COVER SHEET

AS94007160

SEC Registration Number

ARTHALAND CORPORATION

(Company's Full Name)

8F PICADILLY STAR BUILDING, 4TH AVENUE CORNER 27TH STREET, BONIFACIO GLOBAL CITY, TAGUIG CITY 1634

(Business Address: No. StreetCity/Town/Province)

Atty. Riva Khristine V. Maala

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

DEFINITIVE

12	31	20-IS	06	29
Month	*Day*	(Form Type)	*Month*	*Day*

(Fiscal Year)

2018

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,970

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

ARTHALAND
FUTURE PROOF BY DESIGN

NOTICE
OF
ANNUAL STOCKHOLDERS' MEETING

NOTICE is hereby given that the **2018** annual stockholders' meeting of **ARTHALAND CORPORATION** will be held on **29 June 2018, Friday, 8:30 A.M.,** at **The Ascott, Bonifacio Global City, Taguig City**.

The Agenda for the meeting is as follows:

1. Call to Order
2. Secretary's Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Annual Stockholders' Meeting held on 30 June 2017
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Approval of Amendment of Articles of Incorporation – Change of Principal Office
7. Election of Directors (including Independent Directors)
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Only stockholders of record at the close of business on **31 May 2018** will be entitled to notice of and to vote at this meeting.

WE ARE NOT SOLICITING YOUR PROXY. However, if you cannot personally attend the meeting but would like to be represented thereat, you may accomplish a proxy form and submit the same not later than **22 June 2018 (Friday)** to the Office of the Corporate Secretary, ArthaLand Corporation, 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634. Validation of these proxies will be held the following business day.

Taguig City, Philippines.

RIVA KHRISTINE V. MAALA
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. **DEFINITIVE Information Statement**

2. Name of Registrant as specified in its charter: **ARTHALAND CORPORATION**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **ASO-94-007160**

5. BIR Tax Identification Number: **126-004-450-721**

6. **8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City** **1634**
   Address of Principal Office Postal Code

7. **(+632) 403-6910**
   Registrant's telephone number, including area code

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

9. **29 June 2018, 8:30 A.M., The Ascott, Bonifacio Global City, 5th Avenue, Taguig City**
   Date, time and place of the meeting of security holders

10. **04 June 2018**
    Approximate date on which the Information Statement is first to be sent or given to security holders

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

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

12. Are any or all of these securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, disclose the name of such stock exchange and the class of securities listed therein:

    Philippine Stock Exchange **Common Shares and Preferred Shares Series B**

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

A. GENERAL INFORMATION

ITEM 1. Date, Time and Place of SPECIAL STOCKHOLDERS' MEETING of Security Holders

a. Date: 29 June 2018 (Friday)
Time: 8:30 A.M.
Place: The Ascott, Bonifacio Global City, 5th Avenue, Taguig City

b. Principal Address of Issuer: 8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

c. The approximate date on which the Information Statement is first sent or given to security holders is 04 June 2018.

ITEM 2. Dissenters' Right of Appraisal

The stockholders' right of appraisal is given under the instances provided in Section 81, Title X, Appraisal Right, Corporation Code of the Philippines.

In the forthcoming Annual Stockholders' Meeting, approval of the stockholders will be sought for the amendment of Article THIRD of the latest Articles of Incorporation of **ArthaLand Corporation ("ArthaLand")** for purposes of changing its principal office from "8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City, Philippines" to "7/F ArthaLand Century Pacific Tower, 5th Avenue corner 31st Street, Bonifacio Global City, Taguig City, Philippines".

Under the Corporation Code, this would entitle dissenting stockholders to exercise their appraisal right.

For the valid exercise of the appraisal right, ArthaLand adopts the procedure laid down in the Corporation Code, as follows:

1. The dissenting stockholder must have voted against the proposed corporate action. In this case, the proposed amendment refers to Article THIRD of ArthaLand's Articles of Incorporation insofar as its principal office.

2. The dissenting stockholder must make a written demand within thirty (30) days from the date the vote was taken. Failure to make the demand within the prescribed period shall be deemed a waiver of the appraisal right.

   From the time of demand, all rights accruing to the shares, including voting and dividend rights, shall be suspended in accordance with the provisions of the Corporation Code, except the right of the stockholder to receive payment of the fair value of his/its shares. The dividend, voting and rights of the dissenting stockholder shall be restored if ArthaLand fails to pay the fair value within thirty (30) days after the award.

3. The price of the shares will be determined based on the fair value of the shares as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

4. The withdrawing stockholder must submit (through the Office of the Corporate Secretary[1]) the stock certificate/s representing his/its ArthaLand shares for notation of being a dissenting stockholder, within ten (10) days from written demand. Failure to do so shall, at ArthaLand's option, terminate the stockholder's appraisal right.

5. ArthaLand shall pay the withdrawing stockholder for his/its shares, *provided* that, ArthaLand has unrestricted retained earnings in its books to cover such payment.

   The right of payment shall cease under the following instances:

   a. If the dissenting stockholder withdraws his demand for payment, subject to ArthaLand's consent;
   b. If ArthaLand abandons the proposed action;
   c. If the Securities and Exchange Commission (SEC) disapproves the proposed action; and,
   d. Where the SEC determines that such stockholder is not entitled to the appraisal right.

Upon payment by ArthaLand, the stockholder's shares must then be transferred to ArthaLand.

ITEM 3. Interest of Certain Persons in or Opposition to Matters to be acted upon

While certain persons may have interest in the matters to be acted upon in the meeting, ArthaLand has not received as of the date of this Information Statement any written information from any Director, nominee or stockholder with respect to any intention to oppose any action to be taken up at the meeting. Further, there is no matter to be acted upon in the meeting in which any Director or Executive Officer of ArthaLand is involved, or had a direct, indirect or substantial interest.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

a. **Class entitled to vote**

Class of Shares	No. of Shares (As of 30 April 2018)	Voting Rights
Common	**5,318,095,199**	One (1) vote per share

Common shares owned by foreigners as of 30 April 2018 amount to 387,851,293 or 7.2930% of the total number of outstanding shares entitled to vote.

b. All stockholders of record at the close of business on 31 May 2018 will be entitled to notice of and to vote at the Annual Stockholders' Meeting.

c. **Cumulative Voting Rights**

Section 4, Article II of ArthaLand's current By-laws provides, as follows:

[1] 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634.

"At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.

"At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to distribute such votes on the same principle among as many candidates as he shall think fit."

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ArthaLand multiplied by the whole number of directors to be elected.

d. **Security Ownership of Certain Record and Beneficial Owners and Management**

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (As of 30 April 2018)

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	CPG Holdings, Inc.[2]	Filipino	2,142,619,910 Direct and Indirect	40.289
Common	AO Capital Holdings I, Inc.[3]	Filipino	1,383,730,000 Direct	26.019
Common	Edimax Investment Limited[4]	British	296,460,000 Direct	5.5746

There are no other participants who own 5% or more of the voting securities of ArthaLand.

(2) Security Ownership of Management (As of 30 April 2018)

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

Title of Class	*Name of Beneficial Owner*	*No. of Shares & Nature of Ownership*	*Citizenship*	*% of Class*
Common	**Ernest K. Cuyegkeng** *Chairman of the Board*	1 Direct and Beneficial Owner	Filipino	0.00 %

[2] Mr. Christopher T. Po is authorized to vote the shares under this account.
[3] Mr. Jaime C. Gonzalez is authorized to vote the shares under this account.
[4] The name/s of the person/s authorized to vote the shares under this account is/are unavailable at the time of filing of this Information Statement.

Common	**Jaime C. Gonzalez** *Vice Chairman and President*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Jaime Enrique Y. Gonzalez** *Director*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Christopher Paulus Nicolas T. Po** *Director*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Leonardo Arthur T. Po** *Director/EVP and Treasurer*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Ricardo Gabriel T. Po** *Director/Vice Chairman*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Emmanuel A. Rapadas** *Independent Director*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Hans B. Sicat** *Independent Director*	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	**Andres B. Sta. Maria** *Independent Director*	1 Direct and Beneficial Owner	Filipino	0.00 %
None	**Riva Khristine V. Maala** *Corporate Secretary and General Counsel*	0	Filipino	N.A.
	TOTAL	------------- **9 shares**		

None of the present directors and officers works for the government.

(3) Voting Trust Holders of 5% or More

There are no voting trust holders registered in the books of ArthaLand.

(4) Changes in Control

During the Annual Stockholders' Meeting held on 30 June 2017, the stockholders elected the following as the members of its Board of Directors for the year 2017-2018 to hold office as such and until their respective successors are duly nominated, elected and qualified:

Regular Directors

1. Mr. Ernest K. Cuyegkeng
2. Mr. Jaime C. Gonzalez
3. Mr. Jaime Enrique Y. Gonzalez

4. Mr. Christopher Paulus Nicolas T. Po
5. Mr. Leonardo Arthur T. Po
6. Mr. Ricardo Gabriel T. Po

Independent Directors

7. Mr. Emmanuel A. Rapadas
8. Mr. Hans B. Sicat, and
9. Mr. Andres B. Sta. Maria

During the Organizational Meeting of the Board of Directors held immediately after the said Annual Stockholders' Meeting, the following were elected as officers for the year 2017-2018 to hold office as such and until their respective successors are duly nominated, elected and qualified, to wit:

Chairman		Mr. Ernest K. Cuyegkeng
Vice Chairman		Mr. Ricardo Gabriel T. Po
Vice Chairman and President		Mr. Jaime C. Gonzalez
Treasurer	-	Mr. Leonardo Arthur T. Po
Corporate Secretary	-	Ms. Riva Khristine V. Maala

ITEM 5.Directors, including Independent Directors, and Executive Officers

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

The following are the members of the Board of Directors for the term 2017-2018 and until their successors shall have been elected and qualified in accordance with the By-laws of ArthaLand:

Name of Director	Directorship	Date of First Appointment	Age
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	72
Jaime C. Gonzalez	Executive	21 May 2007	72
Jaime Enrique Y. Gonzalez	Non-Executive	24 June 2011	41
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	47
Leonardo Arthur T. Po	Executive	01 August 2016	41
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	50
Emmanuel A. Rapadas	Independent	24 June 2016	59
Hans B. Sicat	Independent	30 June 2017	57
Andres B. Sta. Maria	Independent	24 June 2016	69

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

Jaime C. González, Filipino, presently ArthaLand'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 ArthaLand in 2008 and started the vision of what the company is now. He is also the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies and is the Chairman of IP E-games Ventures, Inc. which is listed in the Philippine Stock Exchange and is involved in information technology and new media, retail/food and beverage, natural resources, and real estate and resort development. Apart from these, Mr. 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 in SGV & Company with principal focus on assisting clients in establishing or setting up joint venture projects throughout the region.

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

Christopher Paulus Nicolas T. Po, Filipino, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF, 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, Filipino, is concurrently Executive Vice President and Treasurer of ArthaLand. 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, Filipino, is currently one of the Vice Chairmen and a Director of Century Pacific Food, Inc., and the Vice Chairman and Director of Shakey's Pizza Asia Ventures, Inc. He graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Ricardo was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

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

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

Term of Office

Under Section 2, Article III of ArthaLand's By-laws, the Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders' meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders' meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.

b. **Procedure for the Nomination and Election of Independent Directors**

Section 2, Article III of ArthaLand's By-laws provides for the Procedure for the Nomination & Election of Independent Directors, as follows:

> "The Board of Directors shall be composed of nine (9) members, at least two (2) of whom shall be independent directors. The directors shall be elected at the annual stockholders' meeting and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders' meeting and have qualified in accordance with these By-laws and under pertinent laws and regulations of the Philippines.
>
> "To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in this By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein.
>
> "An independent director is a director who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship 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 includes, among other persons, one who:
>
> a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);
>
> b. is not a director or officer of the related companies of the Corporation's majority stockholder (other than as an independent director thereof);
>
> c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;
>
> d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority shareholder of the Corporation or any of its related companies;
>
> e. is not acting as nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
>
> f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, or has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he

is a director or substantial shareholder, other than transactions which are conducted at arms-length and could not materially interfere with or influence the exercise of his judgment;

g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,

h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

"When used in relation to the Corporation, "related company" means another company which is (i) its holding company; (ii) its subsidiary; or (iii) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

"No person shall qualify or be eligible for nomination or election to the Board of Directors (i) if he is engaged in any business that competes with or is antagonistic to that of the Corporation or its subsidiaries, taking into consideration such factors as business and family relationships; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had instituted any action or has a pending suit against any of the Corporation's directors or any stockholder who owns at least 10% of the total outstanding shares of the Corporation. Further, no person shall qualify or be eligible for election to the Board of Directors if his nomination is disapproved by at least fifty-one percent (51%) vote of the Board of Directors.

"In addition, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is suffering from any of the following grounds for disqualification:

(i) Conviction by final judgment or order of a competent judicial or administrative body of any crime involving moral turpitude or similar fraudulent acts or transgressions;

(ii) Convicted or adjudged by final judgment or order by a court or competent administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or BangkoSentral ng Pilipinas, committed within five (5) years prior to the date of election as director;

(iii) Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;

(iv) Judicial declaration of bankruptcy or insolvency; and,

(v) Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above.

"For the proper implementation of the provisions of this Section, all nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee through the Secretary at the Corporation's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix.

"The decision of the Nomination Committee is final for purposes of the election."

- 0 -

In accordance with the foregoing provision, and in order to enable any and all shareholders to participate in the nomination process, the deadline for the submission of nominees to the Board, including those for independent directors the qualifications of whom must meet those mentioned in the said section of ArthaLand's By-laws, was set on 27 April 2018.

Section 14, Article III of ArthaLand's By-laws further provides that the nomination of independent directors shall be conducted by the Nomination Committee[5] prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.

The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

After the nomination, the Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, which list shall be made available to all stockholders through the filing and distribution of this Information Statement in accordance with the Securities Regulation Code or in such other reports ArthaLand is required to submit to the Securities and Exchange Commission. The name of the person or group of persons recommending the nomination of the independent director shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.

Except as those required under the Securities and Regulation Code and subject to pertinent existing laws, rules and regulations of the Securities and Exchange Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures under the By-laws of ArthaLand.

The Chairman of the stockholders' meeting shall be responsible for informing all stockholders in attendance at the Annual Stockholders' Meeting of the mandatory requirement of electing independent directors. He shall ensure that independent directors are elected during the said stockholders' meeting and specific slot/s for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairman of the meeting shall call a separate election during the same meeting to fill up the vacancy.

