,763,367**	947,073,431	2,291,449,578
EFFECT OF CONSOLIDATION OF ARCOSOUTH		**4,990,173**	–	–
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		**906,754**	83,998	600,156
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(395,115,646)**	(268,946,967)	386,128,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**721,795,236**	990,742,203	604,613,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱326,679,590**	₱721,795,236	₱990,742,203

(Forward)

		Years Ended December 31		
	Note	**2018**	2017	2016
COMPONENTS OF CASH AND CASH EQUIVALENTS	6			
Cash on hand		**₱80,000**	₱35,000	₱30,000
Cash in banks		**46,526,688**	70,690,170	34,869,125
Cash equivalents		**280,072,902**	651,070,066	955,843,078
		₱326,679,590	₱721,795,236	₱990,742,203
NONCASH FINANCIAL INFORMATION:				
Settlement of loans payable through dacion en pago	13	**₱1,847,539,634**	₱–	₱–
Recognition of property of Arcosouth	3	**490,983,477**	–	–
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	**216,890,959**	1,092,000	45,019,935
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	**176,865,569**	–	–
Capitalized borrowing costs	13	**172,826,857**	104,822,854	54,581,665
Acquisition of real estate for sale asset on account		**–**	–	314,332,750

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 and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B 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 40.3% 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 December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 15).

The new registered office and principal place of business of the Parent Company is 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City, Philippines, upon SEC's approval of the amendment of its Articles of Incorporation 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"):

		Effective % of Ownership	
Subsidiary	Place of Incorporation	**2018**	2017
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Savya Land Development Corporation (SLDC)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	**60%**	60%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company, and Cazneau and MPI which are engaged in leasing of properties.

In 2017, the Parent Company subscribed to 100% shares of SLDC. SLDC was registered with the SEC on February 10, 2017 to engage primarily in real estate development.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in 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. 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 is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. 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 that will be developed in Barangay Lahug, Cebu City. Cebu Exchange has been 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 110,000 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 an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall is a campus-type or dormitory-type residential community, which is expected to be completed in 2019 (see Note 10). 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 2023.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,900 sqm which will be developed in Arca South, Taguig City. The project is expected to be completed in 2021.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the BOD on March 20, 2019.

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 (FRSC) 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 stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVPL and investment properties, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value 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 or 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 non-financial 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 on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has applied the requirements of PFRS 9 retrospectively.

The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

Classification and Measurement. Based on the Group's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as of January 1, 2018, the Group has concluded that all of its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets:

		Classification under PFRS 9	
	Classification under PAS 39	Financial assets at amortized cost	Financial assets at FVPL
Cash and cash equivalents	Loans and receivables	₱721,795,236	₱–
Financial assets at FVPL	Held for trading	–	387,879,631
Receivables*	Loans and receivables	65,029,531	–
Deposits	Loans and receivables	66,444,390	–
Amounts held in escrow	Loans and receivables	20,096,757	–
Investment in time deposits	Loans and receivables	19,972,000	–
		₱893,337,914	₱387,879,631

**Excludes advances for project development and accrued rent under straight-line basis of accounting aggregating ₱121.2 million as at December 31, 2017.*

There are no changes in classification and measurement for the Group's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group's financial instruments.

Impairment. The new impairment requirements do not result to additional provision for impairment with respect to trade receivables from sale of real estate because the credit exposure arising from these financial assets was mitigated by the Group's policy that title should transfer only upon full payment by the buyer and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime ECL.

While cash in banks and cash equivalents, deposits, amounts held in escrow and investment in time deposits are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result in significant ECL. In performing the assessment, the Group considered the available liquid assets of the related parties.

Hedging. The Group does not have transactions that will require the use of hedge accounting.

There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaced PAS 11, *Construction Contracts*, PAS 18, *Revenue,* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

  The following are the related literature issued subsequent to the adoption of PFRS 15:

  - Philippine Interpretations Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.

  - SEC Memorandum Circular No. 14, Series of 2018, *PIC Q&A 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 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 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

  - Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

  The Group adopted PFRS 15 using the retrospective approach but deferred the application of the provisions of PIC Q&A No. 2018-12.

Upon adoption of PFRS 15, the Group recognized contract assets amounting to ₱785.2 million and nil as at December 31, 2018 and 2017, respectively, representing consideration earned but is conditional upon successful completion of the related real estate project (see Note 5). Contract assets are measured as the excess of cumulative revenues from real estate sales over total collections received from buyers.

The Group also recognized contract liabilities amounting to ₱20.4 million and ₱121.7 million as at December 31, 2018 and 2017, respectively, representing consideration received but is conditional upon performance of the Group's obligations under its real estate contracts (see Note 5). Contract liabilities are measured as the excess of total collections received from buyers over cumulative revenues from real estate sales.

Had the Group opted to adopt in full the guidance provided in PIC Q&A 2018-12, there would have been a decrease in revenue from real estate sales because of lower POC rate. Moreover, the Group may have to recognize interest expense (income) if the buyers' payments are higher (lower) than the POC rate.

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the amendments to PFRS 40 and Philippine Interpretation IFRIC 22 did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. However, the Group's non-cancellable operating lease, in which the Group acted as a lessee, has ceased in 2018 (see Note 21). Thus, the Group does not have to recognize right-of-use asset (ROU) and a corresponding liability in respect of this lease. Moreover, the Group will opt not to apply the requirements to recognize ROU and finance liability for leases with terms of one 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, 2018. Accordingly, PFRS 16 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

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

<u>Basis of Consolidation</u>

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 fair value through other comprehensive income (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.

<u>Financial Assets and Liabilities</u>

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, 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.

The Group classified its investment in money market fund under this category (see Note 7). The Group does not have financial liabilities at FVPL.

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, 2018 and 2017, the Group's cash and cash equivalents, receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), deposits, amounts held in escrow and investment in time deposits are classified under this category (see Notes 6, 8, and 12).

Cash and cash equivalents comprise cash on hand, demand deposits with banks and 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, 2018 and 2017, the Group's loans payable, accounts payable and other liabilities (excluding statutory liabilities, advance rent and payable to buyers) and due to a related party are classified under this category (see Notes 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. ECL is 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. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

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 asset, and current and noncurrent liabilities 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 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 consideration that is unconditional. A right to 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 consideration from the customer. If a customer pays 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.

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 for 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 and income 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 accumulated 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:

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

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 change 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 value-added tax (VAT), prepayments, deposits, amounts held in escrow, investment in time deposits and materials and supplies.

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.

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.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, 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 other current assets. Otherwise these are classified as other 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.

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.

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.

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

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.

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.

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.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its tenants as reservation fee for lease of ACPT and Arya Residences. These are recorded at face amount in the consolidated statements of financial position. Reservation fees for the lease of ACPT will be applied as security deposits upon execution of the lease contracts.

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 and prior period adjustments.

Other Comprehensive Income
Other component of equity comprises items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains 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.

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.

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 assess 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.

Leasing Revenue. 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.

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

Interest Income. Revenue 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 Services. Cost of services, which constitute direct cost incurred in relation to the operation of ACPT and personnel cost in relation to project management and development services, MPI's commercial units, and EPMI's provision of property management services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

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

Leases

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 fulfilment 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:

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

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

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or there is a substantial change to the asset; or

d. 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 (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as income in the period they are earned.

Group as a Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

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, gains and losses on curtailments and nonroutine settlements, 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 comprising actuarial gains and losses, return on plan assets and any changes in the effect of the asset ceiling (excluding net interest on retirement liability on asset) 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.

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 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.

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 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

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.

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 is presented in Note 29 to the consolidated financial statements.

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 the 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 the 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 assets and 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 accounting 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 Peso. Peso is 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, 2018 and 2017, it has the ability to exercise control over these investees.

Recognizing Property of Arcosouth Development Inc. (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.

The merger of SLDC and Arcosouth were approved on September 19, 2018 by the BOD and the stockholders of SLDC. The approval of the Merger is pending with the SEC. However, SLDC started to develop Savya Financial Center on the Property (see Note 1).

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 planned merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at December 31, 2018.

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 is recognized over time. The Group also determined that the input method is the appropriate method in measuring the POC of Cebu Exchange. 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 amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Revenue from real estate sales of Arya Residences amounted to ₱147.6 million in 2018, ₱434.0 million in 2017 and ₱439.2 million in 2016 (see Note 16). Cost of real estate sales amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016 (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 ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, respectively (see Note 9). Investment properties amounted to ₱ 5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10). Property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

Determining 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 ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

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

Revenue from leasing operations recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21).

Determining Lease Commitment - Group as Lessee. The Group entered into a property lease as a lessee for its office space until October 2018. The Group has determined that the risks and benefits of ownership related to the leased property is retained by the lessor. Accordingly, the lease is accounted for as operating lease.

Rent expense amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 21).

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 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 of Cebu Exchange amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Cost of real estate sales amounted to ₱553.2 million in 2018.

Estimating 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 Group estimates expected future cash flows yields, occupancy rates and discount rates. 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 ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

Determining 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 2018, 2017 and 2016. The carrying amount of real estate for sale amounted to ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, 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 2018, 2017 and 2016. The Group's trade receivables and contract assets aggregated ₱897.2 million and ₱6.8 million as at December 31, 2018 and 2017, respectively (see Note 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 are 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
- 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 2018, 2017 and 2016. The Group's cash and cash equivalents, due from related parties, receivable from non-affiliated entity, advances to employees, interest receivable, other receivables, deposits, amounts held in escrow and investment in time deposits aggregated ₱536.3 million and ₱886.9 million as at December 31, 2018 and 2017, respectively (see Notes 6, 8 and 12).

Estimating 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 during 2018, 2017 and 2016. The carrying amount of property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

Assessing 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 2018, 2017 and 2016.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	**2018**	2017
Advances for project development*	8	**₱506,468,951**	₱100,270,487
Accrued rent receivable*	8	**51,961,813**	20,974,212
CWT		**259,819,891**	253,188,078
Property and equipment	11	**237,452,955**	39,743,166
Other assets**	12	**362,343,290**	386,159,174

**presented under "receivables" account.*
***excluding deposits, amounts held for escrow and investment in time deposits aggregating ₱136.8 million and ₱106.5 million as at December 31, 2018 and 2017, 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.

Net retirement liability amounted to ₱66.1 million and P50.7 million as at December 31, 2018 and 2017 (see Note 20).

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences 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 ₱94.5 million and ₱85.7 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱3.7 million and ₱3.6 million as at December 31, 2018 and 2017, 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 ₱17.3 million in 2018 and (₱37.9 million) in 2017 mainly pertain to the 40% non-controlling interests in CLLC. The net income (loss) of CLLC allocated to non-controlling interests amounting to ₱55.1 million in 2018, (₱53.5 million) in 2017 and (₱17.8 million) in 2016 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 year ended December 31, 2018, 2017 and 2016 follows:

	2018	2017	2016
Current assets	**₱2,865,334,534**	₱1,398,361,844	₱1,100,970,490
Noncurrent assets	**40,704,383**	76,414,030	15,289,199
Current liabilities	**(1,568,748,542)**	(885,380,958)	(308,354,807)
Noncurrent liability	**(1,287,620,000)**	(650,000,000)	(810,290,234)
Net asset (liability)	**₱49,670,375**	(₱60,605,084)	(₱2,385,352)

	2018	2017	2016
Revenue	**₱844,954,725**	₱–	₱–
Expenses	**(693,371,617)**	(166,614,114)	(39,459,857)
Income (loss) before income tax	**151,583,108**	(166,614,114)	(39,459,857)
Other income – net	**5,007,751**	1,669,588	672,059
(Provision for) benefit from income tax	**(46,315,400)**	49,563,596	11,648,638
Net income (loss)	**110,275,459**	(115,380,930)	(27,139,160)
Other comprehensive income	**–**	–	–
Total comprehensive income (loss)	**₱110,275,459**	(₱115,380,930)	(₱27,139,160)

	2018	2017	2016
Cash flows from (used in):			
Operating activities	**(₱946,673,203)**	(₱394,817,385)	(₱317,959,540)
Investing activities	**(15,266,432)**	(15,381,620)	(6,389)
Financing activities	**862,479,332**	440,502,235	438,855,097
Net increase (decrease) in cash	**(99,460,303)**	30,303,230	120,889,168
Cash at beginning of year	**151,430,527**	121,127,297	238,129
Cash at end of year	**₱51,970,224**	₱151,430,527	₱121,127,297

5. **Contract Assets and Contract Liabilities**

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

	2018	2017
Contract assets	**₱785,197,944**	₱–
Contract liabilities	**20,385,280**	121,712,461
Net contract assets (liabilities)	**₱764,812,664**	(₱121,712,461)

Contract assets pertain to receivables from the sale of office units of Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers as at December 31, 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.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as at December 31, 2018. The decrease in contract liabilities of ₱101.3 million pertains to downpayments received as at January 1, 2018 that were subsequently recognized as revenues from real estate sales in 2018.

6. **Cash and Cash Equivalents**

This account consists of:

	2018	2017
Cash on hand	**₱80,000**	₱35,000
Cash in banks	**46,526,688**	70,690,170
Cash equivalents	**280,072,902**	651,070,066
	₱326,679,590	₱721,795,236

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 prevailing short-term investment rates.