Below is the Final List of Candidates as directors and independent directors of ArthaLand for the ensuing year:

A. <u>Nominees for Regular Directors</u>

1. Mr. Ernest K. Cuyegkeng
2. Mr. Jaime C. Gonzalez
3. Mr. Jaime Enrique Y. Gonzalez
4. Mr. Christopher Paulus Nicolas T. Po
5. Mr. Leonardo Arthur T. Po

[5] Composed presently of Messrs. Ricardo Gabriel T. Po (Chairman), Hans B. Sicat and Andres B. Sta. Maria.

6. Mr. Ricardo Gabriel T. Po

B. Nominees for Independent Directors

7. Mr. Emmanuel A. Rapadas
8. Mr. Hans B. Sicat
9. Mr. Andres B. Sta. Maria

The above nominees are all incumbent directors of ArthaLand and they are seeking re-election. The qualifications and the positions held and/or business experience for the past five (5) years of these nominees are reflected in Item 5a of this Information Statement.

Messrs. Rapadas, Sicat and Sta. Maria were nominated as independent directors by Messrs. Jaime C. Gonzalez and Ricardo Gabriel T. Po. None of them are in any way related to the party who nominated them or to any one of the shareholders of ArthaLand owning more than five percent (5%) of its voting shares. They possess all the qualifications and none of the disqualifications to become independent directors of ArthaLand. Further, they are not officers or employees of ArthaLand or any of its subsidiaries and are free from any business or other relationships with ArthaLand or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors.

ArthaLand complies with the term limits of its independent directors and submits to the SEC their respective certificates of qualification pursuant to relevant SEC Memo Circulars.

None of ArthaLand's incumbent directors or its nominees for directors and independent directors for the ensuing year is connected with any government agency or its instrumentality.

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

The following are presently ArthaLand's principal corporate officers:

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

Riva Khristine V. Maala, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before working in the banking industry for eleven years. Atty. Maala became the Head of Legal Affairs and Investor Relations of ArthaLand 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. She still remains the Corporate Information Officer of ArthaLand. Pending the engagement of a full time Compliance Officer, Ms. Maala oversees the overall compliance of ArthaLand while the heads of various departments monitor the requisite compliances within the scope of their responsibilities in the organization.

Term of Office

Pursuant to Sections 2, 3 and 4, Article IV of ArthaLand's By-laws, the corporate officers of ArthaLand are elected in the first meeting of the Board of Directors immediately after the stockholders' meeting where the directors are elected. The officers shall be elected by a majority vote of all the directors actually composing the Board of Directors, and shall hold office for a term of one (1) year and until their successors shall have been elected and qualified in accordance with the By-Laws and under pertinent laws and regulations, unless otherwise removed with or without cause at any time, by a majority vote of all the directors actually composing the Board of Directors.

Any officer may resign at any time by giving written notice to the Chairman of the Board or the President. Such resignation shall take effect at the time specified therein, and the acceptance thereof shall not be necessary to make the resignation effective.

Any vacancy in an office created under Section 1, Article IV of ArthaLand's By-Laws because of death, resignation, removal or any cause shall be filled by the Board of Directors for the unexpired portion of the term in the same manner prescribed herein for the election to such office.

d. **Significant Employees**

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

Christopher G. Narciso, Filipino, was appointed Executive Vice President on 09 May 2018. Prior to joining ArthaLand, 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 President and 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, a graduate of the De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minor in Chemical Engineering, is currently serving as the National President of the Subdivision and Housing Developers Association.

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

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

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

Sheryll P. Verano, Filipino, is the Head of Strategic Funding and Investments and performs the functions of Investor Relations Officer. She is a finance professional with more than 15 years experience in financial advisory, debt and equity capital raising, debt restructuring and mergers and acquisitions. Prior to joining ArthaLand, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ArthaLand, 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 ArthaLand not only for its flagship project, Arya Residences, but for all its development projects.

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

Clarence P. Borromeo, Filipino, is ArthaLand's Data Privacy Officer. He has been the Head of its Information Technology (IT) Department since in 2009. Before joining ArthaLand, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines). He was also the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut) prior to his engagement with the ICCP Group of Companies. 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.

None of the foregoing officers owns shares of stock of ArthaLand. Neither is any one of them connected with any government agency or its instrumentality.

e. **Family Relationship**

With the exception of the brothers Messrs. Ricardo Gabriel T. Po, 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 ArthaLand are not related to each other, either by consanguinity or affinity.

f. **Involvement in Certain Legal Proceedings**

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

g. **Certain Relationships and Related Transactions**

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

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

ITEM 6. Compensation of Directors and Executive Officers

a. **Compensation of Directors and Executive Officers**

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

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

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

Below are the committee memberships of the Directors of ArthaLand:

Audit Committee	Emmanuel A. Rapadas, *Chairman* Hans B. Sicat Andres B. Sta. Maria
Stock Option and Compensation Committee	Jaime C. Gonzalez, *Chairman* Ricardo Gabriel T. Po Emmanuel A. Rapadas Hans B. Sicat
Nomination Committee	Ricardo Gabriel T. Po, *Chairman* Hans B. Sicat Andres B. Sta. Maria

Executive Committee[6]	Ernest K. Cuyegkeng, *Chairman* Jaime C. Gonzalez, *Vice Chairman* Ricardo Gabriel T. Po, *Vice Chairman* Jaime Enrique Y. Gonzalez Leonardo Arthur T. Po Christopher Paulus Nicolas 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 compensation of ArthaLand's officers and employees for the last two years is as follows:

2016

	Salary[7]	Bonus	Others
Directors and Executives[8] includes then President and CEO (Ms. Angela de Villa-Lacson) and the four highly compensated officers, namely, the Treasurer (Mr. Leonardo Arthur T. Po), the Chief Finance Officer[9], the Head of Project and Business Development (Ms. Ninalyn S. Cordero), and the Head of Technical Services (Mr. Gabriel I. Paulino)	₱57.49M	₱5.91M	None
Officers (As a group unnamed)	₱14.81M	₱2.04M	None

2017

	Salary[10]	Bonus	Others
Directors and Executives[11] includes the President and CEO[12] and the four highly compensated officers, namely, the Treasurer (Mr. Leonardo Arthur T. Po), then Chief Finance Officer (Mr. Ferdinand A. Constantino), the Head of Project and Business Development (Ms. Ninalyn S. Cordero), and the Head of Technical Services (Mr. Gabriel I. Paulino)	₱49.53M	₱9.18M	None
Officers (As a group unnamed)	₱12.97M	₱1.30M	None

[6] 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.
[7] Rounded-off.
[8] The total compensation of the CEO and the top four highly compensated executive officers for 2016 amounts to ₱34.135M.
[9] Previously, Mr. Ponciano S. Carreon, Jr. and then Mr. Ferdinand A. Constantino beginning 01 July 2016.
[10] Rounded-off.
[11] The compensation of the CEO and the top four highly compensated executive officers for 2017 amounts to ₱37.49M.
[12] Ms. Angela de Villa-Lacson (January-February 2017) and Jaime C. Gonzalez (March-December 2017).

2018 (Estimated and Collective)

	Salary[13]	Bonus	Others
Directors and Executives Officers (As a group unnamed)	₱65.62M	None[14]	None

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

In the 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 Stock Option Plan of ArthaLand. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ArthaLand'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 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 subsidiaries or affiliates[15] of ArthaLand.

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 the common stock of ArthaLand), 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 ArthaLand each year.

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

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

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

As of the date of this Information Statement, 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 had expired in October 2012.

[13] Rounded-off.
[14] Whether bonuses will be given in 2018 is uncertain at this time.
[15] ArthaLand must have at least 50% equity holdings of said subsidiary or affiliate.

ITEM 7. Independent Public Accountant

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

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

Information on Independent Accountant

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26/F Citibank Tower 8741 Paseo de Roxas, Makati City 1226
Certifying Partner	:	Ms. Michelle R. Mendoza-Cruz
C.P.A. Reg. No.	:	97380
TIN No.	:	201-892-183-000
PTR No.	:	6607962 issued on 03 January 2018 at Makati City
SEC Accreditation No.	:	Partner – No. 1499-A Group A (Valid until 31 August 2018)
BIR Accreditation No.	:	08-005144-12-2017 (Valid until 08 March 2020)

Fees and Other Arrangements

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

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

2013	-	₱550,000.00
2014	-	₱750,000.00
2015	-	₱750,000.00
2016	-	₱950,000.00
2017	-	₱1,500,000.00

RT&Co also rendered services to subsidiaries of ArthaLand with the exception of Cebu Lavana Land Corporation[16], and its audit fees are as follows:

	2017	2016	2015
Cazneau Inc.	₱120,000.00	₱100,000.00	₱80,000.00
Emera Property Management, Inc.	₱140,000.00	₱110,000.00	₱90,000.00
Manchesterland Properties, Inc.	₱300,000.00	₱270,000.00	₱180,000.00
Savya Land Development Corporation	₱110,000.00	*- 0 -*	*- 0 -*
Urban Property Holdings, Inc.	₱110,000.00	₱90,000.00	₱80,000.00
Zileya Land Development Corporation	₱100,000.00	₱80,000.00	₱80,000.00

[16] The external auditor of CLLC is Isla Lipana & Co., a PwC member firm. Its fees for 2017 and 2016 amount to ₱430,000.00 and ₱300,000.00, respectively, both of which are net of VAT. RT&Co was the external auditor of CLLC in 2015 and its fees amounted to ₱90,000.00, net of VAT.

RT&Co did not charge ArthaLand for non-audit work for the years 2012, 2013, 2014, 2015 and 2017. In 2016, RT&Co charged ArthaLand for such work in the amount of ₱1.50MM in relation to the public offering of ArthaLand's Preferred Series B shares.

The foregoing fees are all exclusive of VAT.

ITEM 8. Compensation Plans

As reflected in Item 6b above, ArthaLand made available to its qualified employees in 2009 a stock option plan wherein they can enjoy the benefits of ownership of ArthaLand and thereby increase their concern for its long-term progress and well-being, induce their continued service and stimulate their efforts towards the continued success thereof. However, none of the qualified employees exercised their respective stock option rights until the period within which they can do so had expired in October 2012. No new stock options have been granted as of the date of this Information Statement.

C. ISSUANCE AND EXCHANGE OF SECURITIES

No action will be taken during the Annual Stockholders' Meeting on 29 June 2018 with respect to the Authorization or Issuance of Securities Other than for Exchange (**Item 9**); Modification or Exchange of Securities (**Item 10**); Financial and Other Information (**Item 11**); Mergers, Consolidations, Acquisitions and Similar Matters (**Item 12**); Acquisition or Disposition of Property (**Item 13**); or, Restatement of Accounts (**Item 14**).

D. OTHER MATTERS

ITEM 15. Action With Respect to Reports

Management will present during the Annual Stockholders' Meeting the financial reports of ArthaLand as of 31 December 2017 and its quarterly report as of the first quarter of 2018. Copies of these financial reports are attached to this Information Statement and made integral parts hereof.

The Minutes of the Annual Stockholders' Meeting held on 30 June 2017 whereby the following matters were taken up, will also be submitted for approval of the stockholders:

1. Call to Order
2. Secretary's Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Special Stockholders' Meeting held on 07 September 2016
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Election of Directors (including Independent Directors)
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Other than the foregoing, there is no other matter with respect to Reports for which the appropriate action by the stockholders is required will be presented.

ITEM 16. Matters Not Required To Be Submitted

There are no matters not required to be submitted to the stockholders which will be presented at the Annual Stockholders' Meeting.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

The stockholders will be asked during the Annual Stockholders' Meeting to approve the amendment of the Articles of Incorporation of ArthaLand, specifically Article THIRD, for purposes of changing its principal office from "8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City, Philippines" to "7/F ArthaLand Century Pacific Tower, 5th Avenue corner 31st Street, Bonifacio Global City, Taguig City, Philippines".

ITEM 18. Other Proposed Action

The appointment of RT&Co as External Auditor of ArthaLand for 2018 will be taken up at the Annual Stockholders' Meeting.

ITEM 19. Voting Procedures – Voting for Corporate Actions

a. **Voting for Corporate Actions**

Voting on matters submitted for stockholders' approval during the Annual Stockholders' Meeting shall be done by *viva voce* and shall be supervised by the designated staff of RT&Co and BDO Unibank, Inc. – Trust and Investments Division, the External Auditor and the Stock and Transfer Agent of ArthaLand, respectively.

b. **Nominations and Voting for the Election of Directors**

(1) Section 4, Article II of the By-laws provides that at "all stockholders' meetings, every stockholder shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper books of the Corporation at the time of closing thereof for the purpose of the meeting."

(2) No nominations from the floor during the stockholders' meeting shall be allowed or recognized.

(3) For the purpose of electing directors, the system of cumulative voting shall be followed as provided under Section 4, Article II of the By-laws, to wit:

> "xxx At all stockholders' meetings, every stockholder entitled to vote in accordance with Section 4 of Article VI of these By-laws shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.
>
> "At every election of directors, each stockholder entitled to vote during the meeting in accordance with Section 4 of Article VI of these By-laws is entitled to one (1) vote for each share of stock held by him for as many persons as there are directors to be elected, or to cumulate

said shares and give one (1) candidate as many votes as the number of directors multiplied by the number of his share shall equal, or to *distribute such votes on the same principle* among as many candidates as he shall think fit."

The total number of votes to be cast by the stockholder must not exceed the number of shares owned by him/it as shown in the books of ArthaLand multiplied by the whole number of directors to be elected.

(4) Voting for the election of Directors shall be by ballot and the tabulation of the votes shall be supervised by the designated staff of the External Auditor and the Stock Transfer Agent; provided, that voting may be by *viva voce* upon approval by the majority of the stockholders present in the meeting.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement is true, complete and correct. This is signed in **Taguig City** on **23 May 2018**.

ARTHALAND CORPORATION
By:

RIVA KHRISTINE V. MAALA
Corporate Secretary and General Counsel

SUBSCRIBED AND SWORN to before me this **23rd** day of **May 2018** at **Taguig City, Philippines**, affiant exhibiting to me her **Passport Number EC5989640** issued on **14 November 2015** by the Department of Foreign Affairs-NCR East, Philippines.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP NO. 20 (2017-2018)

Doc. No. 227
Page No. 47
Book No. 11
Series of 2018.

Attachments: **Management Report**
Audited Financial Statements for 2017 (including Statement of Management Responsibility), and
SEC Form 17-Q (First Quarter 2018).

UNDERTAKING

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

ARTHALAND
FUTURE PROOF BY DESIGN

CERTIFICATION

I, **JAIME C. GONZALEZ**, the duly appointed President of **ARTHALAND CORPORATION (the "Corporation")**, a corporation organized and existing under Philippine laws, with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634, subscribing under oath, certify that none of the incumbent directors of the Corporation nor the nominees thereof for directors and independent directors during the Annual Stockholders' Meeting on 29 June 2018, is connected with any government agency or its instrumentalities.

I am executing this Certification as a supplement of the Corporation's Information Statement.

IN WITNESS WHEREOF, I hereby affix my signature this **9th** day of **May 2018** at Taguig City.

JAIME C. GONZALEZ
Vice Chairman and President

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this **9th** day of **May 2018**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Jaime C. Gonzalez** (i) whom I identified through his **Passport Number P5521740A** issued by the Department of Foreign Affairs, **NCR East, Philippines** and expiring on **04 January 2028**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he executed this instrument as his free and voluntary act and deed and that he has the authority to sign on behalf of his principal.

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

Doc. No. 86
Page No. 19
Book No. 10
Series of 2018.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EMMANUEL A. RAPADAS**, Filipino, of legal age, subscribing under oath, depose and say that:

1. I am an Independent Director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation duly organized and existing under and by virtue of Philippine laws, with principal place of business at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634. I have been one of its independent directors since **24 June 2016** and I am once again nominated as such during the Annual Stockholders' Meeting and Election of Directors scheduled on **29 June 2018**.

2. I am presently affiliated with Torre Lorenzo Development Corporation as Senior Vice President and Chief Finance Officer.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuance of the Securities and Exchange Commission.

4. I am not in any way related to any director, officer or substantial stockholder of the Corporation or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director of the Corporation under the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code and other issuance of the Securities and Exchange Commission.

8. I shall inform the Corporate Secretary of the Corporation any change in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I hereunto set my hand this **9th day** of **May 2018** at Taguig City.

EMMANUEL A. RAPADAS

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this 9th day of **May 2018**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Emmanuel A. Rapadas** (i) *whom I identified through his* **Passport Number EC6250487** issued by the **Department of Foreign Affairs NCR-East** on **18 December 2015**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

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

Doc. No. 88
Page No. 19
Book No. 10
Series of 2018.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **HANS B. SICAT**, Filipino, of legal age, subscribing under oath, depose and say that:

1. I am an Independent Director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation duly organized and existing under and by virtue of Philippine laws, with principal place of business at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634. I have been one of its independent directors since **30 June 2017** and I am once again nominated as such during the Annual Stockholders' Meeting and Election of Directors scheduled on **29 June 2018**.

2. I am presently the Managing Director and Country Manager for ING Bank, N. V., Manila Branch and I sit in the boards of the Bankers Association of the Philippines and the Investment House Association of the Philippines.

I am also affiliated with the following companies and organizations:

Company/Organization	Position/Relationship
Philippine Stock Exchange	Director
Euromoney Institutional Investor Asia	Member, Advisory Board
Asian Institute of Management	Executive in Residence
LegisPro Corporation	Acting Chairman
Serica Balanced Fund & Master Fund	Independent Director
Skycable Corporation	Independent Director
List Sotheby's Philippines	Director
Fintonia Fund	Advisory Board

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other issuance of the Securities and Exchange Commission.

4. I am not in any way related to any director, officer or substantial stockholder of the Corporation or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. Except as otherwise disclosed herein, I am not connected with any government agency or instrumentality at present. In the event I will be elected as a director or officer of such, I undertake to secure the written permission or consent of the Securities and Exchange Commission and other related regulatory agencies to become an independent director of the Corporation pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Service Rules, as applicable.

7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director of the Corporation under the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code and other issuance of the Securities and Exchange Commission.

8. I shall inform the Corporate Secretary of the Corporation any change in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I hereunto set my hand this **15th day** of **May 2018** at Taguig City.

Hans B. Sicat

HANS B. SICAT

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this **15th**day of**May2015**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Hans B. Sicat**(i) whom I identified through his**Passport Number EC7002022** issued by the **Department of Foreign Affairs on 11 March2016**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

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

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

Doc. No. 333
Page No. 68
Book No. 10
Series of 2018.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANDRES B. STA. MARIA**, Filipino, of legal age, subscribing under oath, depose and say that:

1. I am an independent director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly-listed corporation organized and existing under Philippine law, with principal place of business at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634. I have been an independent director since **24 June 2016** and am again nominated for election during the Annual Stockholders' Meeting and Election of Directors scheduled on **29 June 2018**.

2. I am presently affiliated with the following companies or organizations:

Company/Organization	Position/Relationship
United Laboratories, Inc. and related companies	Director
Shimizu Philippine Contractors, Inc.	Chairman/Director
Sirius Holdings, Inc.	Chairman/President/Director
Calumboyan Holdings, Inc. and related companies	Director

3. I believe I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other relevant rules of the Securities and Exchange Commission.

4. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director of the Corporation, as set out in the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code, and other relevant issuances of the Securities and Exchange Commission.

8. I shall inform the Corporate Secretary of the Corporation on any change in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREO, I hereunto set my hand this **9th day** of **May 2018** at Taguig City.

ANDRES B. STA. MARIA

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this 9th day of **May 2018**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Andres B. Sta. Maria** (i) whom I identified through his **Passport Number EC2181164** issued by the **Department of Foreign Affairs NCR-East** on **23 September 2014**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

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

Doc. No. 87
Page No. 19
Book No. 10
Series of 2018.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

a. Business Development

ARTHALAND CORPORATION ("ArthaLand") was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects. Its principal office is at the 8th Floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City**.**

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

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

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

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

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

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

b. Business/Projects

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

ArthaLand is a registered member of the United States Green Building Council (USGBC), an organization which sets the world standards for green buildings and sustainable

[1] ArthaLand was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the Securities and Exchange Commission approved anew the change of the corporate name to ArthaLand Corporation.
[2] The authorized capital stock was originally ₱2,946,257,135.82 divided into 16,368,095,199 Common shares only at a par value of ₱0.18 per share.

developments. It adheres to the standards set by the USGBC Leadership in Energy and Environmental Design (LEED) program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

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

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

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

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

ArthaLand's flagship office project, ArthaLand Century Pacific Tower (ACPT), is set to be the landmark of sustainability in Bonifacio Global City. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned One World Trade Center and Burj Khalifa in Dubai. It has been pre-certified as LEED Gold and ArthaLand is targeting to secure a LEED Platinum certification for it.

The Philippines Property Awards recognized ACPT as the Best Green Development in the Philippines for 2016 and awarded it to have the Best Office Architectural Design. ACPT was highly commended for Best Office Development. The South East Asia Property Awards 2016, on the other hand, recognized ACPT to have the Best Office Architectural Design (Philippines) and the Best Green Development (Philippines), and conferred upon it the Special Recognition for Sustainable Design (South East Asia). ACPT was again awarded the Best Office Architectural Design as well as the Best Green Development in the Asia Property Awards of 2017.

With the completion of Arya Residences and ACPT, ArthaLand is now focused on expanding its business outside Metro Manila with the development of Cebu Exchange, a 38-storey LEED and Berde certified office building that will stand high in Barangay Lahug, Cebu City. Pre-selling began in September 2017 although construction will commence in the second quarter of 2018. Cebu Exchange will offer unit cuts ranging from 95 to 5,100 square meters. The large floor plate in its lower floors is perfect for business process outsourcing (BPO) companies while the upper floors can cater to traditional offices and executive offices.

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, Cebu Exchange boasts of being the largest green building in the country.

ArthaLand has also started planning for and will soon announce its first foray into developing a sustainable, master planned and integrated community in an eight-hectare property in Biñan City, Laguna, adjacent to the De La Salle University Science and Technology campus. This project will be catering to start-ups, incubators, students, faculty population and starter families within the area.

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

c. Subsidiaries

Below are the domestic companies in which ArthaLand has shareholdings. ArthaLand has 100% ownership interest in these companies with the exception of Cebu Lavana Land Corporation.

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

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

iii. **Emera Property Management, Inc.** was incorporated on 31 July 2008[3]. It was originally established to engage in the realty development business but now serves as the property management arm of ArthaLand.

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

v. **Savya Land Development Corporation** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle ArthaLand used to acquire two lots in Arca South located in Barangay West Bicutan, Taguig City.

vi. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and

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

was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. This plan may, however, change subject to market conditions.

vii. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. It is the investment vehicle used by ArthaLand in the acquisition of certain condominium units in Makati City.

None of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Also, to date, these subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, except as otherwise discussed herein.

Further, neither ArthaLand nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective businesses with the exception of the following cases:

1. Termination of Trust Account

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

2. Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's 33-hectare property. Trial is on-going with the City of Tagaytay presenting its evidence.

3. Expropriation

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

In July 1999, NAPOCOR and UPHI agreed to refer 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.

4. Claim for Refund

a. A buyer[4] offered to purchase a unit in Arya Residences, paid the reservation fee and signed the Reservation Agreement, which reads, in part, that should the buyer "fail to pay any of the amounts due xxx, the Seller shall have the sole option to (i) cancel the sale and forfeit in its favor all payments made xxx." A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made 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 under 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[5] offered to purchase a unit in Arya Residences in November 2012, paid the reservation fee but failed to pay the final amortization and other charges which became due in January 2014 on the ground that a viewing of the unit was not allowed beforehand, notwithstanding that pursuant to the Contract to Sell signed, full payment of the account is required prior to turnover of the unit. A viewing of the unit is not scheduled until the account is fully paid since inspection is the initial step of the turnover process. All buyers of Arya Residences were treated in the same manner.

In November 2017, the buyer filed a complaint before the HLURB and demanded the return of all payments made in a span of one (1) year amounting to ₱942,718.53. Both parties having submitted their respective Position Paper, the complaint is now submitted for decision.

5. Labor

a. In an Order dated on 03 July 2017, the Department of Labor and Employment (DOLE) found ArthaLand non-compliant with certain labor standards per Rules 1020, 1030, 1040, 1050 and 1065. Records, however, show that ArthaLand 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 ArthaLand. Among the reliefs sought are the recall of the Order for Compliance and a finding that ArthaLand 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 ArthaLand 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 ArthaLand is fully compliant. ArthaLand 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 of the Appeal.

[4] The complainant is Ms. Bernadette Villaseñor.
[5] The complainant is Ms. Anita Medina-Yu.

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

d. Competition

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

ArthaLand 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.

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

ArthaLand believes that given the desirability of 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.

ArthaLand 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 ArthaLand and therefore, have stronger brand equity, longer track record, and financial mileage. In the office development front, ArthaLand 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.

ArthaLand 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. ArthaLand believes that it has started the grounds well in sustainable and luxurious projects being the first company to have a LEED and BERDE-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ArthaLand knows it can achieve this given its far less overhead costs, being a relatively leaner organization.

e. Industry Risk

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

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

The BPO industry, organized under the IT-Business Process Association of the Philippines (IBPAP), comprises primarily of contact centers, back office operations and medical transcription, among others. The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates. The fast paced growth of this industry in the past five 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, ArthaLand 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. ArthaLand and its subsidiaries are sensitive (i) to the political and security situations of the country since its sales comes from both foreign and local investors, and (ii) to the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estates.

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

f. Sources and availability of raw materials

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

g. Advances to Related Parties

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

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

h. Patents and Trademarks

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

i. Government approval for principal products or services

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

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

j. Cost and Effects of Compliance with Environmental Laws

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

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

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

k. Employees

As of 31 December 2017, ArthaLand has a total of 79 personnel, 35 of whom are in management and 44 are non-managers[6]. As of the same period, ArthaLand also engaged 38 sales agents.

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

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

l. Working Capital

In general, ArthaLand finances its projects through internally generated funds, loans from banks and sometimes, support from its major shareholders, such as the non-interest bearing loans obtained in 2015 from Centrobless Corporation[7], a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, ArthaLand's largest stockholder at present; and in September 2017 from Signature Office Property, Inc.[8], which is majority-owned and chaired by ArthaLand Director Jaime Enrique Y. Gonzalez.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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%

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

27% Decrease in Cash and Cash Equivalents
The decrease 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 ArthaLand'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.

FINANCIAL POSITION
31 December 2016 vs. 31 December 2015

	31 Dec 2016	31 Dec 2015 *As Restated*	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	**899,207,291**	**1,377,927,383**	-35%
Due to a related party	**249,789,836**	**-**	100%
Retirement liability	**47,244,365**	**40,801,518**	16%
Net deferred tax liabilities	**644,775,602**	**352,484,029**	83%
Total Liabilities	**4,952,055,797**	**4,862,981,842**	2%
Capital stock	**989,757,136**	**957,257,136**	3%
Additional paid-in capital	**2,031,441,541**	**75,000,000**	2609%
Retained earnings	**2,098,281,063**	**1,258,055,239**	67%
Cumulative re-measurement gains on retirement liability – net of tax	**3,022,025**	**990,511**	205%
Parent Company's shares held by a subsidiary	**(12,500,000)**	**-**	100%
Total equity attributable to the Parent Company	**5,110,001,765**	**2,291,302,886**	123%
Non-controlling interest	**(414,731)**	**-**	100%
Total Equity	**5,109,587,034**	**2,291,302,886**	123%
Total Liabilities And Equity	**10,061,642,831**	**7,154,284,728**	41%

ArthaLand's total resources as of 31 December 2016 was at ₱10.06 billion, or about 41% higher than the 31 December 2015 level of ₱7.15 billion due to the following:

64% Increase in Cash and Cash Equivalents
The increase can be attributed to the collection of the prior year's receivables, shareholders' advances in CLLC, as well as down payments from sales of the few remaining unsold units in Arya Residences and from the pre-selling of some units of Cebu Exchange, most of which were invested in short term placements.

180% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The significant increase is mainly brought about by proceeds from the Parent Company's ₱2.0 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 ArthaLand during the year for its other ongoing projects.

14% Increase in Creditable Withholding Taxes
The additional creditable withholding taxes were attributable to the collections of receivables both from prior and current years' sales of Arya Residences units.