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

	Note	2018	2017	2016
Short-term placements		**₱4,898,195**	₱11,459,532	₱9,350,701
Cash in banks		**1,070,232**	2,503,854	453,878
Investment in time deposits	12	**120,479**	281,865	887,625
		₱6,088,906	₱14,245,251	₱10,692,204

7. Financial Assets at FVPL

Movements in this account are as follows:

	Note	2018	2017
Balance at beginning of year		**₱387,879,631**	₱2,050,075,279
Additions		**1,266,791,719**	909,600,000
Disposals		**(1,493,457,760)**	(2,573,670,000)
Unrealized holding gains (loss)	19	**(6,385,529)**	1,874,352
Balance at end of year		**₱154,828,061**	₱387,879,631

Realized gain on disposal of financial assets at FVPL amounted to ₱14.2 million in 2018, ₱37.6 million in 2017 and ₱17.3 million in 2016 (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	2018	2017
Trade receivables from:			
Sale of real estate		**₱81,631,132**	₱6,835,201
Leasing	21	**30,385,699**	–
Advances for project development		**506,468,951**	100,270,487
Accrued rent receivable	21	**51,961,813**	20,974,212
Due from related parties	23	**36,052,873**	36,052,873
Receivable from non-affiliated entity		**9,587,986**	–
Advances to employees		**5,067,899**	7,925,948
Interest receivable		**2,117,945**	2,035,851
Other receivables		**20,026,724**	12,547,950
		743,301,022	186,642,522
Allowance for impairment loss		**(368,292)**	(368,292)
		₱742,932,730	₱186,274,230

Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days. Trade receivables from sale of real estate pertain to receivables from sale of condominium units and office units of Cebu Exchange 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.

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.

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 from the Group's short-term placements.

Other receivables mainly include accrued project management fees which will be billed and collected within 30 days.

9. Real Estate for Sale

This account consists of:

	2018	2017
Raw land	**₱1,656,023,008**	₱1,190,949,014
Assets under construction	**1,350,399,000**	1,275,413,889
Condominium units for development	**336,548,323**	77,470,002
Pre-construction costs (Savya)	**69,743,094**	–
Condominium units for sale	**–**	102,898,713
	₱3,412,713,425	₱2,646,731,618

Movements of this account follow:

	Note	2018	2017	2016
Balance at beginning of year		**₱2,646,731,618**	₱1,722,192,699	₱1,558,711,101
Construction costs incurred		**764,212,815**	196,891,625	246,924,124
Cost of real estate sold		**(599,734,444)**	(320,515,983)	(389,043,136)
Effect of consolidation of Arcosouth		**490,983,477**	–	–
Purchase of condominium units for development		**259,078,321**	69,797,363	7,672,639
Transfers to investment properties	10	**(216,890,959)**	(1,092,000)	(45,019,935)
Capitalized borrowing costs	13	**68,332,597**	36,653,151	28,615,156
Purchase of raw land		**–**	942,804,763	314,332,750
Balance at end of year		**₱3,412,713,425**	₱2,646,731,618	₱1,722,192,699

Real estate inventories recognized as cost of real estate sold amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016.

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. Raw land also includes the property of Arcosouth located in Arca South, Taguig City, on which SLDC launched the development of Savya Financial Center (see Notes 1 and 3). This property has a carrying amount of ₱491.0 million as at December 31, 2018.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations (see Note 1). Accordingly, raw land and Courtyard Hall were recognized as investment properties at their fair values amounting to ₱211.7 million and ₱152.8 million, respectively (see Note 10).

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 ₱684.9 million as at December 31, 2018 is secured by the same property amounting to ₱942.8 million as at December 31, 2018 (see Note 13).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2018, this account includes the land and development costs of Cebu Exchange and Cazneau's project in Laguna (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 ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively, is secured by parcels of land, together with any improvements thereon, located in Cebu City, aggregating ₱931.8 million as at December 31, 2018 and 2017 (see Note 13).

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

Condominium Units for Sale
Condominium units for sale pertain to unsold and completed units of Arya Residences in 2017. Condominium units with carrying amount of ₱102.9 million as at December 31, 2017 are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding balance of nil and ₱100.0 million as at December 31, 2018 and 2017, respectively (see Note 13). These condominium units were already sold in 2018.

Borrowing Cost
General and specific borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs amounting to ₱68.3 million and ₱36.7 million in 2018 and 2017, respectively, 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, 2018 and 2017, 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, 2018 and 2017.

10. Investment Properties

Investment properties consist of:

	2018	2017
ACPT	**₱3,438,420,267**	₱4,579,238,370
Arya Residences:		
Commercial units	**1,194,379,000**	1,110,864,000
Parking slots	**184,984,000**	206,653,883
Raw land:		
UPHI's Laguna and Tagaytay properties	**577,277,508**	464,476,979
Cazneau's Laguna properties	**211,713,162**	–
Parent Company's Batangas and Tagaytay properties	**141,898,400**	96,082,021
Courtyard Hall	**152,842,238**	–
	₱5,901,514,575	₱6,457,315,253

Movements of this account follow:

	Note	2018	2017	2016
Balance at the beginning of year		**₱3,984,127,753**	₱2,502,376,038	₱1,391,323,861
Settlement of loans payable	13	**(1,330,035,528)**	–	–
Construction costs incurred		**474,788,616**	1,412,490,012	1,046,695,733
Transfers from real estate for sale	9	**216,890,959**	1,092,000	45,019,935
Transfer to property and equipment	11	**(131,937,452)**	–	–
Capitalized borrowing costs	13	**104,494,260**	68,169,703	25,966,509
Disposals		**(17,822,000)**	–	(6,630,000)
		3,300,506,608	3,984,127,753	2,502,376,038
Cumulative gain on change in fair value		**2,577,075,310**	2,460,158,366	2,031,767,366
		5,877,581,918	6,444,286,119	4,534,143,404
Unamortized initial direct leasing costs		**23,932,657**	13,029,134	–
Balance at end of year		**₱5,901,514,575**	₱6,457,315,253	₱4,534,143,404

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

	2018	2017	2016
Balance at beginning of year	**₱2,460,158,366**	₱2,031,767,667	₱613,902,460
Net gain on change in fair value during the year	**172,819,094**	428,390,699	1,417,865,206
Transfer to property and equipment	**(44,928,117)**	–	–
Disposals	**(10,974,033)**	–	–
Balance at end of year	**₱2,577,075,310**	₱2,460,158,366	₱2,031,767,666

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

	2018	2017
Balance at beginning of year	**₱13,029,134**	₱–
Additions	**12,030,346**	13,279,086
Amortization	**(1,126,823)**	(249,952)
Balance at end of year	**₱23,932,657**	₱13,029,134

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 (see Note 1). 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 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 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 ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, 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 ₱230.0 million and ₱280.0 million as at December 31, 2018 and 2017, respectively (see Note 13).

In 2018, 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. This resulted to loss sale of investment properties amounting to ₱8.3 million (see Note 19).

Raw Land and Courtyard Hall
UPHI's raw land, with fair value amounting to ₱577.3 million and ₱464.5 million as at December 31, 2018 and 2017, 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, 2018 and 2017, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations. Accordingly, raw land and Courtyard Hall were recognized as investment properties at fair value amounting to ₱ 211.7 million and ₱ 152.8 million, respectively, as at December 31, 2018 (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 ₱141.9 million and ₱96.1 million as at December 31, 2018 and 2017, respectively.

Leasing Operations
The Group recognized revenue from leasing operations amounting to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21) and incurred direct cost of leasing amounting to ₱15.3 million in 2018, ₱8.0 million in 2017 and ₱4.6 million in 2016.

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:

Class of Property	Valuation Technique	Significant Inputs	Range 2018	Range 2017
ACPT	Land development approach	Discount rate	**8.74%**	8.70%
		Rental rate for an office unit per square meter (per sq.m.)	**₱1,350**	₱1,250
		Rental rates for parking per sq. m.	**₱6,000**	₱5,500
		Calculated no. of net leasable area (total sq. m.)	**20,923**	27,809
		Vacancy rate	**5% - 10%**	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow (DCF) approach	Rental rate per sq.m.	**₱3,000**	₱2,360
		Rent escalation rate per annum (p.a.)	**7%**	5%
		Discount rate	**8.74%**	6.17%
		Vacancy rate	**2%**	2%
Parking slots	DCF approach	Rental rate per slot	**₱6,500**	₱5,500
		Rent escalation rate p.a.	**7%**	5%
		Discount rate	**8.74%**	6.17%
		Vacancy rate	**2%**	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	**₱1,740**	₱1,400
		Value adjustments	**0% - 30%**	5% - 65%
Cazneau's Laguna properties	Market data approach	Price per sq. m.	**₱10,200**	–
		Value adjustments	**0% - 5%**	–
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	**₱1,300**	₱800
		Value adjustments	**5% - 15%**	25% - 40%

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 sq.m.) 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.

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 sq.m.* - 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.

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

		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	9	**(176,865,569)**	**216,890,959**	**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		**₱689,974,781**	**₱5,211,539,794**	**₱5,901,514,575**

		2017		
	Note	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year		₱482,099,300	₱4,052,044,405	₱4,534,143,705
Construction costs incurred		–	1,412,490,012	1,412,490,012
Gain on change in fair value		78,459,700	349,930,999	428,390,699
Capitalized borrowing costs	13	–	68,169,703	68,169,703
Initial direct leasing costs		–	13,029,134	13,029,134
Transfers	9	–	1,092,000	1,092,000
Balance at end of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253

There are no transfers between the levels of fair value hierarchy in 2018 and 2017.

11. **Property and Equipment**

The balances and movements of this account consist of:

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

		2017						
	Note	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Building and Building Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year		₱48,363,334	₱40,558,056	₱38,547,542	₱7,578,512	₱–	₱–	₱135,047,444
Additions		26,786	10,521,326	5,061,501	497,346	1,321,706	13,222,876	30,651,541
Disposals		–	(8,726,441)	(105,935)	–	–	–	(8,832,376)
Balance at end of year		48,390,120	42,352,941	43,503,108	8,075,858	1,321,706	13,222,876	156,866,609
Accumulated Depreciation and Amortization								
Balance at beginning of year		48,205,758	22,409,695	36,829,770	7,530,553	–	–	114,975,776
Depreciation and amortization	17	146,943	7,868,904	1,198,053	117,055	–	–	9,330,955
Disposals		–	(7,081,835)	(101,453)	–	–	–	(7,183,288)
Balance at end of year		48,352,701	23,196,764	37,926,370	7,647,608	–	–	117,123,443
Carrying Amount		₱37,419	₱19,156,177	₱5,576,738	₱428,250	₱1,321,706	₱13,222,876	₱39,743,166

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).

As at December 31, 2018 and 2017, fully depreciated property and equipment that are still being used by the Group amounted to ₱12.5 million and ₱10.5 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱0.6 million, ₱1.6 million and ₱1.9 million in 2018, 2017 and 2016, respectively, resulting in gain (loss) on disposal of nil in 2018, (₱0.5 million) in 2017 and ₱0.2 million in 2016 (see Note 19).

12. **Other Assets**

This account consists of:

	2018	2017
Input VAT	**₱242,016,373**	₱305,361,184
Prepaid:		
Commissions	**46,414,871**	21,030,625
Taxes	**34,694,439**	34,459,735
Debt issuance cost	**5,625,000**	–
Insurance	**3,046,177**	1,871,805
Rent	**2,356,510**	3,932,957
Others	**3,006,652**	1,118,622
Deposits	**59,239,173**	66,444,390
Amounts held in escrow	**56,514,398**	20,096,757
Deferred input VAT	**23,663,461**	16,864,439
Investment in time deposits	**21,032,000**	19,972,000
Materials and supplies	**1,519,807**	1,519,807
	₱499,128,861	₱492,672,321

Prepaid commissions pertain to the commission costs incurred to obtain a contract with customer. Amortization of prepaid commissions amounted to ₱16.4 million in 2018 (see Note 17).

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

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 follow (see Note 13):

	2018	2017
MTL	**₱30,136,500**	₱–
OLSA	**26,377,898**	20,096,757
	₱56,514,398	₱20,096,757

The outstanding loan balance under OLSA amounted to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively. The outstanding loan balance of MTL amounted to ₱684.9 million as at December 31, 2018 (see Note 13).

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 ₱0.1 million in 2018, ₱0.3 million in 2017 and ₱0.9 million in 2016 (see Note 6).

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

13. **Loans Payable**

This account consists of:

	2018	2017
Local bank loans	**₱4,082,252,132**	₱2,527,767,436
Private funders	**87,723,970**	1,741,124,980
	₱4,169,976,102	₱4,268,892,416

Movements of this account follow:

	2018	2017
Balance at beginning of year	**₱4,355,741,750**	₱3,256,599,287
Dacion en pago	**(1,857,695,691)**	–
Availments	**1,851,211,912**	2,050,662,463
Payments	**(152,000,000)**	(951,520,000)
Balance at end of year	**4,197,257,971**	4,355,741,750
Unamortized debt issue cost	**(27,281,869)**	(25,606,565)
Unamortized "Day 1" gain	**–**	(61,242,769)
	4,169,976,102	4,268,892,416
Less current portion of loans payable	**417,723,970**	1,841,124,980
Long term portion of loans payable	**₱3,752,252,132**	₱2,427,767,436

Movements in "Day 1" gain are as follow:

	Note	**2018**	2017
Balance at beginning of year		**₱61,242,769**	₱116,503,414
Amortization		**(51,086,712)**	(58,168,428)
Dacion en pago		**(10,156,057)**	–
Additions	19	**–**	2,907,783
Balance at end of year		**₱–**	₱61,242,769

Movements in debt issue cost are as follows:

	2018	2017
Balance at beginning of year	**₱25,606,565**	₱29,057,170
Additions	**5,175,000**	–
Amortization	**(3,499,696)**	(3,450,605)
Balance at end of year	**₱27,281,869**	₱25,606,565

Future repayment of the principal is as follows:

	2018	2017
Within one year	**₱417,723,970**	₱1,841,124,980
After one year but not more than three years	**60,375,000**	280,000,000
More than three years	**3,719,159,001**	2,234,616,770
	₱4,197,257,971	₱4,355,741,750

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 3.5% to 7.15% p.a. in 2018 and 3.0% to 5.81% p.a. in 2017.