126% Increase in Investment Properties
The significant increase was brought about by the adoption of fair value accounting for the Group's investment properties which included restatement prior years' balances.

17% Increase in Property and Equipment
The increase is basically due to the acquisition of new office machinery, furniture and fixtures, and transportation equipment.

47644% Increase in Deferred Tax Assets
This refers to the net operating loss of a subsidiary for the previous and current years which were recognized in full as NOLCO in 2016.

35% Decrease in Accounts Payable and Other Liabilities
The decrease is accounted for by payments made to the different contractors and suppliers of the Group, among others.

100% Increase in Due to a Related Party
The increase is due to the advances made by a shareholder to CLLC as previously mentioned in the discussion for Cash and Cash equivalent.

16% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

83% Increase in Net Deferred Tax Liabilities
The increment is attributable to this year's gain on change in fair value of investment properties.

2609% Increase in Additional paid-in capital
This is largely accounted for by the additional or over par payments made by subscribers to the Series B Preferred shares issuance last December 2016.

67% Increase in Retained Earnings
The consolidated net income of the Group for the year contributed to the increase in this year's reported retained earnings.

205% Increase in Cumulative remeasurement gains (losses) on retirement liability
The difference represents year-end adjustments on cumulative re-measurement gains on ArthaLand's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

100% Increase in Parent Company's Shares Held by a Subsidiary
This represents a subsidiary's subscription to the Series A Preferred shares issued by the Parent company in 2016.

100% Increase in Non-controlling Interest
This represents the 40% share of a third party shareholder in CLLC's net equity for 2016.

FINANCIAL POSITION
31 December 2015 vs. 31 December 2014

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

ArthaLand's total resources as of 31 December 2015 was at ₱6.50 billion, or about 18% higher than the 31 December 2014 level of ₱5.50 billion due to the following:

28% Decrease in Cash and Cash Equivalents
The decrease was due to temporary placements of excess cash in higher yielding bank deposits, presented in the financial statements as Financial assets at fair value through profit or loss (FVPL).

169% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was due to additional short-term placement of excess cash.

6% Decrease Trade and Other Receivables
The decrease was due to collection of maturing accounts.

118% Increase in Real Estate for Sale
The significant increase was mainly due to the acquisition cost of a land in Cebu City.

40% Decrease in Property and Equipment
The decrease was mainly due to the full depreciation of the Arya Residences Sales Pavilion in 2015.

8% Increase in Other Assets
The increase is primarily due to additional creditable withholding taxes and investments in long-term time deposits with certain local banks.

12% Increase in Loans Payable
The increase was mainly due to a loan obtained to partially fund the construction of ACPT.

55% Increase in Accounts Payable and Other Liabilities
The significant increase represents remaining payable to the landowner of the Cebu real property acquired during the year.

21% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

8% Increase in Net Deferred Tax Liabilities
The change was mainly due from increase in Other Income.

24% Increase in Retained Earnings
The increase was due to the Net income for the year.

1815% Increase in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

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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	**328,509,674**	393,674,538	-17%
Gross income	**135,028,920**	57,400,523	135%
Administrative expenses	**278,065,313**	298,360,928	-7%
Selling and marketing expenses	**48,493,636**	66,767,530	-27%
Operating expenses	**326,558,949**	365,128,458	-11%
Income (loss) from operations	**(191,530,029)**	(307,727,935)	-38%
Gain on change in fair value of investment properties	**428,390,699**	1,417,865,206	-70%
Finance costs	**(80,663,240)**	(80,348,345)	0%
Other income – Net	**67,443,318**	147,643,198	-54%

Income before income tax	**223,640,748**	1,177,432,124	-81%
Income tax expense	**85,240,763**	355,015,749	-76%
Net income	**138,399,985**	822,416,375	-83%
Other comprehensive income			
Change in actuarial gain - Net of tax	**4,426,366**	2,031,514	118%
Total comprehensive income	**142,826,351**	824,447,889	-83%

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

17% Decrease in Cost of Sales and Services
The decrease in cost of sales 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 to 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 to 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 to 2017.

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

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

RESULTS OF OPERATIONS
31 December 2016 vs. 31 December 2015

	31 Dec 2016	31 Dec 2015 *As Restated*	Change
Revenues	**451,075,061**	1,587,578,861	-72%
Cost of sales and services	**393,674,538**	1,043,700,643	-62%
Gross income	**57,400,523**	543,878,218	-89%
Administrative expenses	**298,360,928**	244,806,979	22%
Selling and marketing expenses	**66,767,530**	69,323,793	-4%
Operating expenses	**365,128,458**	314,130,772	16%
Income (loss) from operations	**(307,727,935)**	229,747,446	-234%

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

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

72% Decrease in Revenue
Lesser revenue was recognized inasmuch as there were very few remaining units left for sale in 2016 as compared to the previous year.

62% Decrease in Cost of Sales and Services
The decrease in cost of sales is directly related to the decrease in revenues mentioned in the foregoing.

22% Increase in Administrative Expenses
The increase is basically attributable to documentation and other expenses incurred during the year in relation to the turnover and titling of fully paid units in Arya Residences Towers 1 and 2.

4133% Increase in Gain on Change in Fair Value of Investment Properties
The significant increase is due to the Group's adoption of fair value model of accounting for investment properties which also resulted in the restatement of prior years' reports.

98% Increase in Finance Costs
The increase is due to amortization of "Day 1" gain on loan discounting.

21% Increase in Other Income – Net
The increase is largely accounted for by income from forfeited collections.

262% Increase in Income Tax Expense
The substantial increase is attributable to the tax effect of gain on change in fair value of investment properties.

94% Increase in Change in Actuarial Gain – Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 based on the latest actuarial valuation report.

RESULTS OF OPERATIONS
31 December 2015 vs. 31 December 2014

	31 Dec 2015	31 Dec 2014	Change
Revenue from real estate sales	**1,584,016,397**	2,053,012,855	-23%
Cost of real estate sold	**1,043,700,643**	1,216,469,030	-14%
Gross income	**540,315,754**	836,543,825	-35%

Administrative expenses	**244,556,979**	289,460,170	-16%
Selling and marketing expenses	**69,323,793**	76,377,533	-9%
Operating expenses	**313,880,772**	365,837,703	-14%
Income from operations	**226,434,982**	470,706,122	-52%
Finance costs	**-40,566,579**	-75,914,834	-47%
Other income - Net	**125,934,371**	24,068,982	423%
Income before income tax	**311,802,774**	418,860,270	-26%
Income tax expense	**87,968,491**	215,105,595	-59%
Net income	**223,834,283**	203,754,675	10%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	**1,048,252**	-2,114,558	150%
Total comprehensive income	**224,882,535**	201,640,117	12%

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

23% Decrease in Revenue from Real Estate Sales
Balance for 2015 represents the remaining unrecognized revenues from Arya Residences. Substantial portions of sales from the said project were already recognized in prior years.

14% Decrease in Cost of Real Estate Sold
The resulting cost of real estate sold recognized for the current year applies to said remaining unrecognized revenues.

16% Decrease in Administrative Expenses
The decline in administrative expenses was mainly due to lower business taxes and decreased rental, depreciation and utility expenses caused by the retirement of the Arya Residences Sales Pavilion.

9% Decrease in Selling and Marketing Expenses
The decrease was mainly attributable to lower commission expenses during the year.

47% Decrease in Finance Costs
Lower interest expense was due to decreased bank loan balance in 2015 as compared with the previous year.

423% Increase in Other Income – Net
The other income for the current year includes a one-time gain resulting from the accounting treatment requiring a discounting of a non-interest bearing loan.

59% Decrease in Income Tax Expense
The decrease was due to lower financial tax base for the year as compared to 2014.

150% Increase in Change in Actuarial Gain (loss) - Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

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FINANCIAL RATIO

	December 2017	**December 2016**	December 2015
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**1.55:1**	**3.08:1**	3.27:1

Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	**0.02:1**	**0.17:1**	0.05:1
Debt-to-equity Ratio (Total debt to total equity)	**1.22:1**	**0.97:1**	2.12:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	**0.52:1**	**0.31:1**	1.03:1
Asset-to-equity Ratio (Total assets over total equity)	**2.22:1**	**1.97:1**	3.12:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	**3.87:1**	**15.80:1**	9.69:1
Profitability Ratio (Net income over total equity)	**0.03:1**	**0.16:1**	0.11:1

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

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

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

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

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

FINANCIAL POSITION
March 2018 vs March 2017

	31 MARCH 2018	31 MARCH 2017	% Change
Cash and cash equivalents	**P 406,667,941**	P 738,958,392	-45%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	1,629,504,821	-76%
Trade and other receivables	**161,137,615**	318,288,954	-49%
Real estate for sale	**2,635,693,612**	2,546,697,619	3%
Investment properties	**6,728,623,596**	4,863,449,232	38%
Property and equipment	**47,035,083**	22,607,121	108%
Net deferred tax assets	**82,522,989**	27,227,590	203%
Creditable withholding tax	**258,325,639**	249,650,675	3%
Other assets	**776,801,061**	344,418,431	126%
Total Assets	**11,485,113,257**	10,740,802,835	7%
Loans payable	**4,448,883,586**	3,151,336,317	41%
Accounts payable and other liabilities	**882,505,222**	1,603,155,717	-45%
Due to a related party	**286,666,691**	233,851,254	23%

	31 MARCH 2018	31 MARCH 2017	% Change
Retirement liability	**50,668,546**	47,244,365	7%
Net deferred tax liabilities	**790,241,350**	657,972,675	20%
Total Liabilities	**6,458,965,395**	5,693,560,328	13%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,022,778,313	2%
Cumulative remeasurement 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%
	5,076,651,210	5,034,499,015	1%
Non-controlling interests	**(50,503,348)**	12,743,492	-496%
Total Equity	**5,026,147,862**	5,047,242,507	0%
Total Liabilities and Equity	**P 11,485,113,257**	P10,740,802,835	7%

ArthaLand's total resources as of March 31, 2018 increased by 7% to ₱11.5 billion from March 31, 2017 level of ₱10.7 billion due to the following:

45% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

76% 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 the on-going projects of ArthaLand.

49% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

38% Increase in Investment Properties
The increase was mainly due to additional construction costs of ACPT and valuation gain for the quarter.

108% Increase in Property and Equipment
The increase was largely due to the capitalization of construction costs for sales gallery in Cebu.

203% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from losses at CLLC.

126% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional input vat from construction costs.

41% Increase in Loans Payable

The increase was largely due to additional loan drawdowns, availed to partly fund ArthaLand's working capital and project financing requirements.

45% Decrease in Accounts Payable and Other Liabilities
The decrease was attributable to the payment made on the land purchased for the Cebu project, as well as payments of other trade suppliers and project contractors.

15% Increase in Due to a Related Party
This pertains to additional advances made by stockholders for the Cebu project.

7% Increase in Retirement Liability
The increase was due to additional provisions as of yearend 2017 and current period to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

20% 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 as mentioned previously.

146% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax
The increase was due to the cumulative re-measurement gains on ArthaLand's retirement liability for 2017 in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

496% Decrease in Non-Controlling Interests
The significant decrease was brought about by CLLC's net loss for the period.

FINANCIAL RATIOS
March 2018 vs March 2017

	31 MARCH 2018	31 MARCH 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	2.50:1	-38%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.001:1	-97%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.13:1	14%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.32:1	72%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.13:1	8%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	1.76:1	0%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.001:1	106%

FINANCIAL POSITION
March 2018 vs December 2017

	31 MARCH 2018	31 DECEMBER 2017	% Change
Cash and cash equivalents	₱ **406,667,941**	₱ 721,795,236	-44%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	387,879,631	0%
Trade and other receivables	**161,137,615**	186,274,230	-13%
Real estate for sale	**2,635,693,612**	2,646,731,618	0%
Investment properties	**6,728,623,596**	6,457,315,253	4%
Property and equipment	**47,035,083**	39,743,166	18%
Net deferred tax assets	**82,522,989**	61,212,233	35%
Creditable withholding tax	**258,325,639**	253,188,078	2%
Other Assets	**776,801,061**	492,672,321	58%
Total Assets	**11,485,113,257**	11,246,811,766	2%
Liabilities			
Loans payable	**4,448,883,586**	4,268,892,416	4%
Accounts payable and other liabilities	**882,505,222**	824,456,920	7%
Due to related party	**286,666,691**	286,666,691	0%
Retirement liability	**50,668,546**	50,668,546	0%
Net deferred tax liabilities	**790,241,350**	752,508,368	5%
Total Liabilities	**6,458,965,395**	6,183,192,941	4%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,085,398,501	-1%
Cumulative remeasurement gains on retirement liability - net of tax	**7,448,391**	7,448,391	0%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
Non-controlling interests	**(50,503,348)**	(37,926,744)	-33%
Total Equity	**5,026,147,862**	5,063,618,825	-1%
Total Liabilities and Equity	₱ **11,485,113,257**	₱ 11,246,811,766	2%

ArthaLand's total resources increased by 2% from ₱11.2 billion in December 31,2017 to ₱11.5 billion as of 31 March 2018, due to the following:

44% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

13% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

18% Increase in Property and Equipment
The increase was due to the additional construction costs of sales gallery in Cebu.

35% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from current period's losses at CLLC.

58% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional placements in time deposits.

7% Increase in Accounts Payable and Other Liabilities
The increase was due to additional payables to trade contractors and suppliers for project related and other operational costs.

33% Decrease in Non-Controlling Interests
Decrease in non-controlling interest was largely accounted for by losses incurred in CLLC.

FINANCIAL RATIOS
March 2018 vs December 2017

	31 MARCH 2018	31 DECEMBER 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	1.55:1	-1%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.024:1	-100%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.22:1	6%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.52:1	6%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.22:1	3%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	3.87:1	-55%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.03:1	-93%

RESULTS OF OPERATIONS
March 2018 vs March 2017

	31 MARCH 2018	31 MARCH 2017	% Change
Revenues	**P 106,831,351**	P 265,283,245	-60%

	31 MARCH 2018	31 MARCH 2017	% Change
Cost of sales and services	**(62,185,605)**	(163,811,702)	-62%
Gross Profit	**44,645,746**	101,471,543	-56%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	66,101,224	-17%
Selling and marketing expenses	**13,813,443**	17,042,613	-19%
	68,444,865	83,143,837	-18%
OPERATING PROFIT (LOSS)	**(23,799,119)**	18,327,705	-230%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	23,224,583	-4%
Gain on change in FV of investment properties	**(57,660,679)**	-	100%
Other income – net	**(5,299,695)**	(14,265,570)	-63%
	(40,657,494)	8,979,013	-553%
PROFIT BEFORE TAX	**16,858,375**	9,348,693	80%
TAX EXPENSE (BENEFIT)	**19,100,338**	2,980,455	541%
NET PROFIT (LOSS)	**P (2,241,963)**	P 6,368,238	-135%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	9,563,328	8%
Non-controlling interest	**(12,576,604)**	(3,195,090)	294%
	P (2,241,963)	P 6,368,238	-135%

ArthaLand reported a ₱2.2 million net loss in the first three months of 2018 as against ₱6.4 million income recognized over the same period in 2017.