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

Purpose	Security	Effective interest rate (p.a.)	2018	2017
Construction of ACPT	Payable on a quarterly basis starting 4th quarter of 2019; secured by ACPT with carrying amount of ₱3,438.4 million and ₱4,579.2 million as at December 31, 2018 and 2017, respectively (see Note 10), and an escrow account amounting to ₱26.4 million and ₱20.1 million as at December 31, 2018 and 2017, respectively (see Note 12).	5.81%	**₱1,779,758,041**	₱1,497,767,436
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, 2018 and 2017 (see Note 9).	5.77%	**1,287,620,000**	650,000,000
Acquisition of land	Payable on a quarterly basis within three (3) years from the date of initial drawdown until August 29, 2023; secured by raw land of SLDC with carrying amount of ₱942.8 million as at December 31, 2018 (see Note 9) and an escrow account amounting to ₱30.1 million as at December 31, 2018 (see Note 12).	7.15%	**684,874,091**	–
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 and ₱1,317.5 million as at December 31, 2018 and 2017, respectively (see Note 10).	5.12%	**230,000,000**	280,000,000
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 31, 2018.	6.00%	**100,000,000**	–
Working fund	Payable monthly until June 11, 2018; secured by Arya Residences condominium units with carrying amount of ₱102.9 million as at December 31, 2017 (see Note 9).	3.50%	**–**	100,000,000
			₱4,082,252,132	₱2,527,767,436

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 21 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 (see Note 12).

- The Parent Company is required to maintain 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 ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, 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:

	2018	2017
Total liabilities	**₱2,197,482,011**	₱1,967,491,406
Total equity	**4,404,224,615**	4,535,384,733
	0.50:1.00	0.43:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2018 and 2017.

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, 2018 and 2017, together with any improvements thereon, located in Cebu City (see Note 9).

- 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 ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively.

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. In 2018, SLDC received the drawdowns amounting to ₱684.9 million.

The MTL is secured by (i) unregistered real estate mortgage over the three (3) parcels of land located in Taguig City; (ii) corporate continuing suretyship of the Parent Company until completion of Tower 1 construction and 100% sale of units therein; and (iii) a ₱30.1 million time deposit in the name of SLDC (see Note 12).

Private Funders

Details of outstanding balances of loans from private funders as at December 31 follow:

Purpose	Terms	Effective interest rate (p.a.)	2018	2017
Working fund	Payable in full on June 5, 2019, unsecured	3.50%	**₱40,000,000**	₱40,000,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	**16,302,970**	16,302,970
Working fund	Payable in full on April 1, 2019, unsecured	3.50%	**16,276,000**	16,276,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	**15,145,000**	17,145,000
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.75%	**–**	1,591,325,936
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.16%	**–**	60,075,074
			₱87,723,970	₱1,741,124,980

Construction of ACPT. The Parent Company entered into non-interest bearing loan agreements for ₱1,650.6 million with Centrobless Corporation (Centrobless) in 2015 and for ₱207.1 million with Signature Office Property, Inc. (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 and ₱80.9 million in 2016 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. 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	2018	2017	2016
Investment properties	10	**₱104,494,260**	₱68,169,703	₱25,966,509
Real estate for sale	9	**68,332,597**	36,653,151	28,615,156
		₱172,826,857	₱104,822,854	₱54,581,665

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 9).

Interest Expense
Total interest expense charged under "Finance costs" consists of the following (see Note 18):

	2018	2017	2016
Interest expense on interest-bearing loans and due to a related party	**₱21,785,948**	₱19,750,114	₱30,660,856
Amortization of "day 1" gain on loan discounting	**51,086,712**	58,168,428	48,879,359
	₱72,872,660	₱77,918,542	₱79,540,215

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2018	2017
Accounts payable:			
Third parties		**₱178,485,778**	₱163,047,794
Related party	23	**2,856,448**	8,424,024
Due to Arcosouth's stockholders		**495,919,597**	–
Deferred output VAT		**361,197,971**	15,466,182
Retention payable		**333,284,476**	329,929,213
Accrued:			
Interest		**56,636,579**	39,878,050
Personnel costs		**11,785,055**	10,505,375
Construction cost		**–**	27,131,801
Others		**25,454,109**	36,124,543
Security deposits	21	**70,254,092**	17,032,517
Advance rent	21	**53,279,878**	10,787,533
Construction bonds		**25,379,501**	5,005,393
Withholding taxes payable		**13,645,930**	11,309,420
Payable to buyers		**13,459,550**	18,998,136
Dividend payable		**5,056,961**	4,597,364
Income tax payable		**1,696,980**	–
Others		**7,455,108**	4,507,114
		₱1,655,848,013	₱702,744,459

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to Group's contractors and suppliers.

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 non-interest bearing and payable on demand.

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.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

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.

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.

Payable to buyers include reservation fees and collections received from prospective lessees, which are and to be applied as security deposits upon execution of lease contracts.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividend payables.

15. **Equity**

The details of the Parent Company's number of common and preferred shares follow:

	2018		2017		2016	
	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	**32,500,000**	**5,318,095,199**	32,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

As at December 31, 2018 and 2017, the Parent Company has issued and outstanding preferred shares of ₱32.5 million.

On August 30, 2016, the Parent Company's BOD and stockholders approved the increase in authorized capital stock of ₱50.0 million consisting of 50 million preferred shares at ₱1.00 par value a share. The increase in authorized capital stock was approved by the SEC on September 22, 2016.

Of the ₱50.0 million increase in authorized capital stock, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A" preferred shares) to MPI and 20.0 million preferred shares (the "Series B" 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 (see Note 1). MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

The Parent Company recognized additional paid-in capital related to the issuance of Series B preferred shares amounting to ₱1,980.0 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 B preferred shares to the public amounted to ₱26.4 million consisting of ₱2.8 million which was charged to profit or loss and ₱23.6 million which was recognized as reduction to additional paid-in capital.

Common Shares

As at December 31, 2018 and 2017, 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

The Parent Company has 1,955 and 1,979 shareholders as at December 31, 2018 and 2017, 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 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		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,141	Common	0.012

16. Revenues

The Group's revenues are as follows:

	Note	**2018**	2017	2016
Real estate sales of:				
Cebu Exchange		**₱844,954,726**	₱–	₱–
Arya Residences		**147,639,118**	433,964,838	439,160,673
Leasing revenue	21	**132,436,268**	22,997,690	8,103,925
Project management fees		**7,439,974**	6,576,066	3,810,463
		₱1,132,470,086	₱463,538,594	₱451,075,061

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences, in which rent income is recognized on a straight-line basis under PAS 17, *Lease*s.

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:

	2018	2017	2016
Administrative	**₱325,187,083**	₱273,749,586	₱295,722,649
Selling and marketing	**72,423,411**	48,493,636	66,767,530
	₱397,610,494	₱322,243,222	₱362,490,179

Details of operating expenses by nature are as follows:

	Note	2018	2017	2016
Personnel costs		**₱176,647,311**	₱129,061,896	₱132,082,771
Advertising		**45,266,318**	36,792,147	43,239,749
Management and professional fees		**31,867,665**	33,152,440	33,341,170
Commissions		**27,157,093**	11,701,489	23,527,781
Communication and office expenses		**20,057,547**	21,378,435	18,242,802
Transportation and travel		**18,787,861**	7,856,509	5,593,670
Taxes and licenses		**17,671,357**	33,321,044	58,472,179
Depreciation and amortization	11	**15,449,610**	9,330,955	8,214,176
Rent	21	**14,498,091**	13,908,352	10,357,319
Insurance		**12,886,192**	9,908,865	12,074,379
Utilities		**8,315,942**	1,416,796	8,062,059
Repairs and maintenance		**2,792,489**	2,360,720	2,181,796
Representation		**672,727**	1,435,959	3,018,354
Others		**5,540,291**	10,617,615	4,081,974
		₱397,610,494	₱322,243,222	₱362,490,179

Personnel costs consist of:

	Note	2018	2017	2016
Salaries and other employee benefits		**₱140,910,996**	₱119,314,335	₱122,737,761
Retirement expense	20	**35,736,315**	9,747,561	9,345,010
		₱176,647,311	₱129,061,896	₱132,082,771

18. Finance Costs

This account consists of:

	Note	2018	2017	2016
Interest expense	13	**₱72,872,660**	₱77,918,542	₱79,540,215
Bank charges		**774,628**	2,744,698	808,130
		₱73,647,288	₱80,663,240	₱80,348,345

19. **Other Income** - Net

This account consists of:

	Note	2018	2017	2016
Gain on settlement of loans payable	13	**₱319,553,431**	₱–	₱–
Realized gain on disposals of financial assets at FVPL	7	**14,190,431**	37,576,414	17,310,183
Loss on sale of investment properties	10	**(8,334,033)**	–	–
Unrealized holding gains (loss) on financial assets at FVPL	7	**(6,385,529)**	1,874,352	5,856,676
Interest income	6	**6,088,906**	14,245,251	10,692,204
Foreign exchange gains		**906,754**	83,998	600,156
Forfeited collections		**–**	10,657,784	31,696,556
"Day 1" gain on loan discounting	13	**–**	2,907,783	80,883,656
Gain (loss) on disposal of property and equipment	11	**–**	(475,131)	185,888
Others		**13,100,733**	572,867	417,879
		₱339,120,693	₱67,443,318	₱147,643,198

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 February 22, 2019):

Breakdown of retirement expense is as follow (see Note 17):

	2018	2017	2016
Current service cost	**₱7,879,934**	₱7,205,814	₱7,272,293
Interest cost	**2,033,107**	2,541,747	2,072,717
Past service cost	**25,823,274**	–	–
	₱35,736,315	₱9,747,561	₱9,345,010

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 for the year.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2018	2017	2016
Balance at beginning of year	**₱50,668,546**	₱47,244,365	₱40,801,518
Current service cost	**7,879,934**	7,205,814	7,272,293
Interest cost	**2,033,107**	2,541,747	2,072,717
Past service cost	**25,823,274**	–	–
Contribution to retirement plan assets	**(5,000,000)**	–	–
Remeasurement gains on:			
Change in financial assumptions	**(9,240,813)**	(1,360,050)	(2,902,163)
Experience adjustments	**(6,066,417)**	(4,963,330)	–
Return on retirement plan asset	**(8,633)**	–	–
Balance at end of year	**₱66,088,998**	₱50,668,546	₱47,244,365

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2018 and 2017 are as follows:

	2018	2017
Present value of retirement liability	**₱71,097,631**	₱50,668,546
Fair value of plan assets	**(5,008,633)**	–
	₱66,088,998	₱50,668,546

Changes in the present value of the retirement liability are as follows:

	2018	2017	2016
Balance at beginning of year	**₱50,668,546**	₱47,244,365	₱40,801,518
Current service cost	**7,879,934**	7,205,814	7,272,293
Interest cost	**2,033,107**	2,541,747	2,072,717
Past service cost	**25,823,274**	–	–
Remeasurement gains on:			
Change in financial assumptions	**(9,240,813)**	(1,360,050)	(2,902,163)
Experience adjustments	**(6,066,417)**	(4,963,330)	–
Balance at end of year	**₱71,097,631**	₱50,668,546	₱47,244,365

Changes in the fair value of plan assets are as follows:

	2018
Balance at beginning of year	₱–
Contribution to retirement plan assets	5,000,000
Remeasurement gain on return on plan assets	8,633
Balance at end of year	₱5,008,633

Plan assets are composed of trust accounts.

The cumulative remeasurement gains on net retirement liability recognized in OCI as at December 31 are as follows:

	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

	2016		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱1,415,016	₱424,505	₱990,511
Remeasurement gains	2,902,163	870,649	2,031,514
Balance at end of year	₱4,317,179	₱1,295,154	₱3,022,025

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2018	2017
Discount rate	**7.53%**	5.70%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**23.6**	24.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2018 and 2017 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2018	**+1%**	**(₱3,905,406)**	**₱4,737,145**
	-1%	**4,663,430**	**(4,026,486)**
December 31, 2017	+1%	(₱3,758,936)	₱4,149,890
	-1%	4,543,249	(3,508,485)

The expected future benefit payments are as follows:

Financial Year	Amount
2019	₱29,879,658
2020	1,709,998
2021-2026	25,258,191

21. **Commitments**

Operating Lease Commitments - Group as Lessor

The Parent Company entered into various 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.

Leasing revenue recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 16). Lease receivables amounted to ₱30.4 million as at December 31, 2018. Accrued rent receivable amounted to ₱52.0 million and ₱21.0 million as at December 31, 2018 and 2017, respectively (see Note 8). Advance rent from tenants amounted to ₱53.3 million and ₱10.8 million as at December 31, 2018 and 2017, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱70.3 million and ₱17.0 million in 2018 and 2017, respectively (see Note 14).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Within one year	**₱164,000,835**	₱51,106,339
After one year but not more than five years	**803,023,438**	297,618,072
More than five years	**127,208,392**	95,598,057
	₱1,094,232,665	₱444,322,468

Operating Lease Commitments - Group as 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.

Rent expense recognized from this operating lease amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 17).

22. **Income Taxes**

The components of income tax expense are as follows:

	Note	**2018**	2017	2016
Reported in Profit or Loss				
Current income tax expense:				
RCIT		**₱91,047,356**	₱13,636,823	₱72,606,507
Final taxes		**5,436,777**	11,680,051	6,129,472
Gross income tax (GIT)		**1,970,310**	–	–
MCIT		**186,560**	17,560	141,658
		98,641,003	25,334,434	78,877,637
Deferred income tax expense		**67,094,603**	59,906,329	276,138,112
		₱165,735,606	₱85,240,763	₱355,015,749
Reported in OCI				
Deferred tax expense (benefit) related to remeasurement gains on net retirement liability	20	**(₱4,594,759)**	₱1,897,014	₱870,649

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and deferred tax liabilities are as follows:

	2018	2017
Deferred tax assets:		
NOLCO	**₱66,349,661**	₱67,022,883
Retirement liability	**19,826,699**	15,200,564
Advance rent	**7,850,736**	3,231,460
Excess MCIT over RCIT	**282,245**	141,658
Allowance for impairment losses	**110,488**	110,488
Unrealized foreign exchange loss	**49,001**	–
	₱94,468,830	₱85,707,053
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	**₱773,122,593**	₱738,047,510
Excess of financial over taxable gross profit	**44,761,616**	–
Transfer of fair value to property and equipment	**13,478,435**	–
Capitalized debt issue costs	**10,351,816**	10,351,816
Accrued rent receivable	**9,733,521**	6,292,264
Depreciation of investment properties	**5,724,684**	3,913,568
Foreign exchange gains	**321,027**	25,199
"Day 1" gain on loan discounting	**–**	18,372,831
	857,493,692	777,003,188
Net deferred tax liabilities	**₱763,024,862**	₱691,296,135

Deferred tax assets and deferred tax liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Net deferred tax asset	**₱16,197,731**	₱61,212,233
Net deferred tax liabilities	**779,222,593**	752,508,368
	₱763,024,862	₱691,296,135

As at December 31, 2018 and 2017, the Group did not recognize deferred tax assets relating to the following:

	2018	2017
NOLCO	**₱3,610,919**	₱3,587,596
Excess MCIT over RCIT	**45,973**	39,365
Accrued rent	**4,800**	4,800
	₱3,661,692	₱3,631,761

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
2018	₱–	₱6,397,876	₱–	₱–	₱6,397,876	2021
2017	175,937,705	–	–	–	175,937,705	2020
2016	58,602,053	–	7,735,700	–	50,866,353	2019
2015	828,504	–	–	828,504	–	2018
	₱235,368,262	₱6,397,876	₱7,735,700	₱828,504	₱233,201,934	

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2018	₱–	₱186,560	₱–	₱–	₱186,560	2021
2017	17,560	–	–	–	17,560	2020
2016	141,658	–	17,560	–	124,098	2019
2015	21,805	–	21,805	–	–	2018
	₱181,023	₱186,560	₱39,365	₱–	₱328,218	

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 follow:

	2018	2017	2016
Income tax computed at statutory tax rate	**₱166,305,856**	₱67,092,224	₱353,229,637
Add (deduct) tax effect of:			
Income subject to GIT	**(7,573,344)**	–	–
Nondeductible expenses and nontaxable income	**7,426,287**	20,122,883	12,377,366
Unrealized holding loss (gains) on financial assets at FVPL	**1,915,659**	(562,306)	(1,757,003)
Realized gain on disposals of financial assets at FVPL subjected to final tax	**(1,866,346)**	(2,584,244)	(1,081,306)
Interest income subjected to final tax	**(750,988)**	(1,282,203)	(1,189,939)
Expired NOLCO	**248,551**	265,354	–
Change in unrecognized deferred tax assets	**29,931**	2,189,055	504,532
Stock issuance costs	**–**	–	(7,067,538)
	₱165,735,606	₱85,240,763	₱355,015,749

PEZA Registration

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise. 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 2018	Amount of Transactions 2017	Outstanding Balance 2018	Outstanding Balance 2017
Due from a Related Party							
CPG	Principal stockholder	8	Share purchase agreement	**₱–**	₱–	**₱36,052,873**	₱36,052,873
Loans Payable		13					
Centrobless	Entity under common management		Non-interest bearing loans	**₱–**	₱–	**₱–**	₱1,591,325,936
SOPI	Entity under common management		Non-interest bearing loans	**145,051,912**	62,000,000	**–**	60,075,074
						₱–	₱1,651,401,010
Accounts Payable							
CPG	Principal stockholder	14	Management fee	**₱10,387,085**	₱8,424,024	**₱2,856,448**	₱8,424,024
Due to a Related Party							
Rock & Salt B.V.	Non-controlling interest		Advances for project development	**₱100,000,000**	₱36,876,855	**₱386,666,691**	₱286,666,691
			Interest expense	**11,831,496**	9,104,077	**28,749,980**	16,918,034

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2018 and 2017 arising from the 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.

Loans Payable

Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 13).

Management Fee

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
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 ₱386.7 million and ₱286.7 million and recognized interest expense of ₱11.8 million and ₱9.1 million as at December 31, 2018 and 2017, respectively.

Compensation of Key Management Personnel
The compensation of key management personnel are as follows:

	2018	2017	2016
Salaries and other employee benefits	**₱77,960,692**	₱72,981,021	₱63,395,457
Retirement expense	**24,095,262**	4,782,219	4,830,248
	₱102,055,954	₱77,763,240	₱68,225,705

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		**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 a related party	**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**

		Financing Cash Flows		Non-cash Changes			
	2016	Availments/ Declaration	Payments	Day 1 Gain	Amortization of Day 1 gain	Amortization of Debt Issue Cost	2017
Loans payable	₱3,111,038,703	₱2,050,662,463	(₱951,520,000)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱4,268,892,416
Due to a related party	249,789,836	36,876,855	–	–	–	–	286,666,691
Dividends payable	4,748,691	204,733,142	(204,884,469)	–	–	–	4,597,364
	₱3,365,577,230	₱2,292,272,460	(₱1,156,404,469)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱4,560,156,471

25. **Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company	**₱333,479,516**	₱191,850,580	₱840,225,824
Less share of Series B Preferred Shares	**(140,916,000)**	(140,916,000)	(35,229,000)
	192,563,516	50,934,580	804,996,824
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.0362**	₱0.0096	₱0.1514

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 advances for project development and accrued rent receivable under straight-line basis of accounting), deposits, amounts held in escrow, investment in time deposits, loans payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and due to a related party.

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 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 on the part of its counterparty in fulfilling 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 and other financial assets at amortized cost. The carrying amounts of financial assets at amortized costs and contract assets 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, 2018 and 2017, 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 such as cash and cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing its cash 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; and
- Actual or expected significant adverse changes in the operating results of the borrower.

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 investment 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.

	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*	**₱326,599,590**	**₱–**	**₱–**	**₱–**	**₱326,599,590**
Financial assets at FVPL	**–**	**–**	**–**	**154,828,061**	**154,828,061**
Receivables**	**154,116,267**	**30,385,699**	**368,292**	**–**	**184,870,258**
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**
	₱617,501,428	**₱815,583,643**	**₱368,292**	**₱154,828,061**	**₱1,588,281,424**

**Excludes cash on hand amounting to ₱80,000.*
***Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million.*

	2017				
	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*	₱721,760,236	₱–	₱–	₱–	₱721,760,236
Financial assets at FVPL	–	–	–	387,879,631	387,879,631
Receivables**	65,029,531	–	368,292	–	65,397,823
Deposits	66,444,390	–	–	–	66,444,390
Amounts held in escrow	20,096,757	–	–	–	20,096,757
Investment in time deposits	19,972,000	–	–	–	19,972,000
	₱893,302,914	₱–	₱368,292	₱387,879,631	₱1,281,550,837

**Excludes cash on hand amounting to ₱35,000.*
***Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱121.2 million.*

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, 2018 and 2017:

	2018					
	Due and Payable on Demand	**Less than 1 Year**	**1-2 Years**	**2-3 Years**	**Over 3 Years**	**Total**
Loans payable	**₱–**	**₱719,673,302**	**₱339,455,490**	**₱200,456,964**	**₱2,937,672,214**	**₱4,197,257,970**
Accounts payable and other liabilities*	**333,284,476**	**879,283,228**	**–**	**–**	**–**	**1,212,567,704**
Due to a related party	**386,666,691**	**–**	**–**	**–**	**–**	**386,666,691**
	₱719,951,167	**₱1,598,956,530**	**₱339,455,490**	**₱200,456,964**	**₱2,937,672,214**	**₱5,796,492,365**

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million as at December 31, 2018.*

	2017					
	Due and Payable on Demand	Less than 1 year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱–	₱2,061,304,423	₱375,676,029	₱88,508,029	₱2,015,885,135	₱4,541,373,616
Accounts payable and other liabilities*	329,929,213	316,253,975	–	–	–	646,183,188
Due to a related party	286,666,691	–	–	–	–	286,666,691
	₱616,595,904	₱2,377,558,398	₱375,676,029	₱88,508,029	₱2,015,885,135	₱5,474,223,495

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱56.6 million as at December 31, 2017.*

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:

	2018	2017
Total liabilities	**₱7,078,187,677**	₱6,183,192,941
Total equity	**5,258,278,086**	5,063,618,825
Debt-to-equity ratio	**1.35:1.00**	1.22:1.00

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:

			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	**₱154,828,061**	**₱154,828,061**	**₱–**	**₱–**
Investment properties	10	**5,901,514,575**	**–**	**689,974,781**	**5,211,539,794**
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	**59,239,173**	**–**	**–**	**45,737,104**
		₱6,115,581,809	**₱154,828,061**	**₱689,974,781**	**₱5,257,276,898**
Liability for which fair value is disclosed -					
Loans payable	13	**₱4,169,976,102**	**₱–**	**₱–**	**₱4,082,252,132**

			2017		
			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	₱387,879,631	₱387,879,631	₱–	₱–
Investment properties	10	6,457,315,253	–	560,559,000	5,896,756,253
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	66,444,390	–	–	58,564,457
		₱6,911,639,274	₱387,879,631	₱560,559,000	₱5,955,320,710
Liability for which fair value is disclosed -					
Loans payable	13	₱4,268,892,416	₱–	₱–	₱4,318,118,823

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

Financial Assets and 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 ACPT, Arya Residences and raw land were determined using land development approach, discounted cash flow approach and market data approach, respectively.

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, 2018 and 2017:

	2018	2017
Financial assets:		
Cash and cash equivalents	**₱326,679,590**	₱721,795,236
Receivables*	**184,501,966**	65,029,531
Amounts held in escrow	**56,514,398**	20,096,757
Investment on time deposits	**21,032,000**	19,972,000
	₱588,727,954	₱826,893,524
Financial liabilities:		
Accounts payable and other liabilities**	**₱1,212,567,704**	₱646,183,188
Due to a related party	**386,666,691**	286,666,691
	₱1,599,234,395	₱932,849,879

**Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million and ₱121.2 million as at December 31, 2018 and 2017, respectively.*
***Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million and ₱56.6 million as at December 31, 2018 and 2017, respectively.*

Cash and Cash Equivalents, Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Due to a Related Party. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Investment on Time Deposits. The estimated fair value of investment on 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, 2018 and 2017 are as follows:

	Note	**2018**	2017
Current Assets			
Cash and cash equivalents	6	**₱326,679,590**	₱721,795,236
Financial asset at FVPL	7	**154,828,061**	387,879,631
Receivables	8	**742,932,730**	186,274,230
Contract assets	5	**785,197,944**	–
Real estate for sale	9	**3,412,713,425**	2,646,731,618
CWT		**259,819,891**	253,188,078
Other assets*	12	**395,194,227**	389,391,492
		₱6,077,365,868	₱4,585,260,285

**Excludes investment in time deposits, non-current portion of deposits and deferred input VAT amounting to ₱103.9 million and ₱103.3 million as at December 31, 2018 and 2017, respectively.*

	Note	**2018**	2017
Current Liabilities			
Current portion of loans payable***	13	**₱417,723,970**	₱1,841,124,980
Accounts payable and other liabilities	14	**1,655,848,013**	702,744,459
Contract liabilities	5	**20,385,280**	121,712,461
Due to a related party	23	**386,666,691**	286,666,691
		₱2,480,623,954	₱2,952,248,591

****Excludes long term portion of loans payable aggregating to ₱3,752.3 million and ₱2,427.8 million as at December 31, 2018 and 2017, respectively.*

29. Operating Segment Information

The Group is organized into one reportable segment which is the development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

30. Events After Reporting Period

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 B preferred shares	February 21, 2019	March 1, 2019	March 6, 2019	₱35,229,000	₱1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2018.

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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, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated March 20, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,942 stockholders owning one hundred (100) or more shares each as at December 31, 2018.

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. 08-005144-012-2017
Valid until March 8, 2020
PTR No. 7334342
Issued January 3, 2019, Makati City

March 20, 2019
Makati City, Metro Manila

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, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 included in this Form 17-A and have issued our report thereon dated March 20, 2019. 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:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Michelle R. Mendoza-Cruz

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. 08-005144-012-2017
Valid until March 8, 2020
PTR No. 7334342
Issued January 3, 2019, Makati City

March 20, 2019
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators in the years 2018, 2017 and 2016.