60% Decrease in Revenues
The decrease in revenues was due to fewer available units for sale.

62% Decrease in Cost of Sales and Services
The decrease in cost of sales was directly related to Revenues.

17% Decrease in Administrative Expenses
The decrease was due to lower personnel related costs, taxes and licenses and other fees paid.

19% Decrease in Selling and Marketing Expenses
The decrease was due to less marketing efforts and lower commission paid due to less Arya units sold.

100% Increase in Gain on Change in FV of Investment Properties
The increase is due to appraisal gain on investment properties recognized for the period.

63% Decrease in Other Income - Net
The decrease was due to the lower level of placements in Q1 2018 as compared to prior period.

541% Increase in Tax Expense
The increase was mainly due to the tax effect of gain on change in fair value of investment properties.

RESULTS OF OPERATIONS
March 2018 vs December 2017

	31 MARCH 2018	31 DECEMBER 2017	% Change
Revenues	**₱ 106,831,351**	₱ 463,538,594	-77%
Cost of sales and services	**(62,185,605)**	328,509,674	-81%
Gross Profit	**44,645,746**	135,028,920	-67%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	278,065,313	-80%
Selling and marketing expenses	**13,813,443**	48,493,636	-72%
	68,444,865	326,558,949	-79%
OPERATING LOSS	**(23,799,119)**	(191,530,029)	-88%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	80,663,240	-72%
Gain on change in FV of investment properties	**(57,660,679)**	(428,390,699)	-87%
Other income – net	**(5,299,695)**	(67,443,318)	-92%
	(40,657,494)	(415,170,777)	-90%
PROFIT BEFORE TAX	**16,858,375**	223,640,748	-92%
TAX EXPENSE	**19,100,338**	85,240,763	-78%
NET PROFIT	**P (2,241,963)**	P 138,399,985	-102%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	P 191,850,580	-95%
Non-controlling interest	**(12,576,604)**	(53,450,595)	-76%
	P (2,241,963)	P 138,399,985	-102%

ArthaLand posted a consolidated net loss of ₱2.2 million in the first quarter of 2018 as compared with the 2017 full year net income of ₱138.4 million.

a. Market Information

Only the Common shares and the Preferred shares Series B of ArthaLand are traded in the Philippine Stock Exchange with the trading symbols "ALCO" and "ALCPB", respectively.

The following are the highlights of quarterly trading of the Common shares:

	2018			**2017**			**2016**		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.86	0.84	0.86	1.28	1.24	1.24	0.25	0.23	0.23
2	- 0 -	- 0 -	- 0 -	1.22	1.12	1.17	0.295	0.29	0.29
3	- 0 -	- 0 -	- 0 -	1.06	1.03	1.04	0.275	0.265	0.265
4	- 0 -	- 0 -	- 0 -	0.90	0.87	0.90	0.43	0.40	0.40

The following are the highlights of quarterly trading of the Preferred shares Series B which were listed on 06 December 2016:

	2018			**2017**			**2016**		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	107.00	107.00	107.00	107.50	102.50	107.50	- 0 -	- 0 -	- 0 -
2	- 0 -	- 0 -	- 0 -	105.50	105.50	105.50	- 0 -	- 0 -	- 0 -
3	- 0 -	- 0 -	- 0 -	106.50	106.50	106.50	- 0 -	- 0 -	- 0 -
4	- 0 -	- 0 -	- 0 -	108.00	108.00	108.00	103.00	102.60	102.60

The closing market price of ALCO as of 15 May 2018 is ₱0.83 while ALCPB closed at ₱107.00.

b. Security Holders

The total shares issued and outstanding are as follows:

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

As of 31 December 2017, the number of shareholders of record is as follows:

Common	-	1,971
Preferred Series A	-	1
Preferred Series B	-	7.

As of 30 April 2018, the number of shareholders of record is as follows:

Common	-	1,962
Preferred Series A	-	1
Preferred Series B	-	7.

The public ownership percentage as of this period is 25.8641%.

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

The top 20 stockholders of Common shares as of 31 December 2017 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,278,467,307	24.040
4. Edimax Investment Limited	296,460,000	5.575
5. Elite Holdings, Inc.	119,809,996	2.253
6. PCD Nominee Corporation – Non-Filipino	87,808,218	1.651
7. Tina Keng	25,000,000	0.470
8. EQL Properties, Inc.	14,671,125	0.276
9. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
10. RBL Fishing Corporation	4,350,000	0.082
11. Veronica D. Reyes	3,799,272	0.071
12. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
13. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
14. Anito Tan and/or Lita Tan	2,027,049	0.038
15. Lourdes D. Dizon	1,740,000	0.033
16. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
17. Dante Garcia Santos	1,631,250	0.031
18. Luciano H. Tan	1,505,950	0.028
19. Samuel Uy	1,087,500	0.020
20. Datacom Systems Corp.	1,004,394	0.019
TOTAL	5,252,337,020	98.763

The top stockholders of Preferred shares Series B as of 31 December 2017 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,583,840	97.919
2. PCD Nominee Corporation – Non-Filipino	180,060	0.900
3. Dominic G. Hing	114,000	0.570
4. Antonio T. Chua	35,100	0.176
5. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
6. Chiong Ping Go Ching and/or Chiong Bio Go Ching	29,000	0.145
7. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
TOTAL	20,000,000	100.000

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

The top 20 stockholders of Common shares as of 31 March 2018 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,278,352,732	24.038
4. Edimax Investment Limited	296,460,000	5.575
5. Elite Holdings, Inc.	119,809,996	2.253
6. PCD Nominee Corporation – Non-Filipino	88,972,218	1.673
7. Tina Keng	25,000,000	0.470
8. EQL Properties, Inc.	14,671,125	0.276

9. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
10. RBL Fishing Corporation	4,350,000	0.082
11. Veronica D. Reyes	3,799,272	0.071
12. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
13. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
14. Anito Tan and/or Lita Tan	2,027,049	0.038
15. Lourdes D. Dizon	1,740,000	0.033
16. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
17. Dante Garcia Santos	1,631,250	0.031
18. Luciano H. Tan	1,505,950	0.028
19. Samuel Uy	1,087,500	0.020
20. Datacom Systems Corp.	1,004,394	0.019
TOTAL	5,243,685,016	98.601

The top stockholders of Preferred shares Series B as of 31 March 2018 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,604,560	98.023
2. PCD Nominee Corporation – Non-Filipino	159,340	0.797
3. Dominic G. Hing	114,000	0.570
4. Antonio T. Chua	35,100	0.176
5. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
6. Chiong Ping Go Ching and/or Chiong Bio Go Ching	29,000	0.145
7. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
TOTAL	20,000,000	100.000

MPI, a wholly-owned subsidiary of ArthaLand, remains the sole shareholder of the Preferred shares Series A.

c. Dividends

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

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

No dividends were declared in 2016.

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

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

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

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

d. Recent Sales of Unregistered or Exempt Securities

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

ANNUAL CORPORATE GOVERNANCE REPORT

ArthaLand's compliance with its Manual of Corporate Governance is monitored by its Compliance Officer who is tasked, among others, to determine and measure such compliance with the said Manual.

The Board of Directors and Management, including officers and staff, of ArthaLand believe that good corporate governance is a necessary component of a sound and strategic business management and have, therefore, adopted the leading principles and practices of good corporate governance mandated by law and regulatory agencies and committed these as guide in the attainment of corporate goals and objectives.

ArthaLand submitted a revised Manual of Corporate Governance on 31 May 2017.

The Board of Directors, officers and employees undertake every effort necessary to create awareness of the Manual of Corporate Governance of ArthaLand (the "Manual") within the entire organization. Upon election, appointment or hiring, as applicable, the new director/s, officer/s or employee/s is provided with all relevant written information about ArthaLand, including the Manual, and such policies and procedures which will be relevant to his duties and responsibilities as such director, officer or employee. He is then free to sit down with any incumbent officer to enlighten himself further on ArthaLand's operations.

There is no deviation from the Manual as of the date of this Report.

No evaluation system has been established at this time which can measure or determine the level of compliance of the Board of Directors and top level management of ArthaLand with the Manual, although steps are being undertaken to create one.

- Nothing follows. -

COVER SHEET
for
AUDITED 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)*

8/F Picadilly Star Building, 4th Avenue corner 27th 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)
1,979	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

8/F Picadilly Star Building, 4th Avenue corner 27th 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.*

ARTHALAND
FUTURE PROOF BY DESIGN

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **ARTHALAND CORPORATION AND SUBSIDIARIES (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the year ended **31 December 2017** in accordance with the prescribed financial reporting framework also indicated therein, and for such internal control as Management determines is necessary to enable the preparation of the 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.

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

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

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

Signed this **21 March 2018**, 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 **21st** day of **March 2018**, 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.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3742910-1-3-18 TAGUIG
IBP NO. 019326 / DEC. 22, 2017 RSM
ROLL. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

Doc No. 419
Page No. 85;
Book No. 5 ;
Series of 2018.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, 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, 2017, 2016 and 2015, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017, 2016 and 2015 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 ₱6,457.3 million as at December 31, 2017.

We focused our audit on assessing the appropriateness of the fair value measurement 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 57% of the Group's total assets as at December 31, 2017 (see Notes 3 and 9 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 and ascertained these to be reasonably appropriate.

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, 2017, 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, 2017 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 audit.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1499-A Group A
Valid until August 31, 2018
BIR Accreditation No. 08-005144-12-2017
Valid until March 8, 2020
PTR No. 6607962
Issued January 3, 2018, Makati City

March 21, 2018
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2017**	 2016
ASSETS			
Cash and Cash Equivalents	5	**₱721,795,236**	₱990,742,203
Financial Assets at Fair Value Through Profit or Loss (FVPL)	6	**387,879,631**	2,050,075,279
Trade and Other Receivables	7	**186,274,230**	301,089,586
Real Estate for Sale	8	**2,646,731,618**	1,722,192,699
Creditable Withholding Taxes (CWT)		**253,188,078**	243,216,792
Investment Properties	9	**6,457,315,253**	4,534,143,705
Property and Equipment	10	**39,743,166**	20,071,668
Deferred Tax Asset	22	**61,212,233**	15,282,811
Other Assets	11	**492,672,321**	184,828,088
		₱11,246,811,766	₱10,061,642,831
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	**₱4,268,892,416**	₱3,111,038,703
Accounts payable and other liabilities	13	**824,456,920**	899,207,290
Due to a related party	23	**286,666,691**	249,789,836
Retirement liability	20	**50,668,546**	47,244,365
Net deferred tax liabilities	22	**752,508,368**	644,775,603
Total Liabilities		**6,183,192,941**	4,952,055,797
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	14	**989,757,136**	989,757,136
Additional paid-in capital		**2,031,441,541**	2,031,441,541
Retained earnings		**2,085,398,501**	2,098,281,063
Cumulative remeasurement gains on retirement liability - net of tax	20	**7,448,391**	3,022,025
Parent Company's preferred shares held by a subsidiary	14	**(12,500,000)**	(12,500,000)
		5,101,545,569	5,110,001,765
Non-controlling Interest	4	**(37,926,744)**	(414,731)
Total Equity		**5,063,618,825**	5,109,587,034
		₱11,246,811,766	₱10,061,642,831

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2017**	2016	2015
REVENUES	15	**₱463,538,594**	₱451,075,061	₱1,587,578,861
COST OF SALES AND SERVICES	16	**328,509,674**	393,674,538	1,043,700,643
GROSS INCOME		**135,028,920**	57,400,523	543,878,218
OPERATING EXPENSES	17	**326,558,949**	365,128,458	314,130,772
INCOME (LOSS) FROM OPERATIONS		**(191,530,029)**	(307,727,935)	229,747,446
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	9	**428,390,699**	1,417,865,206	33,495,000
FINANCE COSTS	18	**(80,663,240)**	(80,348,345)	(40,566,579)
OTHER INCOME - Net	19	**67,443,318**	147,643,198	122,372,763
INCOME BEFORE INCOME TAX		**223,640,748**	1,177,432,124	345,048,630
PROVISION FOR INCOME TAX	22	**85,240,763**	355,015,749	98,017,162
NET INCOME		**138,399,985**	822,416,375	247,031,468
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss -				
Remeasurement gain on retirement liability	20	**6,323,380**	2,902,163	1,497,503
Income tax expense relating to item that will not be reclassified	22	**(1,897,014)**	(870,649)	(449,251)
		4,426,366	2,031,514	1,048,252
TOTAL COMPREHENSIVE INCOME		**₱142,826,351**	₱824,447,889	₱248,079,720

(Forward)

	Note	Years Ended December 31 **2017**	2016	2015
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱191,850,580**	₱840,225,824	₱247,031,468
Non-controlling interest	4	**(53,450,595)**	(17,809,449)	–
		₱138,399,985	₱822,416,375	₱247,031,468
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱196,276,946**	₱842,257,338	₱248,079,720
Non-controlling interest	4	**(53,450,595)**	(17,809,449)	–
		₱142,826,351	₱824,447,889	₱248,079,720
EARNINGS PER SHARE - Basic and diluted	25	**₱0.0096**	₱0.1514	₱0.0465