	2018	2017	2016
Current/Liquidity Ratio	**2.45**	1.55	3.08
Current assets	**₱6,077,365,868**	₱4,585,260,285	₱5,437,043,804
Current liabilities	**2,480,623,954**	2,952,248,591	1,765,172,093
Solvency Ratio	**0.06**	0.02	0.17
Net income before depreciation	**404,066,856**	147,730,940	830,630,551
Total liabilities	**7,078,187,677**	6,183,192,941	4,952,055,797
Debt-to-Equity Ratio	**1.35**	1.22	0.97
Total liabilities	**7,078,187,677**	6,183,192,941	4,952,055,797
Total equity	**5,258,278,086**	5,063,618,825	5,109,587,034
Debt-to-Equity Ratio	**0.79**	0.52	0.31
Interest-bearing liabilities	**4,169,976,102**	2,617,491,406	1,576,898,339
Total equity	**5,258,278,086**	5,063,618,825	5,109,587,034
Asset-to-Equity Ratio	**2.35**	2.22	1.97
Total assets	**12,336,465,763**	11,246,811,766	10,061,642,831
Total equity	**5,258,278,086**	5,063,618,825	5,109,587,034
Interest Rate Coverage Ratio	**8.61**	3.87	15.80
Pretax income before interest	**627,225,512**	301,559,290	1,256,972,339
Interest expense	**72,872,660**	77,918,542	79,540,215
Profitability Ratio	**0.07**	0.03	0.16
Net income	**388,617,246**	138,399,985	822,416,375
Total equity	**5,258,278,086**	5,063,618,825	5,109,587,034

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2018

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2018

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	12,691,811	12,691,811	–	
Philippine National Bank	8,590,002	8,590,002	–	
Bank of the Philippines	23,797,925	23,797,925	–	
Allied Bank	648,344	648,344	–	
Others	798,606	798,606	–	
	46,526,688	46,526,688	–	1,070,232
Short-term Placements:				
Bank of the Philippines	111,660,600	111,660,600	111,660,600	
Banco De Oro	165,082,765	165,082,765	165,082,765	
Bank of Makati	2,122,288	2,122,288	2,122,288	
Security Bank	1,207,249	1,207,249	1,207,249	
	280,072,902	280,072,902	280,072,902	4,898,195
Deposits	59,239,173	59,239,173	–	–
Unit Investment Trust Fund	154,828,061	154,828,061	154,828,061	–
Investment in Time Deposit	21,032,000	21,032,000	–	120,479
Amounts Held in Escrow	56,514,398	56,514,398	–	–
	₱618,293,222	₱618,293,222	₱434,900,963	₱6,088,906

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018

			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 a Related Party -							
CPG Holdings, Inc.	₱36,052,873	₱–	₱–	₱–	₱36,052,873	₱–	₱36,052,873

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018

			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:							
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	**₱59,257,734**	₱3,255,425	(₱208,839)	₱–	₱62,304,320	₱–	**₱62,304,320**
Cebu Lavana Land Corp.	**270,000,000**	177,669,561	(164,772)	–	447,504,789	–	**447,504,789**
Savya Land Development Corporation	**1,042,812,933**	27,826,508	(573,258,049)	–	497,381,392		**497,381,392**
Emera Property Management, Inc.	**1,328,813**	1,983,338	(3,312,151)	–	–	–	**–**
Cazneau, Inc.	**354,362,919**	129,585,519	(130,968)	–	483,817,470	–	**483,817,470**
Zileya Land Development, Inc.	**106,434,006**	524,530,799	(277,941,361)	–	353,023,444	–	**353,023,444**
Manchesterland Properties, Inc.	**314**	424,689	(424,689)	–	314	–	**314**
	₱1,834,196,719	₱865,275,839	(₱855,440,829)	₱–	₱1,844,031,729	₱–	**₱1,844,031,729**
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	**₱133,547,340**	₱–	₱–	₱–	₱133,547,340	₱–	**₱133,547,340**
Advances from subsidiaries:							
Manchesterland Properties, Inc.	**₱279,935,235**	₱1,223,040	₱–	₱–	₱281,158,275	₱–	**₱281,158,275**
Cebu Lavana Land Corp.	**267,122**	–	–	–	267,122	–	**267,122**
	₱280,202,357	₱1,223,040	₱–	₱–	₱281,425,397	₱–	**₱281,425,397**

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2018

			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	₱2,000,000,000	₱–	₱1,779,758,041	5.81%	At end of term	July 31, 2025
Bank 2	100,000,000	100,000,000	–	5.41%	At end of term	August 16, 2019
Bank 3	300,000,000	230,000,000	–	5.12%	Quarterly	July 5, 2019
Bank 4	2,350,000,000	–	1,287,620,000	5.77%	Quarterly	July 31, 2021
Bank 5	1,440,000,000	–	684,874,091	4.00%	Quarterly	August 29, 2023
Various Loan from private funders	87,723,970	87,723,970	–	3.5%	Renewable on maturity	January 21, 2019, April 1, 2019, June 5, 2019
	₱6,277,723,970	₱417,723,970	₱3,752,252,132			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2018

Name of related party	Balance at beginning of year	Balance at end of year
Centrobless Corporation	₱1,591,325,936	₱–
Signature Office Property, Inc.	60,075,074	–
	₱1,651,401,010	₱–

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2018

				Number of shares held by		
Title of Issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under the related balance sheet caption**	**Number of shares reserved for options, warrants, conversion and other rights**	**Related parties**	**Directors, officers and employees**	**Others**
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	3,401,239,820	9	1,916,855,370
Preferred shares - ₱1.00 par value per share	50,000,000	32,500,000	–	12,500,000	–	20,000,000

ARTHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE OF USE OF PROCEEDS
DECEMBER 31, 2018

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:

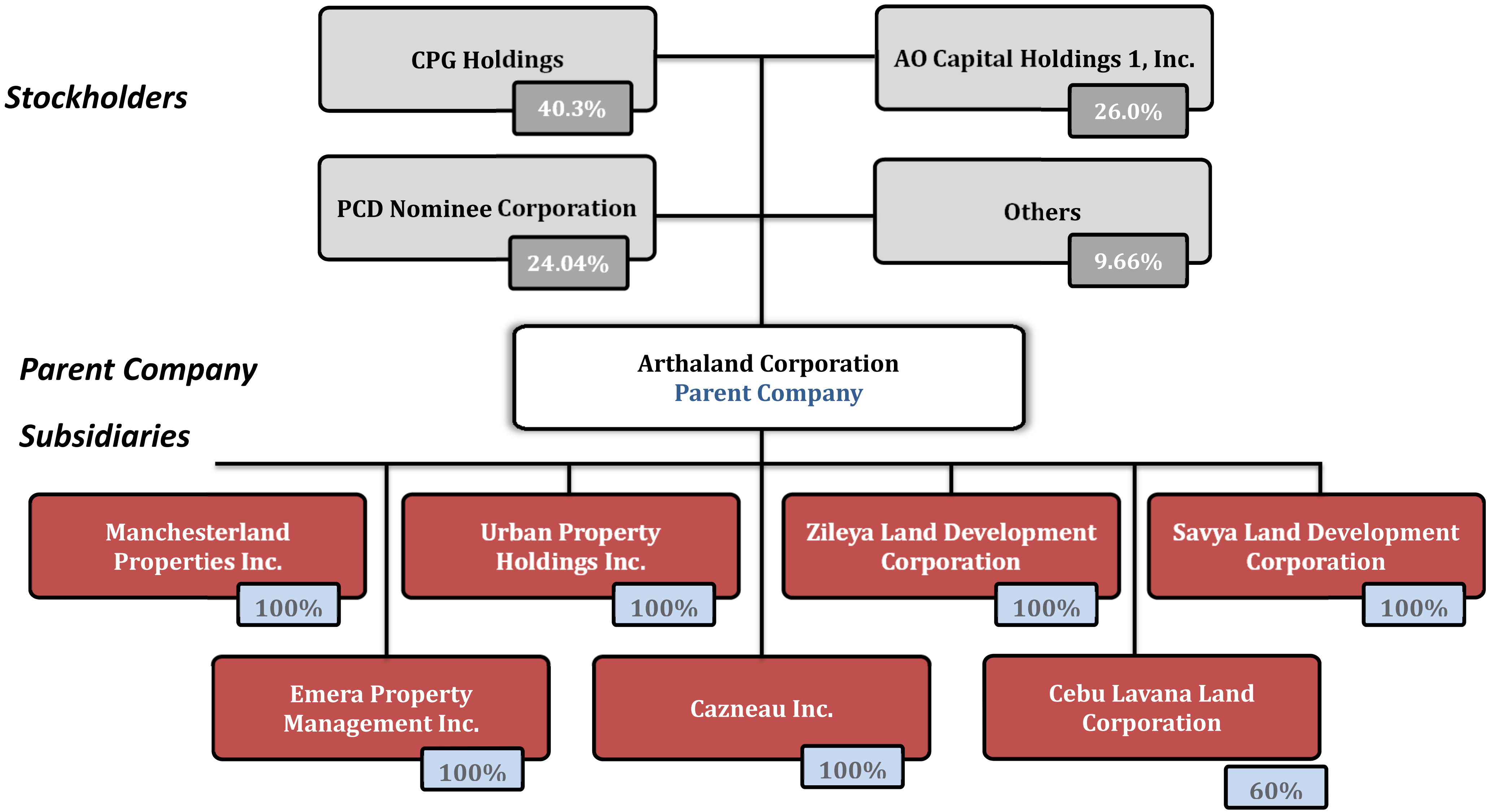
Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2018	Balance for Disbursement as at December 31, 2018
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱–
Makati CBD Residential Project	371.6	371.6	358.7	12.9
Binan Laguna Project	331.9	331.9	164.3	167.6
Partial repayment 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**	**₱1,792.4**	**₱180.5**

ARTHALAND CORPORATION

SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated Retained Earnings, beginning		₱1,506,737,665
Adjustments:		
Cumulative gain on change in fair value of investment properties	(874,791,338)	
Unamortized "day 1" gain on loans payable	(42,869,938)	
Unrealized holding gains on financial assets at FVPL	(1,752,251)	
Accumulated depreciation and amortization of investment properties	(454,603)	(919,868,130)
Unappropriated Retained Earnings, as adjusted, beginning		586,869,535
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	63,136,465	
Realized holding gains on financial assets at FVPL	1,752,251	64,888,716
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(157,812,227)	
Reversal of gain on change in fair value of investment properties	281,900,530	
Reversal of gain on change in fair value due to disposal of parking slots	824,438	
Unrealized holding losses on financial assets at FVPL	6,759,981	
Depreciation and amortization of investment properties	(222,068)	131,450,654
Add: Non-actual losses		
Disposal of day 1 gain due to dacion en pago	7,109,240	
Amortization of "day 1" gain on loan discounting	35,760,698	42,869,938
Cash dividends		(204,733,142)
Unappropriated Retained Earnings, as adjusted, ending		₱621,345,701

CONGLOMERATE MAP



COVER SHEET

9 4 0 0 7 1 6 0

SEC Registration Number

A R T H A L A N D   C O R P O R A T I O N

(Company's Full Name)

7 F   A R T H A L A N D   C E N T U R Y   P A C I F I C   T O W E R
5 T H   A V E N U E   C O R N E R   3 0 T H   S T R E E T
B O N I F A C I O   G L O B A L   C I T Y
T A G U I G   C I T Y

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

FERDINAND A. CONSTANTINO	(+632) 403-6910
(Contact Person)	(Company Telephone Number)

1 2	3 1	1 7 - Q	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

1,958		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

ARTHALAND CORPORATION
(Company's Full Name)

7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street
Bonifacio Global City, Taguig City
(Company's Address)

403-6910
(Telephone Number)

December 31	**June 30**
(Fiscal year ending) (month & day)	(Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT
(Form Type)

Amendment Designation (If applicable)

September 30, 2019
(Period Ended Date)

(Secondary License Type & File Number)

LCU

(Cashier)

DTU

ASO-94-007160
(SEC Number)

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended *September 30, 2019*

2. Commission Identification No. *ASO-94-007160*

3. BIR TIN *004-450-721-0000*

4. Exact name of registrant as specified in its character

   ARTHALAND CORPORATION

5. Incorporated in Metro Manila, Philippines on *August 10, 1994*.

6. Industry Classification Code ___________________________(SEC Use Only).

7. Address of registrant's principal office   Postal Code

   7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street,
   Bonifacio Global City, Taguig City   ***1634***

8. Registrant's Telephone Number : *8403-6910*

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

10. Securities registered pursuant to Sections 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 the securities listed on the Philippine Stock Exchange?
    YES [X]   **NO [ ]**

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B and C ONLY.

12. Indicate by check mark whether the registrant :
    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    YES [X]   **NO [ ]**
    (b) has been subject to such filing requirements for the past 90 days.
    YES [X]   **NO [ ]**

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

See attached.

PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **ARTHALAND CORPORATION**

Signature and Title : **JAIME C. GONZALEZ**
President

Signature and Title : **FERDINAND A. CONSTANTINO**
Chief Finance Officer

Date : October 23, 2019

ITEM 1. Financial Statements Required under SRC RULE 68.1

1. Basic and Diluted Earnings per Share (See attached Income Statement).

2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).

3. Notes to Financial Statements:

   a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.

   b. There is no significant seasonality or cycle of interim operations.

   c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.

   d. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.

   e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.

   f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

   g. 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 since the last annual balance sheet date.

   h. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.