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2017**	2016	2015
CAPITAL STOCK	14			
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		**32,500,000**	32,500,000	–
		989,757,136	989,757,136	957,257,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**2,031,441,541**	75,000,000	75,000,000
Issuance of preferred shares	14	**–**	1,980,000,000	–
Stock issuance costs	14	**–**	(23,558,459)	–
Balance at end of year		**2,031,441,541**	2,031,441,541	75,000,000
RETAINED EARNINGS				
Balance at beginning of year		**2,098,281,063**	1,258,055,239	1,074,840,913
Net income for the year		**191,850,580**	840,225,824	247,031,468
Dividends declared during the year	14	**(204,733,142)**	–	(63,817,142)
Balance at end of year		**2,085,398,501**	2,098,281,063	1,258,055,239
CUMMULATIVE REMEASUREMENT GAINS ON RETIREMENT LIABILITY - Net of tax	20			
Balance at beginning of year		**3,022,025**	990,511	(57,741)
Remeasurement gain on retirement liability		**6,323,380**	2,902,163	1,497,503
Income tax expense relating to other comprehensive income for the year		**(1,897,014)**	(870,649)	(449,251)
Balance at end of year		**7,448,391**	3,022,025	990,511
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	14	**(12,500,000)**	(12,500,000)	–
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**5,101,545,569**	5,110,001,765	2,291,302,886
NON-CONTROLLING INTEREST	4			
Balance at beginning of year		**(414,731)**	–	–
Share in net loss during the year		**(53,450,595)**	(17,809,449)	–
Subscription to a subsidiary		**15,938,582**	17,394,718	–
Balance at end of year		**(37,926,744)**	(414,731)	–
		₱5,063,618,825	₱5,109,587,034	₱2,291,302,886

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years December 31		
	Note	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱223,640,748**	₱1,177,432,124	₱345,048,630
Adjustments for:				
Gain on change in fair value of investment properties	9	**(428,390,699)**	(1,417,865,206)	(33,495,000)
Interest expense	12	**77,918,542**	79,540,215	39,713,231
Realized gain on disposals of financial assets at FVPL	6	**(37,576,414)**	(17,310,183)	(5,807,623)
Interest income	5	**(14,245,251)**	(10,692,204)	(11,159,810)
Retirement expense	20	**9,747,561**	9,345,010	8,626,891
Depreciation and amortization	10	**9,330,955**	8,214,176	19,282,497
"Day 1" gain on loan discounting	12	**(2,907,783)**	(80,883,656)	(89,952,419)
Unrealized holding gains on financial assets at FVPL	6	**(1,874,352)**	(5,856,676)	(635,227)
Loss (gain) on sale of property and equipment	10	**475,131**	(185,888)	(9,722)
Amortization of initial direct leasing costs	9	**249,952**	–	–
Foreign exchange gains	19	**(83,998)**	(600,156)	(2,407,067)
Operating income (loss) before working capital changes		**(163,715,608)**	(258,862,444)	269,204,381
Decrease (increase) in:				
Trade and other receivables		**115,652,434**	1,530,025,607	114,974,076
Real estate for sale		**(925,630,919)**	(208,501,533)	(1,247,408,190)
Other assets		**(307,844,233)**	5,800,990	(9,216,356)
Increase (decrease) in accounts payable and other liabilities		**(80,480,830)**	(482,170,697)	982,902,856
Net cash generated from (used for) operations		**(1,362,019,156)**	586,291,923	110,456,767
Income taxes paid		**(35,305,720)**	(107,942,444)	(95,716,195)
Interest paid		**(13,868,327)**	(27,210,251)	(32,261,650)
Interest received		**13,408,173**	10,692,204	11,159,810
Net cash provided by (used in) operating activities		**(1,397,785,030)**	461,831,432	(6,361,268)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		**2,611,246,414**	3,475,401,873	1,807,380,284
Property and equipment		**1,173,957**	2,101,160	734,722
Investment properties		**–**	6,630,000	5,154,000
Additions to:				
Investment properties	9	**(1,490,488,196)**	(1,069,211,637)	(116,097,990)
Financial assets at FVPL	6	**(909,600,000)**	(4,769,675,068)	(2,261,499,999)
Property and equipment	10	**(30,651,541)**	(12,999,058)	(8,611,948)
Net cash provided by (used in) investing activities		**₱181,680,634**	(₱2,367,752,730)	(₱572,940,931)

(Forward)

	Note	For the Years December 31 **2017**	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	12	**₱2,050,662,463**	₱2,386,606,892	₱1,712,455,981
Due to a related party	23	**36,876,855**	249,789,836	–
Issuance of preferred shares		**–**	1,976,441,541	–
Payments of loans payable	12	**(951,520,000)**	(2,338,783,409)	(1,304,013,393)
Payment of dividends	24	**(204,884,469)**	–	(63,817,142)
Subscription of non-controlling interest		**15,938,582**	17,394,718	–
Collection of subscription receivable		**–**	–	2,150,000
Net cash generated from financing activities		**947,073,431**	2,291,449,578	346,775,446
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		**83,998**	600,156	2,407,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(268,946,967)**	386,128,436	(230,119,686)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**990,742,203**	604,613,767	834,733,453
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱721,795,236**	₱990,742,203	₱604,613,767

	Note	2017	2016	2015
NONCASH FINANCIAL INFORMATION:				
Transfer of raw land from "Real estate for sale" account to "Investment properties" account	8	**₱1,092,000**	₱45,019,935	₱–
Acquisition of real estate for sale asset on account		**–**	314,332,750	485,760,000
Transfer of properties for lease from "Investment properties" account to "Real estate for sale" account		**–**	–	87,118,415

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 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 (see Note 14).

The registered office and principal place of business of the Parent Company is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

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	**2017**	2016
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%
Savya Land Development Corporation (SLDC)	Philippines	**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 MPI which is also 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.

In 2016, the stockholders and the Board of Directors (BOD) of CLLC approved the subscription of a new investor for 214,351 common shares at ₱100 par value a share and 118,982 preferred shares at ₱100 par value a share out of the unissued authorized capital stock of CLLC. The additional subscription resulted in the reduction of ALCO’s ownership from 100% to 60%.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig. 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. It is expected to achieve multiple 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 Group 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, and is a building targeting dual certification. It has been pre-certified as LEED Gold and the Parent Company is targeting to secure a LEED Platinum certification for it. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and is expected to be completed in the second quarter of 2018.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey LEED and BERDE certified office building that will be developed in Barangay Lahug, Cebu City. 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, Cebu Exchange boasts of being the largest green building in the country. Pre-selling began in September 2017 although construction will commence in the second quarter of 2018.

In 2017, Cazneau has started planning for and will soon announce its first foray into developing a sustainable, master planned and integrated community in an eight-hectare property in Biñan City, Laguna, adjacent to the De La Salle University Science and Technology campus. This project will be catering to start-ups, incubators, student, faculty population and starter families within the area.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the BOD on March 21, 2018.

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), 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 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.

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 6 - Financial Assets at FVPL
- Note 9 - 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 following amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing amended PFRS 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 Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (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.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces 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 (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contracts with Customers - Clarification to PFRS 15* – 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.

- PIC Q&A No. 2016-04, *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provide implementation guidance, in relation to the mandatory adoption of the new revenue accounting standard in 2018, specifically on accounting for revenue from the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a Contract to Sell with a buyer – whether the sale meet the criteria for revenue recognition over time.

- 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.

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

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 except for PFRS 15 and PFRS 16. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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.

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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

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 accrued rent receivable under straight-line basis of accounting), deposits, investment in time 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, advance rent 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 asset's 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.

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. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads. 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. 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 Group adopted the fair value model for 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. The fair value of investment properties is determined using market data approach and income approach by 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 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

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.

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 excess construction materials and supplies from the completed construction of its projects.

Deposits, investment in time deposit and amounts held in escrow qualify as financial assets.

CWT

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.

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.

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.

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

Capital Stock

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

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

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 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 is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Any excess collections over the recognized receivables are included in the "Payable to Buyers" account under "Accounts payable and other liabilities" of the consolidated statements of financial position.

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.

Rent Income. 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.

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.

Common Use Service Area (CUSA) Fees. 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.

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.

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.

Cost of Services. Cost of 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;

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 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.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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.

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 an unfunded, 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 are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability 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.

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.

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. **Summary of 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 the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be 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.

Recognizing Revenue and Cost of Real Estate Sales. Selecting an appropriate revenue recognition method for a particular real estate sale 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 buyer's commitment is evaluated based on collections, credit standing and location of the property. The Company's revenue and cost of real estate sales were recognized based on percentage of completion, which is determined based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Change in estimates may affect the reported amounts of revenue, cost of real estate sales and receivable from real estate sales.

Revenue from real estate sales amounted to ₱434.0 million, ₱439.2 million and ₱1,584.0 million in 2017, 2016 and 2015, respectively (see Note 15). Cost of real estate sales amounted to ₱320.5 million, ₱389.0 million and ₱1,043.7 million in 2017, 2016 and 2015, respectively (see Note 16).

Classifying Between Real Estate for Sale and Investment Properties. The Group determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, or held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of, 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.

Investment properties amounted to ₱6,457.3 million and ₱4,534.1 million as at December 31, 2017 and 2016, respectively (see Note 9).

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its office units in ACPT and retail units in Arya Residences. The term of the lease ranges from two (2) to 10 years. The lease agreements also provide for various escalation rates for the duration of the agreements.

The total rental income recognized from these operating leases amounted to ₱14.9 million, ₱8.1 million and nil in 2017, 2016 and 2015, respectively (see Note 21).

Determining Lease Commitments - Group as Lessee. The Group entered into a property lease as a lessee for its office premises, commercial units and parking slots. 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.

Rental expense amounted to ₱13.9 million, ₱10.4 million and ₱10.5 million in 2017, 2016 and 2015, respectively (see Note 21).

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, 2017 and 2016, it has the ability to exercise control over these investees.

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:

Determining Revenue and Cost Recognition. The assessment process for the percentage of completion (POC) and the estimated development cost requires technical determination by management's specialist (project engineers) and involves significant judgment. The Group applied the POC method in determining real estate revenue and costs in 2016 and 2015. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. In 2017, the Company's revenue and cost of real estate sales from sales of completed real estate projects are accounted for using full accrual method.

Revenue from real estate sales amounted to ₱434.0 million, ₱439.2 million and ₱1,584.0 million in 2017, 2016 and 2015, respectively (see Note 15). Cost of real estate sales amounted to ₱320.5 million, ₱389.0 million and ₱1,043.7 million in 2017, 2016 and 2015, respectively (see Note 16).

Estimating Fair Value of Investment Properties. Investment properties are stated at fair values. The Group works closely with external qualified valuers who performed the valuation using the appropriate valuation techniques. The Group estimates expected future cash flows 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.

Investment properties amounted to ₱6,457.3 million and ₱4,534.1 million as at December 31, 2017 and 2016, respectively (see Note 9).

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.

The carrying amount of real estate for sale amounted to ₱2,646.7 million and ₱1,722.2 million as at December 31, 2017 and 2016, respectively (see Note 8).

Estimating Allowance for Impairment of Financial Assets. A financial assets or group of financial assets, are assessed for indicators of impairment at end of each reporting period. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

No provision for impairment loss was recognized in 2017, 2016 and 2015. The carrying amounts of financial assets are as follows:

Asset Type	Note	**2017**	2016
Trade and other receivables*	7	**₱74,760,572**	₱71,669,073
Deposits	11	**66,444,390**	35,982,536
Amounts held in escrow	11	**20,096,757**	11,143,822
Investment in time deposits	11	**19,972,000**	17,402,000

**Excluding advances for project development and accrued rent receivable under straight-line basis of accounting aggregating ₱111.5 million and ₱229.4 million as at December 31, 2017 and 2016, respectively.*

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 2017, 2016 and 2015. The carrying amount of property and equipment amounted to ₱39.7 million and ₱20.1 million as at December 31, 2017 and 2016, respectively (see Note 10).

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

Recoverable amount represents the value in use, 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.

No provision for impairment loss was recognized in 2017, 2016 and 2015.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2017	2016
Advances for project development*	7	**₱100,270,487**	₱221,316,588
CWT		**253,188,078**	243,216,792
Property and equipment	10	**39,743,166**	20,071,668
Other assets**	11	**386,159,174**	120,299,730

**presented under "trade and other receivables" account.*
***excluding deposits, investment in time deposits and amounts held for escrow aggregating ₱106.5 million and ₱64.5 million as at December 31, 2017 and 2016, 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 retirement liability.

Retirement liability amounted to ₱50.7 million and ₱47.2 million as at December 31, 2017 and 2016, respectively (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 ₱85.7 million and ₱31.7 million as at December 31, 2017 and 2016, respectively. Unrecognized deferred tax assets amounted to ₱3.6 million and ₱1.4 million as at December 31, 2017 and 2016, respectively, as management assessed that these may not be realized in the future (see Note 22).

4. Material Non-controlling Interest

The Group's non-controlling interest represents 40% non-controlling interest amounting to (₱37.9) million and (₱0.4) million as at December 31, 2017 and 2016, respectively, in CLLC. The net loss of CLLC allocated to non-controlling interest amounting to ₱53.5 million and ₱17.8 million in 2017 and 2016, respectively, 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, 2017 and 2016 follows:

	2017	2016
Current assets	**₱1,398,361,844**	₱1,100,970,490
Noncurrent assets	**76,414,030**	15,289,199
Current liabilities	**(885,380,958)**	(308,354,807)
Noncurrent liability	**(650,000,000)**	(810,290,234)
Net liability	**(₱60,605,084)**	(₱2,385,352)

	2017	2016
Income	**₱1,669,588**	₱672,059
Expenses	**(154,500,199)**	(51,573,768)
Loss before income tax	**(152,830,611)**	(50,901,709)
Deferred tax expense	**45,929,422**	15,282,811
	(106,901,189)	(35,618,898)
Other comprehensive income	**–**	–
Total comprehensive loss	**(₱106,901,189)**	(₱35,618,898)

	2017	2016
Cash flows from:		
Operating activities	**(₱532,216,770)**	(₱324,762,584)
Investing activities	**(15,195,407)**	(6,389)
Financing activities	**577,715,409**	445,658,141
Net increase in cash	**30,303,232**	120,889,168
Cash at beginning of year	**121,127,297**	238,129
Cash at end of year	**₱151,430,529**	₱121,127,297

CLLC commenced the development of Cebu Exchange in 2016 and has started its excavation in 2017. The construction is expected to be completed in 2021.