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

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

	Notes	**SEPTEMBER 30 2019 (Unaudited)**	DECEMBER 31 2018 (Audited)
ASSETS			
Cash and cash equivalents	4	**P 382,678,857**	P 326,679,590
Financial assets at fair value through profit or loss (FVPL)	5	**186,149,270**	154,828,061
Trade and other receivables	6	**776,643,695**	742,932,730
Contract Assets	7	**1,252,604,544**	785,197,944
Real estate for sale	8	**5,359,584,772**	3,412,713,425
Investment properties	9	**6,950,321,017**	5,901,514,575
Property and equipment	10	**271,868,245**	237,452,955
Net deferred tax assets		**46,461,777**	16,197,731
Creditable withholding taxes		**314,342,190**	259,819,891
Other assets	11	**720,918,928**	499,128,861
		P 16,261,573,295	**P 12,336,465,763**
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**P 5,105,792,573**	P 4,169,976,102
Accounts payable and other liabilities	13	**2,066,762,408**	1,655,848,013
Contract liabilities	7	**48,785,389**	20,385,280
Due to a related party	14	**1,007,586,278**	386,666,691
Retirement liability	21	**58,095,964**	66,088,998
Net deferred tax liabilities		**1,114,184,671**	779,222,593
Total Liabilities		**9,401,207,283**	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	15	**3,008,959,878**	2,031,441,541
Retained earnings		**2,674,683,056**	2,214,144,875
Cumulative remeasurement gains on retirement liability - net of tax		**18,169,495**	18,169,495
Parent Company's shares held by a subsidiary		**(12,500,000)**	(12,500,000)
		6,689,069,565	5,241,013,047
Non-controlling interests		**171,296,447**	17,265,039
Total Equity		**6,860,366,012**	5,258,278,086
		P 16,261,573,295	P 12,336,465,763

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	Notes	**SEPTEMBER 30 2019 (Unaudited)**	SEPTEMBER 30 2018 (Unaudited)
ASSETS			
Cash and cash equivalents	4	**P 382,678,857**	P 446,020,248
Financial assets at fair value through profit or loss (FVPL)	5	**186,149,270**	581,077,572
Trade and other receivables	6	**776,643,695**	964,762,263
Contract Assets	7	**1,252,604,544**	-
Real estate for sale	8	**5,359,584,772**	2,958,192,058
Investment properties	9	**6,950,321,017**	7,185,167,757
Property and equipment	10	**271,868,245**	95,611,223
Net deferred tax assets		**46,461,777**	85,410,477
Creditable withholding taxes		**314,342,190**	296,890,413
Other assets	11	**720,918,928**	615,523,805
		P 16,261,573,295	P 13,228,655,816
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**P 5,105,792,573**	P 5,736,163,729
Accounts payable and other liabilities	13	**2,066,762,408**	1,240,070,107
Contract liabilities	7	**48,785,389**	-
Due to a related party	14	**1,007,586,278**	386,666,690
Retirement liability	21	**58,095,964**	50,668,546
Net deferred tax liabilities		**1,114,184,671**	833,886,432
Total Liabilities		**9,401,207,283**	8,247,455,504
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	**999,757,136**	989,757,136
Additional paid-in capital	15	**3,008,959,878**	2,031,441,541
Retained earnings		**2,674,683,056**	1,991,534,231
Cumulative remeasurement gains on retirement liability - net of tax		**18,169,495**	7,448,391
Parent Company's shares held by a subsidiary		**(12,500,000)**	(12,500,000)
		6,689,069,565	5,007,681,299
Non-controlling interests		**171,296,447**	(26,480,987)
Total Equity		**6,860,366,012**	4,981,200,312
		P 16,261,573,295	P 13,228,655,816

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
AND FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	**SEPTEMBER 30 2019 (Unaudited)**	DECEMBER 31 2018 (Audited)
REVENUES	16	**P 1,490,392,620**	P 1,132,470,086
COST OF SALES AND SERVICES	17	**740,453,509**	618,799,239
GROSS INCOME		**749,939,111**	513,670,847
OPERATING EXPENSES	18	**442,730,445**	397,610,494
INCOME FROM OPERATIONS		**307,208,666**	116,060,353
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		**901,017,579**	172,819,094
FINANCE COSTS	19	**(78,758,594)**	(73,647,288)
OTHER INCOME - net	20	**18,436,775**	339,120,693
INCOME BEFORE INCOME TAX		**1,147,904,426**	554,352,852
INCOME TAX EXPENSE		**346,707,642**	165,735,606
NET INCOME		**801,196,784**	388,617,246
COMPREHENSIVE INCOME		**-**	10,721,104
TOTAL COMPREHENSIVE INCOME		**P 801,196,784**	**P 399,338,350**
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**647,361,323**	333,479,516
Non-controlling interest		**153,835,461**	55,137,730
		801,196,784	388,617,246
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**647,361,323**	344,200,620
Non-controlling interest		**153,835,461**	55,137,730
		801,196,784	399,338,350
EARNINGS PER SHARE - Basic and Diluted	24	**P 0.0986**	P 0.0362

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

	Notes	**SEPTEMBER 30 2019 (Unaudited)**	SEPTEMBER 30 2018 (Unaudited)
REVENUES	16	**P 1,490,392,620**	P 593,154,442
COST OF SALES AND SERVICES	17	**740,453,509**	393,066,415
GROSS INCOME		**749,939,111**	200,088,027
OPERATING EXPENSES	18	**442,730,445**	236,771,558
INCOME (LOSS) FROM OPERATIONS		**307,208,666**	(36,683,531)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		**901,017,579**	223,952,494
FINANCE COSTS	19	**(78,758,594)**	(61,190,988)
OTHER INCOME - net	20	**18,436,775**	28,143,107
INCOME BEFORE INCOME TAX		**1,147,904,426**	154,221,082
INCOME TAX EXPENSE		**346,707,642**	67,135,453
NET INCOME		**801,196,784**	87,085,629
COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**P 801,196,784**	P 87,085,629
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**647,361,323**	75,639,872
Non-controlling interest		**153,835,461**	11,445,757
		801,196,784	87,085,629
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**647,361,323**	75,639,872
Non-controlling interest		**153,835,461**	11,445,757
		801,196,784	87,085,629
EARNINGS (LOSS) PER SHARE - Basic and Diluted	24	**P 0.0986**	P (0.0056)

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JULY 1 to SEPTEMBER 30 2019 (Unaudited)	JULY 1 to SEPTEMBER 30 2018 (Unaudited)
REVENUES	P 409,474,980	P 382,371,642
COST OF SALES AND SERVICES	162,794,041	258,877,959
GROSS INCOME	246,680,939	123,493,683
OPERATING EXPENSES	208,829,874	82,612,930
INCOME (LOSS) FROM OPERATIONS	37,851,065	40,880,753
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	281,247,517	58,978,767
FINANCE COSTS	(37,052,673)	(15,803,553)
OTHER INCOME - net	4,791,909	21,302,538
INCOME BEFORE INCOME TAX	286,837,818	105,358,505
INCOME TAX EXPENSE	42,429,678	25,379,400
NET INCOME	244,408,140	79,979,105
COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	P 244,408,140	P 79,979,105
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	201,070,277	41,089,043
Non-controlling interest	43,337,863	38,890,062
	244,408,140	79,979,105
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	201,070,277	41,089,043
Non-controlling interest	43,337,863	38,890,062
	244,408,140	79,979,105
EARNINGS PER SHARE - Basic and Diluted	P 0.1419	P 0.0011

ARTHALAND CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

	Note	**SEPTEMBER 30 2019 (Unaudited)**	SEPTEMBER 30 2018 (Unaudited)
CAPITAL STOCK			
Common - ₱0.18 par value			
Issued and outstanding	15	**P 957,257,136**	P 957,257,136
Preferred - ₱1.00 par value			
Balance at beginning of period		**32,500,000**	32,500,000
Issued and subscribed	15	**10,000,000**	-
		42,500,000	32,500,000
Balance at end of period		**999,757,136**	989,757,136
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period		**2,031,441,541**	2,031,441,541
Issuance of preferred shares	15	**990,000,000**	-
Stock issuance costs	15	**(12,481,663)**	-
Balance at end of period		**3,008,959,878**	2,031,441,541
RETAINED EARNINGS			
Balance at beginning of period		**2,214,144,875**	2,085,398,501
Net income for the period		**647,361,323**	75,639,872
Dividends declared during the period	15	**(186,823,142)**	(169,504,142)
Balance at end of period		**2,674,683,056**	1,991,534,231
ACCUMULATED UNREALIZED ACTUARIAL GAINS			
Balance at beginning and end of period		**18,169,495**	7,448,391
PARENT COMPANY'S PREFFERED SHARES HELD BY A SUBSIDIARY - at cost		**(12,500,000)**	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**6,689,069,565**	5,007,681,299
NON-CONTROLLING INTERESTS			
Balance at beginning of period		**17,265,039**	(37,926,744)
Effect of Merger of SLDC and Arcosouth Development Inc. (Arcosouth)		**195,947**	-
Net income for the period		**153,835,461**	11,445,757
Balance at end of period		**171,296,447**	(26,480,987)
TOTAL EQUITY		**P 6,860,366,012**	P 4,981,200,312

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

	Notes	**SEPTEMBER 30 2019** (Unaudited)	SEPTEMBER 30 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P 1,147,904,426**	P 154,221,082
Adjustments for:			
Finance Costs	19	**78,430,360**	60,572,458
Depreciation and amortization	18	**18,970,701**	10,516,910
Gain on change in FV of investment properties		**(901,017,579)**	(223,952,494)
Retirement expense	21	**(7,993,034)**	-
Realized holding gains	20	**(9,377,262)**	(8,783,322)
Unrealized holding (gains) loss	20	**856,589**	(1,763,982)
Unrealized forex (gains) loss	20	**587,992**	(1,732,146)
Interest income	20	**(9,382,714)**	(5,852,837)
Operating income (loss) before working capital changes		**318,979,479**	(16,774,331)
Increase in:			
Trade and other receivables		**(33,710,965)**	(777,247,394)
Contract assets		**(467,406,600)**	-
Real estate for sale		**(1,946,871,347)**	(311,460,440)
Other assets		**(221,790,067)**	(122,851,484)
Contract liabilities		**28,400,109**	-
Accounts payable and other liabilities		**410,914,395**	415,613,187
Net cash used in operations		**(1,911,484,996)**	(812,720,462)
Interest paid		**(75,842,406)**	(14,977,099)
Interest received		**9,382,714**	4,612,198
Income tax paid		**(96,531,909)**	(53,657,968)
Net cash used in operating activities		**(2,074,476,597)**	(876,743,331)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of Financial assets at FVPL - net		**(22,800,536)**	(182,650,637)
Additions to Property and equipment - net		**(53,385,991)**	(66,384,967)
Increase in Investment properties		**(147,788,863)**	(503,900,010)
Net cash used in investing activities		**(223,975,390)**	(752,935,614)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from:			
Loans payable		**1,238,752,442**	1,558,675,954
Due to a related party		**620,919,587**	99,999,999
Issuance of preferred shares		**987,518,337**	-
Payment of loans payable		**(305,523,925)**	(137,000,000)
Payment of dividends		**(186,823,142)**	(169,504,142)
Net cash generated from financing activities		**2,354,843,299**	1,352,171,811
EFFECT OF MERGER OF SLDC AND ARCOSOUTH		**195,947**	-
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(587,992)**	1,732,146
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		**55,999,267**	(275,774,988)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**326,679,590**	721,795,236
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P 382,678,857**	P 446,020,248

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares, Series B preferred shares and Series 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 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share.

In June 2019, the Parent Company made an offering of the second tranche of the preferred shares in the amount of ₱1 billion consisting of 10.0 million Series C preferred shares at an offer price of ₱100 per share (see Note 15).

The new registered office and principal place of business of the Parent Company is 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City, Philippines, upon SEC's approval of the amendment of its Articles of Incorporation 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"):

		Effective % of Ownership		
Subsidiary	Place of Incorporation	**2019**	**2018**	2017
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%	100%
Savya Land Development Corporation (SLDC)	Philippines	**98.5%**	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	**60%**	60%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	**100%**	-	-
Bhavya Properties, Inc. (Bhavya)	Philippines	**100%**	-	-
Pradhana Land, Inc. (Pradhana)	Philippines	**100%**	-	-

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company, and Cazneau and MPI which are engaged in leasing of properties.

In 2019, SEC approved the Merger of SLDC and Arcosouth Development Inc (Arcosouth) with SLDC as the surviving entity.

Bhavana, Bhavya, and Pradhana were incorporated on July 15, July 19, and September 9, 2019, respectively, to engage primarily in real estate development.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in 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. 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 is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and Phil Green Building Council's BERDE as 5-star rated. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise and was completed in the first quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building that will be developed in Barangay Lahug, Cebu City. Cebu Exchange has been 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 110,000 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 September 2016, Cazneau acquired eight hectares of land which will be developed into Sevina Park, a masterplanned mixed-use community that will feature a mix of residential low- and mid- rise buildings, student and faculty housing, commercial office buildings as well as retail and supplemental amenities. In June 2019, Courtyard Hall, phase one of the project covering the first 4,000 sqm, was completed. Also in June 2019, Cazneau launched the Garden Villas, a 108 townhouse development which is expected to be completed in 2023. Succeeding phases of the project will be launched within 2021 to 2024.

In January 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,900 sqm which will be developed in Arca South, Taguig City. The project is expected to be completed in 2021.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the nine (9) months ended September 30, 2019 were approved and authorized for issue by the Board of Directors (BOD) on October 23, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim consolidated financial statements as of September 30, 2019 and December 31, 2018 and for the nine months ended September 30, 2019 and 2018 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2018.

Measurement Bases
The interim consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value 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 or 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 non-financial 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 Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties

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 on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement,* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

  The Group has applied the requirements of PFRS 9 retrospectively.

  The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

  Classification and Measurement. Based on the Group's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as of January 1, 2018, the Group has concluded that all of its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

  The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group's financial instruments.

  Impairment. The new impairment requirements do not result to additional provision for impairment with respect to trade receivables from sale of real estate because the credit exposure arising from these financial assets was mitigated by the Group's policy that title should transfer only upon full payment by the buyer and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime ECL.
While cash in banks and cash equivalents, deposits, amounts held in escrow and investment in time deposits are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result in significant ECL. In performing the assessment, the Group considered the available liquid assets of the related parties.

Hedging. The Group does not have transactions that will require the use of hedge accounting.

There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

• PFRS 15, *Revenue from Contract with Customers* – The new standard replaced PAS 11, Construction Contracts, PAS 18, Revenue, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

The following are the related literature issued subsequent to the adoption of PFRS 15:

O *Philippine Interpretations Committee (PIC) Q&A No. 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.

O *SEC Memorandum Circular No. 14, Series of 2018, PIC Q&A 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 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 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

O *Amendments to PFRS 15, Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

The Group adopted PFRS 15 using the retrospective approach but deferred the application of the provisions of PIC Q&A No. 2018-12.