5. **Cash and Cash Equivalents**

This account consists of:

	2017	2016
Cash on hand	**₱35,000**	₱30,000
Cash in banks	**70,690,170**	34,869,125
Short-term placements	**651,070,066**	955,843,078
	₱721,795,236	₱990,742,203

Cash in bank earns interest at prevailing bank deposit rates and is immediately available for use in the current operations. Short-term placements 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	**2017**	2016	2015
Short-term placements		**₱11,459,532**	₱9,350,701	₱9,542,269
Cash in banks		**2,503,854**	453,878	754,989
Investment in time deposits	11	**281,865**	887,625	862,552
		₱14,245,251	₱10,692,204	₱11,159,810

6. **Financial Assets at FVPL**

Movement in this account is as follows:

	Note	**2017**	2016
Balance at beginning of year		**₱2,050,075,279**	₱732,635,225
Disposals		**(2,573,670,000)**	(3,458,091,690)
Additions		**909,600,000**	4,769,675,068
Unrealized holding gains	19	**1,874,352**	5,856,676
Balance at end of year		**₱387,879,631**	₱2,050,075,279

Realized gains on disposal of financial assets at FVPL amounted to ₱37.6 million, ₱17.3 million and ₱5.8 million in 2017, 2016 and 2015, respectively (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).

7. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Sale of real estate		**₱6,835,201**	₱15,678,222
Advances for project development		**100,270,487**	221,316,588
Due from a related party	23	**36,052,873**	36,052,873
Accrued rent receivable	21	**20,974,212**	8,103,925
Advances to employees		**7,925,948**	5,404,468
Interest receivable		**2,035,851**	1,198,773
Other receivables		**12,547,950**	13,703,029
		186,642,522	301,457,878
Allowance for impairment losses		**(368,292)**	(368,292)
		₱186,274,230	₱301,089,586

Receivables from sale of real estate pertain to receivables from sale of condominium units. 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 rental income recognized using straight-line method of accounting.

Advances to employees represent salary and other loans granted to Parent Company's 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.

8. Real Estate for Sale

This account consists of:

	2017	2016
Raw land	**₱1,268,419,016**	₱325,614,253
Assets under construction	**1,275,413,889**	978,084,141
Condominium units for sale	**102,898,713**	418,494,305
	₱2,646,731,618	₱1,722,192,699

The movements of this account follows:

	Note	2017	2016
Balance at beginning of year		**₱1,722,192,699**	₱1,558,711,101
Purchase of raw land		**942,804,763**	314,332,750
Cost of real estate sales	16	**(320,515,983)**	(389,043,136)
Construction costs incurred		**266,688,988**	254,596,763
Capitalized borrowing costs	12	**36,653,151**	28,615,156
Transfers to investment properties	9	**(1,092,000)**	(45,019,935)
Balance at end of year		**₱2,646,731,618**	₱1,722,192,699

Raw Land

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

In 2016, the Group transferred raw land amounting to ₱45.0 million from "real estate for sale" account to "investment properties" account because the Group has yet to determine the strategic use of the property (see Note 9). Accordingly, the property was recognized at its fair value amounting to ₱84.0 million.

Assets under Construction

Assets under construction consist of land and project development costs of ongoing real estate projects of the Group. As at December 31, 2017, this account includes the land and development costs of Cebu Exchange and project in Biñan, Laguna (see Notes 1 and 4).

In 2017, CLLC entered into an Omnibus Loan and Security Agreement (OLSA) with credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. This OLSA provides that the loan outstanding balance amounting to ₱650.0 million is secured by parcels of land, together with any improvements thereon, located in Cebu City, aggregating ₱931.8 million (see Note 12).

Condominium units for sale

Condominium units for sale pertain to unsold and completed units of Arya Residences.

Condominium units with carrying amount of ₱102.9 million and ₱358.8 million as at December 31, 2017 and 2016, respectively, are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding balance of ₱100.0 million and ₱381.5 million as at December 31, 2017 and 2016, respectively (see Note 12).

General borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate for sale. The capitalization rate used to determine borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2017 and in 2016 (see Note 12).

As at December 31, 2017 and 2016, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory write-down as at December 31, 2017 and 2016.

9. **Investment Properties**

Investment properties consist of:

	2017	2016
ACPT	**₱4,579,238,370**	₱3,067,015,343
Arya Residences:		
Commercial units	**1,110,864,000**	855,110,000
Parking slots	**206,653,883**	129,919,062
Raw Land:		
UPHI's Laguna and Tagaytay properties	**464,476,979**	398,122,800
Parent Company's Batangas and Tagaytay properties	**96,082,021**	83,976,500
	₱6,457,315,253	₱4,534,143,705

The movements of this account follows:

	Note	**2017**	2016
Balance at the beginning of year		**₱2,502,376,038**	₱1,391,323,861
Construction costs incurred		**1,412,490,012**	1,046,695,733
Capitalized borrowing costs	12	**68,169,703**	25,966,509
Transfers from real estate for sale	8	**1,092,000**	45,019,935
Disposals		**–**	(6,630,000)
		3,984,127,753	2,502,376,038
Cumulative gain on change in fair value		**2,460,158,366**	2,031,767,667
		6,444,286,119	4,534,143,705
Unamortized initial direct leasing costs		**13,029,134**	–
Balance at end of year		**₱6,457,315,253**	₱4,534,143,705

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

	2017	2016
Balance at beginning of year	**₱2,031,767,667**	₱613,902,461
Gain on change in fair value during the year	**428,390,699**	1,417,865,206
Balance at end of year	**₱2,460,158,366**	₱2,031,767,667

Movements of the unamortized initial direct leasing costs in 2017 are as follows:

Balance at beginning of year	₱–
Additions	13,279,086
Amortization	(249,952)
Balance at end of year	₱13,029,134

ACPT

ACPT is an office building under construction which is intended for lease (see Note 1).

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 intended for lease. These were used as collateral for loans payable with outstanding balance amounting ₱280.0 million and ₱300.0 million as at December 31, 2017 and 2016, respectively (see Note 12).

In 2016, MPI sold parking slots with original cost of ₱6.6 million for a total consideration of ₱5.9 million.

Raw Land

UPHI's raw land, with fair value amounting to ₱464.5 million and ₱398.1 million as at December 31, 2017 and 2016, 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, 2017 and 2016, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱96.1 million and ₱84.0 million as at December 31, 2017 and 2016, respectively.

Rental income, CUSA fees and cost of services from the investment properties are as follows:

	Note	**2017**	2016
Rental income	15	**₱14,858,157**	₱8,103,925
CUSA fees	15	**8,139,533**	–
Cost of services	16	**(7,993,691)**	(4,631,402)
		₱15,003,999	₱3,472,523

Fair Value Measurement

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

			Range	
Class of Property	Valuation Technique	Significant Inputs	**2017**	2016
ACPT		Discount rate	**8.7%**	8.5%
	Land development	Proposed rental rates (per sq.m.)	**₱1,250**	₱1,200
	approach	Calculated no. of net leasable area	**27,809 sq.m**	27,809 sq.m.
		Vacancy rate	**5% - 75%**	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow	Rental rate per square meter (sq.m.)	**₱2,360**	₱2,265
	approach (DCF)	Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**6.17%**	8.5%
		Vacancy rate	**2%**	2%
Parking slots	Discounted cash flow	Rental rate per slot	**₱5,500**	₱5,500
	approach	Rent escalation rate p.a.	**5%**	5%
		Discount rate	**6.17%**	8.5%
		Vacancy rate	**2%**	2%
Raw Land	Market data	Price per sq. m.	**₱1,400**	₱1,200
	approach	Value adjustments	**5% - 65%**	15% - 20%

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 property and 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:

	2017		
	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	**–**	**68,169,703**	**68,169,703**
Unamortized initial direct leasing costs	**–**	**13,029,134**	**13,029,134**
Transfer from real estate for sale	**–**	**1,092,000**	**1,092,000**
Balance at end of year	**₱560,559,000**	**₱5,896,756,253**	**₱6,457,315,253**

	2016		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱1,349,692,443	₱655,533,879	₱2,005,226,322
Gain on change in fair value	72,133,844	1,345,731,362	1,417,865,206
Construction costs incurred	–	1,046,695,733	1,046,695,733
Transfer from real estate for sale	45,019,935	–	45,019,935
Capitalized borrowing costs	–	25,966,509	25,966,509
Disposals	–	(6,630,000)	(6,630,000)
Transfer between levels	(984,746,922)	984,746,922	–
Balance at end of year	₱482,099,300	₱4,052,044,405	₱4,534,143,705

10. Property and Equipment

The balances and movements of this account consist of:

		2017				
	Note	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost						
Balance at beginning of year		**₱38,547,542**	**₱7,578,512**	**₱48,363,334**	**₱40,558,056**	**₱135,047,444**
Additions		**5,061,501**	**497,346**	**14,571,368**	**10,521,326**	**30,651,541**
Disposals		**(105,935)**	**–**	**–**	**(8,726,441)**	**(8,832,376)**
Balance at end of year		**43,503,108**	**8,075,858**	**62,934,702**	**42,352,941**	**156,866,609**
Accumulated Depreciation and Amortization						
Balance at beginning of year		**36,829,770**	**7,530,553**	**48,205,758**	**22,409,695**	**114,975,776**
Depreciation and amortization	17	**1,198,053**	**117,055**	**146,943**	**7,868,904**	**9,330,955**
Disposals		**(101,453)**	**–**	**–**	**(7,081,835)**	**(7,183,288)**
Balance at end of year		**37,926,370**	**7,647,608**	**48,352,701**	**23,196,764**	**117,123,443**
Carrying Amount		**₱5,576,738**	**₱428,250**	**₱14,582,001**	**₱19,156,177**	**₱39,743,166**

		2016				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱37,467,642	₱7,534,354	₱48,363,334	₱33,992,553	₱127,357,883
Additions		1,079,900	44,158	–	11,875,000	12,999,058
Disposals		–	–	–	(5,309,497)	(5,309,497)
Balance at end of year		38,547,542	7,578,512	48,363,334	40,558,056	135,047,444
Accumulated Depreciation and Amortization						
Balance at beginning of year		35,803,169	7,391,289	47,948,094	19,013,273	110,155,825
Depreciation and amortization	17	1,026,601	139,264	257,664	6,790,647	8,214,176
Disposals		–	–	–	(3,394,225)	(3,394,225)
Balance at end of year		36,829,770	7,530,553	48,205,758	22,409,695	114,975,776
Carrying Amount		₱1,717,772	₱47,959	₱157,576	₱18,148,361	₱20,071,668

As at December 31, 2017 and 2016, fully depreciated property and equipment that are still being used by the Group amounted to ₱10.5 million and ₱10.0 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱1.6 million and ₱1.9 million as at December 31, 2017 and 2016, respectively, resulting in gain (loss) on disposal of (₱0.5 million) and ₱0.2 million as at December 31, 2017 and 2016, respectively.

11. Other Assets

This account consists of:

	Note	**2017**	2016
Input VAT		**₱305,361,184**	₱73,307,494
Deposits		**66,444,390**	35,982,536
Prepayments		**62,413,744**	43,186,452
Amounts held in escrow	12	**20,096,757**	11,143,822
Investment in time deposits		**19,972,000**	17,402,000
Deferred input VAT		**16,864,439**	2,264,763
Materials and supplies		**1,519,807**	1,541,021
		₱492,672,321	₱184,828,088

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects.

Prepayments consist of prepaid rent, taxes, insurance and other expenses which are amortized over a year.

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 ₱1,497.8 million and ₱550.7 million as at December 31, 2017 and 2016, respectively (see Note 12).

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. 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 ₱0.3 million, ₱0.9 million and ₱0.9 million in 2017, 2016 and 2015, respectively (see Note 5).

Materials and supplies are for the construction of Arya Residences.

12. Loans Payable

This account consists of:

	2017	2016
Local bank loans	**₱2,527,767,436**	₱1,487,174,369
Private funders	**1,741,124,980**	1,623,864,334
	₱4,268,892,416	₱3,111,038,703

Movements of this account follow:

	2017	2016
Balance at beginning of year	**₱3,256,599,287**	₱3,208,775,804
Availments	**2,050,662,463**	2,386,606,892
Payments	**(951,520,000)**	(2,338,783,409)
Balance at end of year	**4,355,741,750**	3,256,599,287
Unamortized "Day 1" gain	**(61,242,769)**	(116,503,414)
Unamortized debt issue cost	**(25,606,565)**	(29,057,170)
	4,268,892,416	3,111,038,703
Less current portion of loans payable	**1,841,124,980**	726,243,970
Long term portion of loans payable	**₱2,427,767,436**	₱2,384,794,733

The movement in "Day 1" gain follows:

	Note	**2017**	2016
Balance at beginning of year		**₱116,503,414**	₱84,499,117
Amortization		**(58,168,428)**	(48,879,359)
Additions	19	**2,907,783**	80,883,656
Balance at end of year		**₱61,242,769**	₱116,503,414

The movement in debt issue cost follows:

	2017	2016
Balance at beginning of year	**₱29,057,170**	₱32,507,775
Amortization	**(3,450,605)**	(3,450,605)
Balance at end of year	**₱25,606,565**	₱29,057,170

Future repayment of the principal follows:

	2017	2016
Within one year	**₱1,841,124,980**	₱726,243,970
After one year but not more than three years	**280,000,000**	1,650,643,779
More than three years	**2,234,616,770**	879,711,538
	₱4,355,741,750	₱3,256,599,287

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 3.0% to 5.81% per annum (p.a.) and 2.75% to 5.81% p.a. in 2017 and 2016, respectively.

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

Purpose	Security	Effective interest rate (p.a.)	**2017**	2016
Construction of ACPT	Payable in full on July 31, 2025; secured by an escrow account and real estate mortgage (see Note 11).	5.81%	**₱1,497,767,436**	₱550,654,369
Construction of Cebu Exchange	Payable on a quarterly basis within four (4) years from the date of initial drawdown; secured by raw land amounting to ₱931.8 million as at December 31, 2017 (see Note 8).	5.77%	**650,000,000**	–
Acquisition of land	Payable on a quarterly basis until July 5, 2019; secured by the commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,317.5 million and ₱985.0 million as at December 31, 2017 and 2016, respectively (see Note 9).	5.12%	**280,000,000**	300,000,000
Working fund	Payable monthly until June 11, 2018; secured by Arya Residences condominium units with carrying amount of ₱102.9 million and ₱358.8 million as at December 31, 2017 and 2016, respectively (see Note 8).	3.00%	**100,000,000**	381,520,000
Working fund	Payable in full on November 13, 2017; unsecured.	2.75%	**–**	255,000,000
			₱2,527,767,436	₱1,487,174,369

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 15 promissory notes that are maturing on July 2025. 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 11).