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, Leases, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Group's non-cancellable operating lease commitments as at September 30, 2019, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. However, the Group's non-cancellable operating lease, in which the Group acted as a lessee, has ceased in 2018. Thus, the Group does not have to recognize right-of-use asset (ROU) and a corresponding liability in respect of this lease. Moreover, the Group will opt not to apply the requirements to recognize ROU and finance liability for leases with terms of one 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 September 30, 2019. Accordingly, PFRS 16 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS does not have any material effect on the consolidated financial statements of the Group. 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 an AFS investment depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss 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.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiaries, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiaries prior to acquisition. On initial recognition, the assets and liabilities of the subsidiaries are included in the balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiaries at the date of acquisition. Negative goodwill represents the excess of Parent Company's share in the fair value of identifiable net assets of the subsidiaries at date of acquisition over acquisition cost.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at FVPL.

"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 are 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 of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses on these assets are recognized under “Other income - net” account in profit or loss.

The Group classified its investment in money market fund under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group’s cash and cash equivalents, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow are classified under this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other Financial Liabilities at Amortized Cost. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.
The Group’s loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and due to a related party are classified as other financial liabilities at amortized cost.

Derecognition of Financial Instruments
Financial Assets. A financial asset (or when 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 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 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.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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 profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments and probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is 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 an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- 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 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole.

<u>Cost to Obtain a Contract with a Customer</u>
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 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.

Receivable from Sale of Real Estate. A receivable from real estate represents the Group's right to consideration that is unconditional. A right to 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 consideration from the customer. If a customer pays 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 cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

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.

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.

Investment properties were previously measured at cost, including transaction costs. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

The Group uses fair value model for the accounting for 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 and income approach by Asian Appraisal Company, Inc., a SEC-accredited 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 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:

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

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 change for depreciation is made in respect to those assets.

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.

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 exceeds its net recoverable amount. A cash-generating unit 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.

Other Assets

Other assets include value added tax (VAT), prepayments, deposits, investment in time deposit, amounts held in escrow and materials and supplies.

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.

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.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, 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 that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other 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.

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.

Materials and Supplies. The Group recorded as assets several construction materials and supplies from the completed construction of its projects.

Creditable Withholding Taxes

Creditable withholding taxes (CWT) represent 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.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its customers as reservation fee for real estate sales. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the revenue recognition criteria are met.

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 Group.

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.

Subscription Receivable

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings

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

Parent Company's Shares Held by Subsidiary
Shares of the Parent Company held by 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.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to 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.

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 assess 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 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.

Leasing Revenue. 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.

Project management fees. Revenue is recognized in profit or loss when the related services are rendered.

Interest Income. Revenue 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 Services. Cost of services, which constitute direct cost incurred in relation to the operation of ACPT and personnel cost in relation to project management and development services, MPI's commercial units, and EPMI's provision of property management services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

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

Leases

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 fulfilment 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:

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

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

c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or 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 (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis overt the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as income in the period they are earned.

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

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, gains and losses on curtailments and nonroutine settlements, 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 comprising actuarial gains and losses, return on plan assets and any changes in the effect of the asset ceiling (excluding net interest on retirement liability on asset) 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.

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 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.

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 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

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These 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.

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 the 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 the 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 consolidated notes to financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, 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 assets and liabilities, income and expenses. The 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 carrying 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 the Philippine Peso. The Philippine Peso is 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 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 substance of the contractual arrangement 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, 2018, it has the ability to exercise control over these investees.

Recognizing Property of Arcosouth Development Inc. (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.

The merger of SLDC and Arcosouth were approved on September 19, 2018 by the BOD and the stockholders of SLDC. SLDC started to develop Savya Financial Center on the Property in January 2019 (see Note 1).

On August 22, 2019, SEC approved the Merger whereby the entire assets and liabilities of Arcosouth were transferred to and absorbed by SLDC.

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 is recognized over time. The Group also determined that the input method is the appropriate method in measuring the POC of Cebu Exchange. 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.

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.

Determining 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.

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Determining Lease Commitments - Group as Lessee. The Group entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty 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 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.

Estimating 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 Group estimates expected future cash flows yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 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.

Determining 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.

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.

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 are 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.

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.

Estimating 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.

Assessing 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 and 2018.

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 21 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.

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences 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.

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. CASH AND CASH EQUIVALENTS

This account consists of:

	September 2019	December 2018	September 2018
Cash on hand	**80,000**	80,000	65,000
Cash in bank	**318,390,618**	46,526,688	102,922,135
Short-term placements	**64,208,239**	280,072,902	343,033,113
	382,678,857	326,679,590	446,020,248

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Short-term placements are made for varying periods up to six (6) months or less and earn interest at the prevailing short-term deposit rates.

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱186.1 million and ₱154.8 million as at September 30, 2019 and December 31, 2018, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains (loss) amounting to –₱0.86 million and ₱1.76 million for the nine months ended September 30, 2019 and 2018, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on sale of financial assets at FVPL amounted to ₱9.38 million and ₱8.78 million for the nine months ended September 30, 2019 and 2018, respectively (see Note 20).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

6. TRADE AND OTHER RECEIVABLES

This account consists of:

	September 2019	December 2018	September 2018
Trade receivables from:			
Sale of real estate	**108,683,566**	81,631,132	446,739,424
Leasing	**36,604,683**	30,385,699	72,104,510
Advances for project development	**427,749,660**	506,468,951	334,167,452
Accrued rent receivables	**92,660,291**	51,961,813	39,314,009
Advances to employees	**9,591,408**	5,067,899	6,499,173
Other receivables	**101,722,379**	67,785,528	66,305,987
	777,011,987	743,301,022	965,130,555

	September 2019	December 2018	September 2018
Allowance for impairment losses	**(368,292)**	(368,292)	(368,292)
	776,643,695	742,932,730	964,762,263

The aging analysis of trade and other receivables are shown below:

	September 2019	December 2018	September 2018
Current	**776,275,403**	742,564,438	964,393,971
Past due			
Within 6 months	**-**	-	-
7 months to 1 year	**-**	-	-
More than 1 year	**368,292**	368,292	368,292
	776,643,695	742,932,730	964,762,263

Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days while trade receivables from sale of real estate pertain to receivables from sale of condominium units and office units of Cebu Exchange 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.

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.

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.

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

Other receivables mainly include accrued project management fees which will be billed and collected within 30 days.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of September 30, 2019, and December 31, 2018, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	September 2019	December 2018	September 2018
Contract assets	**1,252,604,544**	785,197,944	-
Contract liabilities	**48,785,389**	20,385,280	-
Net contract assets (liabilities)	**1,203,819,155**	764,812,664	-

Contract assets pertain to receivables from the sale of office units of Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers as at September 30, 2019 and December 31, 2018. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers which is normally over five (5) to 10 years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as at September 30, 2019. The decrease in contract liabilities pertains to downpayments received that were subsequently recognized as revenues from real estate sales.

8. REAL ESTATE FOR SALE

This account consists of:

	September 2019	December 2018	September 2018
Raw land	**2,353,969,300**	1,656,023,008	1,494,556,687
Assets under construction	**2,230,674,193**	1,420,142,094	1,463,635,371
Condominium units for development	**774,941,279**	336,548,323	-
	5,359,584,772	3,412,713,425	2,958,192,058

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. Raw land also includes the property from the recent merger with Arcosouth located in Arca South, Taguig City, on which SLDC launched the development of Savya Financial Center (see Notes 1 and 3). This property has a carrying amount of ₱491.0 million as at September 30, 2019.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations (see Note 1). Accordingly, raw land and Courtyard Hall were recognized as investment properties at their fair values amounting to ₱235.8 million and ₱165.3 million, respectively, as at September 30, 2019 (see Note 9).

In August 2019, Bhavana purchased a parcel of land in Cebu with a total area of two thousand two hundred forty-five (2,245) square meters and a carrying amount of ₱697.9 million as at September 30, 2019.

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at September 30, 2019, this account includes the land and development costs of Cebu Exchange and Sevina Park (see Note 1).

Condominium Units for Development

Condominium units for development pertain to condominium units acquired in Legaspi Village, Makati City. These units are intended for future development and sale.

9. INVESTMENT PROPERTIES

This account consists of:

	September 2019	December 2018	September 2018
ACPT	**4,426,263,726**	3,438,420,267	5,024,004,327
Arya Residences:			
Commercial units	**1,194,590,704**	1,194,379,000	1,110,864,000
Parking slots	**184,984,000**	184,984,000	177,857,851
Raw Land:			
UPHI's property	**597,183,629**	577,277,508	564,007,279
Batangas and Tagaytay property	**146,295,713**	141,898,400	124,165,200
Cazneau's property	**235,750,762**	211,713,162	184,269,100
Courtyard Hall	**165,252,483**	152,842,238	-
	6,950,321,017	5,901,514,575	7,185,167,757

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

In 2018, the Parent Company transferred its office to ACPT (see Note 1). Accordingly, investment properties with a carrying amount of ₱176.9 million, ₱131.9 million original cost, was reclassified to "Property and equipment" (see Note 10).

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.

In 2018, the Parent Company and MPI sold parking slots with carrying amount of P28.8 million (P17.8 million cost) for a total consideration of P20.5 million. This resulted to loss on sale of investment properties amounting to P8.3 million (see Note 20).

Raw Land and Courtyard Hall
UPHI's raw land, with fair value amounting to ₱597.2 million as at September 30, 2019 and ₱577.3 million as at December 31, 2018, 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 September 30, 2019 and December 31, 2018, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations. Accordingly, raw land and Courtyard Hall were recognized as investment properties at fair value amounting to ₱235.8 million and ₱165.3 million, respectively, as at September 30, 2019 (see Note 8).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱146.3 million as at September 30, 2019 and ₱141.9 million as at December 31, 2018.

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:

Class of Property	Valuation Technique	Significant Inputs	**2019**	2018
ACPT:				
Office units	Discounted cash flow approach (DCF)	Rental rate per square meter (sq.m.)	**₱1,375**	-
		Rent escalation rate per annum (p.a.)	**5%**	-
		Discount rate	**8.33%**	-
		Vacancy rate	**5%**	-
Parking slots	Discounted cash flow approach	Rental rate per slot	**₱6,500**	-
		Rent escalation rate p.a.	**5%**	-
		Discount rate	**8.33%**	-
		Vacancy rate	**5%**	-
ACPT	Land development approach	Discount rate	**-**	8.74%
		Proposed rental rates (per sq.m.)	**-**	₱1,350

Class of Property	Valuation Technique	Significant Inputs	2019	2018
		Calculated no. of net leasable area	-	20, 923 sq.m
		Rental rates for parking per sq. m.	-	₱6,000
		Vacancy rate	-	5% - 10%
Arya Residences:				
Commercial units	Discounted cash flow approach	Rental rate per square meter (sq.m.)	**₱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	Discounted cash flow 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 sq. m.	**₱1,800**	₱1,740
Cazneau's Laguna Properties	Market data approach	Price per sq. m.	**₱11,200**	₱10,200
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	**₱1,339**	₱1,300

Details of the valuation techniques used in measuring fair values of investment properties 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.

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.

Market Data Approach

Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property 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.

10. PROPERTY AND EQUIPMENT

The balances and movements of this account as of September 30, 2019, December 31, 2018, and September 30, 2018 consist of:

	Cost	Accumulated Depreciation	Net Carrying Amount
September 2019			
Office equipment	**60,507,594**	**(42,549,888)**	**17,957,706**
Furniture and fixture	**13,752,493**	**(8,487,970)**	**5,264,524**
Building and building improvements	**225,059,669**	**(10,344,210)**	**214,715,459**
Transportation equipment	**67,686,769**	**(33,756,213)**	**33,930,556**
	367,006,525	**(95,138,281)**	**271,868,245**
December 2018			
Office equipment	49,932,812	(39,820,930)	10,111,882
Furniture and fixture	8,790,764	(7,882,114)	908,650
Leasehold improvements	78,500	(2,181)	76,319
Building and building improvements	26,917,349	(4,256,821)	22,660,528
Construction in progress	177,062,444	-	177,062,444
Transportation equipment	54,833,018	(28,199,886)	26,633,132
	317,614,887	(80,161,932)	237,452,955
September 2018			
Office equipment	49,070,687	(39,365,806)	9,704,881
Furniture and fixture	8,825,484	(7,678,215)	1,147,269
Leasehold improvements	113,008,523	(51,285,395)	61,723,128
Transportation equipment	44,583,613	(21,547,668)	23,035,945
	215,488,307	(119,877,084)	95,611,223

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

11. OTHER ASSETS

This account consists of:

	September 2019	December 2018	September 2018
Input VAT	**333,111,531**	242,016,373	409,407,840
Prepayments	**183,908,043**	95,143,649	51,877,150
Deposits	**98,826,342**	59,239,173	80,753,456
Amounts held in escrow	**78,255,992**	56,514,398	24,042,432
Investment in time deposits	**20,324,000**	21,032,000	21,608,000
Deferred input VAT	**4,973,213**	23,663,461	26,248,157
Others	**1,519,807**	1,519,807	1,586,770
	720,918,928	499,128,861	615,523,805

Input VAT represents VAT paid on land acquisition and to supplier that can be claimed as credit against the company's future VAT liabilities.

Prepayments consist of prepaid commissions, rent, taxes, insurance and others expenses which are amortized over a year.

Deposits pertain to rental deposits, deposits for professional services, advances made for future development and guarantee deposits for the construction of the Group's real estate projects.

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. The outstanding loan balance under OLSA amounted to ₱1,759.8 million and ₱1,779.8 million as at September 30, 2019 and December 31, 2018, respectively. The outstanding loan balance of MTL amounted to ₱685.0 million as at September 30, 2019 and ₱684.9 million as at December 31, 2018 (see Note 12).

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rates ranging from 1.75% to 2.5% per annum (p.a). These time deposits are subject to holding period of six (6) months from the date of issuance. In cases of pre-termination, the investment will earn interest based on regular deposit rates.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

12. LOANS PAYABLE

This account consists of:

	September 2019	December 2018	September 2018
Local creditor banks	**5,021,068,603**	4,082,252,132	3,949,443,390
Private funders	**84,723,970**	87,723,970	1,786,720,339
	5,105,792,573	4,169,976,102	5,736,163,729

Local creditor banks

Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and carries interest rates ranging from 3.50% to 7.50% per annum (p.a.) in 2019 and 3.50% to 7.15% p.a. in 2018.

In 2015, the Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by 21 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.
- Parent Company is required to maintain 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 ₱1,759.8 million and ₱1,779.8 million as at

September 30, 2019 and December 31, 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 is as follows:

	September 2019	December 2018	September 2018
Total interest-bearing liabilities	**2,494,546,040**	2,197,482,011	2,211,619,360
Total equity	**5,846,921,220**	4,404,224,615	4,349,732,756
	0.43:1.00	0.50:1.00	0.51:1.00

The Parent Company is compliant with the required debt to equity ratio as at September 30, 2019, December 31, 2018, and September 30, 2018.

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.

The outstanding balance of this loan amounted to ₱1,926.3 million and ₱1,287.6 million as at September 30, 2019 and December 31, 2018, respectively.

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.

The outstanding balance of this loan amounted to to ₱685.0 and ₱684.9 million as at September 30, 2019 and December 31, 2018, respectively.

Private funders

Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the reporting date and bear interest rate of 3.5% in 2019 and 2018.

The Parent Company entered into non-interest bearing loan agreements for ₱1,650.6 million with Centrobless Corporation (Centrobless) in 2015 and for ₱207.1 million with Signature Office Property, Inc. (SOPI) in 2017. Both are related parties under common management with the Parent Company.

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.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	September 2019	December 2018	September 2018
Accounts payable	**267,708,414**	178,485,778	250,696,625
Payable to buyers	**424,467,778**	13,459,550	55,022,068
Deferred output VAT	**404,975,024**	361,197,971	349,894,292
Retention payable	**367,046,603**	333,284,476	310,244,963
Accrued expenses	**237,155,271**	93,875,743	88,807,537
Due to Arcosouth's stockholders	**137,000,000**	495,919,597	-
Security deposits	**108,749,213**	95,633,593	111,249,842
Advance rent	**65,472,149**	53,279,878	57,754,874
Withholding taxes payable	**29,304,077**	13,645,930	6,794,490

	September 2019	December 2018	September 2018
Dividends payable	**5,746,558**	5,056,961	5,061,498
Others	**19,137,321**	12,008,536	4,543,918
	2,066,762,408	1,655,848,013	1,240,070,107

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to contractors and suppliers.

Payable to buyers include customers' deposit from buyers of Savya offices, reservation fees, and collections received from prospective lessees, which are and to be applied as security deposits upon execution of lease contracts.

Deferred output VAT pertains to VAT from sales of property on the installment plan. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

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.

Due to Arcosouth's stockholders represents the deposit for future stock subscription intended for purchasing of preferred shares pending SEC's approval of SLDC's capital restructuring.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

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.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF.

14. RELATED PARTY TRANSACTIONS

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

Advances to and from Subsidiaries

The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

In August 2019, SEC approved the merger of SLDC and Arcosouth resulting to the recognition of advances from Arcosouth's stockholders.

Advances to Officers and Employees

The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

Advances for Project Development

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. for its real estate projects.

All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum and payable in cash at gross amounts upon demand, but not later than 12 months from reporting period.

Loans Payable
Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 12).

Management Fee
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.

Key Management Personnel
The compensation of key management personnel are as follows:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Salaries and other employee benefits	**79,558,649**	77,960,692	49,166,408
Retirement benefits expense	**-**	24,095,262	-
	79,558,649	102,055,954	49,166,408

15. EQUITY

The account consists of:

	Shares		
	September 2019	December 2018	September 2018
Common shares - P0.18 par value			
Authorized	**16,368,095,199**	16,368,095,199	16,368,095,199
Issued:			
Balance at the beginning of period	**5,318,095,199**	5,318,095,199	5,318,095,199
Issued during the period	**-**	-	-
Balance at the end of period	**5,318,095,199**	5,318,095,199	5,318,095,199
Preferred shares - P1.00 par value			
Balance at the beginning of period	**32,500,000**	32,500,000	32,500,000
Issued during the period	**10,000,000**	-	-
Balance at the end of period	**42,500,000**	32,500,000	32,500,000

	Amount		
	September 2019	December 2018	September 2018
Common shares - P0.18 par value			
Balance at the beginning of period	**957,257,136**	957,257,136	957,257,136
Issued during the period	**-**	-	-
Balance at the end of period	**957,257,136**	957,257,136	957,257,136
Preferred shares - P1.00 par value			
Balance at the beginning of period	**32,500,000**	32,500,000	32,500,000
Issued during the period	**10,000,000**	-	-
Balance at the end of period	**42,500,000**	32,500,000	32,500,000
	999,757,136	989,757,136	989,757,136

In June 2019, ALCO issued 10.0 million Series C preferred shares which are cumulative, nonvoting, nonparticipating, nonconvertible, and Peso-denominated, among other conditions, to the public with issuance price of P100 per share.

The parent company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990 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 and loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

Dividend Declaration

The Parent's Company's BOD and stockholders approved the following cash dividends to ALCO's stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Preferred Shares				
August 7, 2019	September 6, 2019	September 27, 2019	₱17,319,000	₱1.73
August 7, 2019	August 22, 2019	September 6, 2019	₱35,229,000	₱1.76
May 8, 2019	May 22, 2019	June 6, 2019	₱35,229,000	₱1.76
February 21, 2019	March 1, 2019	March 6, 2019	₱35,229,000	₱1.76
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	₱35,229,000	₱1.76
May 9, 2018	May 23, 2018	June 6, 2018	₱35,229,000	₱1.76
January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76
Common Shares				
June 21, 2019	July 8, 2019	July 31, 2019	₱63,817,142	₱0.012
March 21, 2018	April 6, 2018	May 2, 2018	₱63,817,142	₱0.012

16. REVENUES

The account consists of:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Real estate sales of:			
Cebu Exchange	**1,256,542,001**	844,954,726	364,671,029
Arya Residences	**-**	147,639,118	147,639,118
Leasing revenue	**226,405,250**	132,436,268	75,217,823
Project Management fees	**7,445,369**	7,439,974	5,626,472
	1,490,392,620	1,132,470,086	593,154,442

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, retail units of MPI in Arya Residences, and leasing operations of Cazneau in Courtyard Hall, in which rent income is recognized on a straight-line basis under PAS 17, *Lease*s.

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. COST OF SALES AND SERVICES

The account consists of:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Cost of real estate sales	**697,367,345**	599,734,444	377,167,828
Cost of leasing operations	**32,202,784**	15,260,471	11,533,938
Cost of services	**10,883,380**	3,804,324	4,364,649
	740,453,509	618,799,239	393,066,415

18. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Personnel costs	**118,473,195**	176,647,311	94,682,134
Advertising	**77,571,462**	45,266,318	32,206,418
Taxes and licenses	**68,288,763**	17,671,357	15,245,266
Brokers' commissions	**46,713,267**	27,157,093	14,790,184
Management and professional fees	**44,427,015**	31,867,665	21,665,507
Communication and office expenses	**21,410,110**	20,057,547	11,534,178
Depreciation and amortization	**18,970,701**	15,449,610	10,516,910
Transportation and travel	**15,998,622**	18,787,861	7,682,964
Insurance	**12,048,499**	12,886,192	8,630,178
Repairs and maintenance	**5,040,295**	2,792,489	1,882,456
Utilities	**4,934,632**	8,315,942	2,932,805
Representation	**3,295,774**	672,727	224,859
Rental	**1,147,631**	14,498,091	11,394,112
Others	**4,410,479**	5,540,291	3,383,587
	442,730,445	397,610,494	236,771,558

19. FINANCE COSTS

Finance costs relate to the following:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Interest expense	**78,430,360**	72,872,660	60,572,458
Bank charges	**328,234**	774,628	618,530
	78,758,594	73,647,288	61,190,988

20. OTHER INCOME – NET

This account consists of:

	September 2019 (Nine Months)	December 2018 (Twelve Months)	September 2018 (Nine Months)
Realized gain on disposals of financial assets at FVPL	**9,377,262**	14,190,431	8,783,322
Interest income	**9,382,714**	6,088,906	5,852,837
Foreign exchange gains/(losses)	**(587,992)**	906,754	1,732,146
Unrealized holding gains (losses) on Financial assets at FVPL	**(856,589)**	(6,385,529)	1,763,982
Gain on settlement of loans payable	**-**	319,553,431	-
Loss on sale of investment properties	**-**	(8,334,033)	-
Others	**1,121,380**	13,100,733	10,010,820
	18,436,775	339,120,693	28,143,107

21. RETIREMENT LIABILITY

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees.

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 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 for the year.

Movements in the present value of retirement liability are as follows:

	September 2019	December 2018	September 2018
Balance at beginning of period	**66,088,998**	50,668,546	50,668,546
Retirement expense:			
Current service cost	**7,006,966**	7,879,934	-
Interest cost	**-**	2,033,107	-
Past service cost	**-**	25,823,274	-
Remeasurement gain	**-**	(15,315,863)	-
Contribution to retirement plan assets	**(15,000,000)**	(5,000,000)	-
Balance at end of period	**58,095,964**	66,088,998	50,668,546

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

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 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 transactions in currencies other than its functional currency.

Credit Risk
Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. 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. As of September 30,2019, and December 31, 2018, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of September 30, 2019, December 31, 2018 and September 30, 2018.

None of Group's financial assets are secured by collateral or other credit enhancements.

a. *Cash in Bank*

   The credit risk for cash in bank is considered negligible, since the counterparties are reputable universal banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

b. *Receivables*

   In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

   The Group has no past due or impaired accounts as of September 30, 2019, December 31, 2018 and September 30, 2018.

Liquidity Risk
Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

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 flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

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 subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

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 net income.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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 statements of financial position. Capital for the reporting periods under review is summarized as follows:

	September 2019	December 2018	September 2018
Total liabilities	**9,401,207,283**	7,078,187,677	8,247,455,504
Total equity	**6,860,366,012**	5,258,278,086	4,981,200,312
Debt-to-equity ratio	**1.37:1**	1.35:1	1.66:1

The Group manages the capital structure and makes adjustments to it in the light of changes in 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.

24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share are computed as follows:

	September 2019	December 2018	September 2018
Net income attributable to equity holders of the Parent Company	**647,361,323**	333,479,516	75,639,872
Less: Dividends declared to Series B and Series C Preferred Shares	**(123,006,000)**	(140,916,000)	(105,687,000)
	524,355,323	192,563,516	(30,047,128)
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
	0.0986	0.0362	(0.0056)

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 periods presented.

25. FINANCIAL RATIOS

	SEPT 30, 2019	DEC 31, 2018	SEPT 30, 2018
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**2.91:1**	2.45:1	1.41:1
Solvency Ratio (Net income before depreciation over total liabilities)	**0.087:1**	0.060:1	0.012:1
Debt-to-equity Ratio (Total liability over total equity)	**1.37:1**	1.35:1	1.66:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	**0.74:1**	0.79:1	0.81:1
Asset-to-equity Ratio (Total assets over total equity)	**2.37:1**	2.35:1	2.66:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**15.64:1**	8.61:1	3.55:1
Profitability Ratio (Net income over total equity)	**0.097:1**	0.074:1	0.015:1

** December 2018 ratio is based on full year income while September 2019 and September 2018 ratios are based on nine-month income.*

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL POSITION
September 2019 vs September 2018

	SEPT 30, 2019	SEPT 30, 2018	% Change
Cash and cash equivalents	**P 382,678,857**	P 446,020,248	-14%
Financial assets at fair value through profit or loss (FVPL)	**186,149,270**	581,077,572	-68%
Trade and other receivables	**776,643,695**	964,762,263	-19%
Contract assets	**1,252,604,544**	-	100%
Real estate for sale	**5,359,584,772**	2,958,192,058	81%
Investment properties	**6,950,321,017**	7,185,167,757	-3%
Property and equipment	**271,868,245**	95,611,223	184%

ANNEX A

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE OF USE OF PROCEEDS
AS OF SEPTEMBER 30, 2019

The following table shows the breakdown of the use of proceeds from Series B and Series C Preferred Shares offering:

SERIES B PREFFERED SHARES:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements			Balance for Disbursement
			As of 6/30/19	For Q3 2019	As of 9/30/19	
Cebu Exchange Project	53.6	53.6	53.6		53.6	0.0
Binan Laguna Project	331.9	331.9	190.2	16.3	206.5	125.4
Makati CBD Residential Project	371.6	371.6	361.9	9.7	371.6	0.0
Partial Repayment of Loans	330.0	330.0	330.0		330.0	0.0
South of Metro Manila Project	822.4	822.4	822.4		822.4	0.0
General Corporate Purposes	62.3	63.4	63.4		63.4	0.0
TOTAL	**1,971.8**	**1,972.9**	**1,821.5**	**26.0**	**1,847.5**	**125.4**

SERIES C PREFFERED SHARES:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements			Balance for Disbursement
			As of 6/30/19	For Q3 2019	As of 9/30/19	
Cebu Residential Project	300.0	300.0	0.0	300.0	300.0	0.0
Makati Residential Project 2	530.0	530.0	0.0	483.6	483.6	46.4
General Corporate Purposes	154.1	155.3	0.0	155.3	155.3	0.0
TOTAL	**984.1**	**985.3**	**0.0**	**938.9**	**938.9**	**46.4**

GRAND TOTAL	**2,955.9**	**2,958.2**	**1,821.5**	**964.9**	**2,786.4**	**171.8**