- 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 ₱1,497.8 million and ₱550.7 million as at December 31, 2017 and 2016.

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:

	2017	2016
Total liabilities	**₱1,967,491,406**	₱1,576,898,339
Total equity	**4,535,384,733**	4,705,965,817
	0.43:1.00	0.34:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2017 and 2016.

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 four (4) years. In 2017, the first drawdown was received amounting to ₱650.0 million. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by raw land amounting to ₱931.8 million, together with any improvements thereon, located in Cebu City.

- 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.

Private Funders

Details of outstanding balances of loans from private funders at December 31 follow:

Purpose	Terms	Effective interest rate (p.a.)	**2017**	2016
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**	₱1,534,140,364
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**	–
Working fund	Payable in full on May 7, 2018, unsecured	3.50%	**40,000,000**	40,000,000
Working fund	Payable in full on July 23, 2018, unsecured	3.50%	**17,145,000**	17,145,000
Working fund	Payable in full on July 23, 2018, unsecured	3.50%	**16,302,970**	16,302,970
Working fund	Payable in full on April 2, 2018, unsecured	3.50%	**16,276,000**	16,276,000
			₱1,741,124,980	₱1,623,864,334

In 2015, the Parent Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless), an entity under common control, with principal amount of ₱1,650.6 million to partially finance the construction of ACPT.

This loan is payable in cash or in kind at the option of Centrobless. In the event Centrobless elects to be paid in kind on maturity date, the Company shall pay the loan by dacion en pago with total space encompassing seven (7) floors of ACPT and 150 parking slots therein for ₱1,650.6 million. "Day 1" gain of ₱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).

Outstanding balance of this loan amounted to ₱1,591.3 million and ₱1,534.1 million as at December 31, 2017 and 2016, respectively (see Note 23).

In 2017, the Parent Company entered into a non-interest bearing loan agreement with Signature Office Property, Inc. (SOPI), an entity under common control, with principal amount of ₱207.1 million, to finance the remaining construction of ACPT. Drawdowns aggregating ₱62.0 million were made in 2017 (see Note 23). The loan will mature on December 31, 2018.

This loan is payable in cash or in kind at the option of SOPI. In the event that SOPI elects to be paid in kind on maturity date, the Parent Company shall repay the loan by dacion en pago with the total saleable space estimated at 994 sq.m. and 10 parking slots in ACPT for ₱207.1 million. "Day 1" gain of ₱2.9 million in 2017 was recognized on this loan and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 19).

Outstanding balance of this loan amounted to ₱60.1 million as at December 31, 2017 (see Note 23).

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	**2017**	2016
Investment properties	9	**₱68,169,703**	₱25,966,509
Real estate for sale	8	**36,653,151**	28,615,156
		₱104,822,854	₱54,581,665

The range of capitalization rates used to determine the amount of capitalized borrowing costs is 3.0% to 3.5% in 2017 and 2016 (see Note 8).

Interest Expense

Total interest expense charged under “Finance costs” consists of the following (see Note 18):

	2017	2016	2015
Interest expense on interest-bearing loans	**₱19,750,114**	₱30,660,856	₱34,259,929
Amortization of “day 1” gain on loan discounting	**58,168,428**	48,879,359	5,453,302
	₱77,918,542	₱79,540,215	₱39,713,231

13. Accounts Payable and Other Liabilities

This account consists of:

	Note	**2017**	2016
Accounts payable:			
Third parties		**₱153,771,641**	₱299,993,140
Related party	23	**8,424,024**	5,678,057
Retention payable		**329,929,213**	292,557,574
Payable to buyers		**140,710,597**	139,796,738
Accrued expenses		**122,915,922**	128,166,786
Security deposits	21	**17,032,517**	2,824,148
Deferred output VAT		**15,466,182**	1,679,417
Withholding taxes payable		**11,309,420**	9,523,732
Advance rent	21	**10,787,533**	1,983,483
Construction bonds		**5,005,393**	–
Dividend payable		**4,597,364**	4,748,691
Output VAT		–	220,288
Others		**4,507,114**	12,035,236
		₱824,456,920	₱899,207,290

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to Group’s suppliers.

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.

Payable to buyers include reservation fees and collections received from prospective buyers and lessees, which are to be applied against the receivable upon execution of sales documents and to be applied as security deposits upon execution of lease contracts, respectively.

Accrued expenses, which are expected to be settled within the next 12 months, are the accruals for unbilled project costs, interest, utilities, salaries and wages and other employee benefits. Accrued interest amounted to ₱39.8 million and ₱33.9 million as at December 31, 2017 and 2016, respectively.

Security deposits pertain to the deposits made by the lessees of the ACPT which are refundable upon termination of the lease.

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 transaction will be considered as a sale under installment, in which case VAT will be paid based on collection. This account also includes the deferred output VAT on the development fees charged to CLLC that is not yet collected.

Advance rent pertain 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.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividend payables.

14. **Equity**

The details of the Parent Company's number of common and preferred shares follow:

	2017		2016	
	Preferred	**Common**	Preferred	Common
Authorized	**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
Issued and outstanding	**32,500,000**	**5,318,095,199**	32,500,000	5,318,095,199

<u>Preferred Shares</u>
The rollforward analysis of the issued and outstanding preferred shares as of December 31 follows:

	2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount
Issued and Outstanding				
Balance at beginning of year	**32,500,000**	**₱32,500,000**	–	₱–
Issuances during the year	**–**	**–**	32,500,000	32,500,000
Balance at end of year	**32,500,000**	**32,500,000**	32,500,000	32,500,000
Parent Company's shares held by a subsidiary	**(12,500,000)**	**(12,500,000)**	(12,500,000)	(12,500,000)
	20,000,000	**₱20,000,000**	20,000,000	₱20,000,000

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. 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, 2017 and 2016, 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 1,979 and 2,013 shareholders as at December 31, 2017 and 2016, 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 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	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			₱204,733,142		
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,142	Common	0.012

15. Revenues

The Group's revenues are as follows:

	Note	2017	2016	2015
Real estate sales		**₱433,964,838**	₱439,160,673	₱1,584,016,397
Rent income	21	**14,858,157**	8,103,925	–
CUSA fees	21	**8,139,533**	–	–
Project management fees		**6,576,066**	3,810,463	3,562,464
		₱463,538,594	₱451,075,061	₱1,587,578,861

Real estate sales pertain to revenues earned from the sale of condominium units in Arya Residences.

Rent income pertains to the revenues earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences which are recognized on a straight line basis under PAS 17, *Lease*.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC). 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.

16. Cost of Sales and Services

	Note	2017	2016	2015
Cost of real estate sales	8	**₱320,515,983**	₱389,043,136	₱1,043,700,643
Cost of services	9	**7,993,691**	4,631,402	–
		₱328,509,674	₱393,674,538	₱1,043,700,643

Cost of services consists of real property taxes, commission expense and other taxes pertaining to ACPT and MPI's investment properties.

17. Operating Expenses

Operating expenses are classified as follows:

	2017	2016	2015
Administrative	**₱278,065,313**	₱298,360,928	₱244,806,979
Selling and marketing	**48,493,636**	66,767,530	69,323,793
	₱326,558,949	₱365,128,458	₱314,130,772

Details of operating expenses by nature are as follows:

	Note	**2017**	2016	2015
Personnel costs		**₱133,377,623**	₱134,721,050	₱132,319,593
Advertising		**36,792,147**	43,239,749	18,027,303
Taxes and licenses		**33,321,044**	58,472,179	34,369,989
Management and professional fees		**33,152,440**	33,341,170	13,400,124
Communication and office expenses		**21,378,435**	18,242,802	12,910,462
Rent	21	**13,908,352**	10,357,319	10,478,643
Commissions		**11,701,489**	23,527,781	51,296,490
Insurance		**9,908,865**	12,074,379	9,971,139
Depreciation and amortization	10	**9,330,955**	8,214,176	19,282,497
Transportation and travel		**7,856,509**	5,593,670	4,886,530
Repairs and maintenance		**2,360,720**	2,181,796	2,316,718
Representation		**1,435,959**	3,018,354	883,885
Utilities		**1,416,796**	8,062,059	1,465,325
Others		**10,617,615**	4,081,974	2,522,074
		₱326,558,949	₱365,128,458	₱314,130,772

Personnel costs consist of:

	Note	**2017**	2016	2015
Salaries and other employee benefits		**₱123,630,062**	₱125,376,040	₱123,692,702
Retirement expense	20	**9,747,561**	9,345,010	8,626,891
		₱133,377,623	₱134,721,050	₱132,319,593

18. **Finance Costs**

This account consists of:

	Note	**2017**	2016	2015
Interest expense	12	**₱77,918,542**	₱79,540,215	₱39,713,231
Bank charges		**2,744,698**	808,130	853,348
		₱80,663,240	₱80,348,345	₱40,566,579

19. **Other Income** - Net

This account consists of:

	Note	**2017**	2016	2015
Realized gain on disposals of financial assets at FVPL	6	**₱37,576,414**	₱17,310,183	₱5,807,623
Interest income	5	**14,245,251**	10,692,204	11,159,810
Forfeited collections		**10,657,784**	31,696,556	8,496,305
"Day 1" gain on loan discounting	12	**2,907,783**	80,883,656	89,952,419
Unrealized holding gains on financial assets at FVPL	6	**1,874,352**	5,856,676	635,227
Gain (loss) on disposal of investment property		**(475,131)**	185,888	9,722
Foreign exchange gains		**83,998**	600,156	2,407,067
Others		**572,867**	417,879	3,904,590
		₱67,443,318	₱147,643,198	₱122,372,763

Others include net gain on disposal of property and equipment.

20. **Retirement Liability**

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular 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 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 January 31, 2018).

The components of retirement expense are as follows:

	2017	2016
Current service cost	**₱7,205,814**	₱7,272,293
Interest cost	**2,541,747**	2,072,717
	₱9,747,561	₱9,345,010

Movements in the present value of retirement liability are as follows:

	2017	2016
Balance at beginning of year	**₱47,244,365**	₱40,801,518
Current service cost	**7,205,814**	7,272,293
Interest cost	**2,541,747**	2,072,717
Remeasurement gain	**(6,323,380)**	(2,902,163)
Balance at end of year	**₱50,668,546**	₱47,244,365

The cumulative remeasurement gain on retirement liability recognized in other comprehensive income follows:

	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 gain	**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 gain	2,902,163	870,649	2,031,514
Balance at end of year	₱4,317,179	₱1,295,154	₱3,022,025

	2015		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	(₱82,487)	(₱24,746)	(₱57,741)
Remeasurement gain	1,497,503	449,251	1,048,252
Balance at end of year	₱1,415,016	₱424,505	₱990,511

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2017	2016
Discount rate	**5.70%**	5.38%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**24.3**	22.5

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2017 and 2016 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2017	**+1%**	**(₱3,758,936)**	**₱4,149,890**
	-1%	**4,543,249**	**(3,508,485)**
December 31, 2016	+1%	(3,288,817)	3,698,262
	-1%	4,011,251	(3,106,027)

The expected future benefit payments as at December 31, 2017 are as follows:

Financial Year	Amount
2018	₱12,288,901
2019	–
2020-2025	20,460,198

21. **Commitments**

<u>**Operating Lease Commitments - Group as Lessor**</u>

In 2017, the Parent Company entered into various lease agreements in ACPT for periods ranging from five 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.

Rent income recognized from these operating leases amounted to ₱14.9 million, ₱8.1 million, nil in 2017, 2016 and 2015, respectively (see Note 15). CUSA fees recognized amounted to ₱8.1 million in 2017 (see Note 15). Accrued rent receivable amounted to ₱21.0 million and ₱8.1 million as at December 31, 2017 and 2016, respectively (see Note 7). Advance rent from tenants amounted to ₱10.8 million and ₱2.0 million as at December 31, 2017 and 2016, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱17.0 million and ₱2.8 million in 2017 and 2016, respectively (see Note 13).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**₱51,106,339**	₱16,140,214
After one year but not more than five years	**297,618,072**	18,600,665
More than five years	**95,598,057**	–
	₱444,322,468	₱34,740,879

<u>**Operating Lease Commitments - Group as Lessee**</u>

The Parent Company is a lessee under non-cancellable operating leases where its office space is situated. The lease term for the office space is three years, with renewal options and provisions for escalation.

The total rent expense recognized from these operating leases amounted to ₱13.9 million, ₱10.4 million and ₱10.5 million in 2017, 2016 and 2015, respectively (see Note 17).

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

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

22. **Income Taxes**

The components of income tax expense are as follows:

	2017	2016	2015
Reported in Profit or Loss			
Current income tax expense:			
RCIT	**₱13,636,823**	₱72,606,507	₱73,413,668
Final taxes	**11,680,051**	6,129,472	2,069,509
MCIT	**17,560**	141,658	21,805
	25,334,434	78,877,637	75,504,982
Deferred income tax expense	**59,906,329**	276,138,112	22,512,180
	₱85,240,763	₱355,015,749	₱98,017,162
Reported in OCI			
Deferred tax expense related to remeasurement gain on retirement liability	**₱1,897,014**	₱870,649	₱449,251

<u>**Deferred Tax Asset and Net Deferred Tax Liabilities**</u>

The components of the Group's recognized deferred tax assets and net deferred tax liabilities are as follows:

	2017	2016
Deferred Tax Asset		
NOLCO	**₱61,212,233**	₱15,282,811
Net Deferred Tax Liabilities		
Deferred tax assets:		
Retirement liability	**₱15,200,564**	₱14,173,310
NOLCO	**5,810,650**	1,398,976
Advance rent	**3,231,460**	595,045
Excess MCIT over RCIT	**141,658**	141,658
Allowance for impairment losses	**110,488**	110,488
	24,494,820	16,419,477
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	**738,047,510**	609,530,300
"Day 1" gain on loan discounting	**18,372,831**	34,951,024
Debt issue cost	**10,351,816**	10,351,816
Accrued rent receivable	**6,292,264**	2,431,178
Depreciation and amortization of investment properties	**3,913,568**	1,885,430
Foreign exchange gains	**25,199**	180,047
Excess of financial over taxable gross profit on sale of real estate	**–**	1,865,285
	777,003,188	661,195,080
Net Deferred Tax Liabilities	**₱752,508,368**	₱644,775,603

As at December 31, 2017 and 2016, the Group did not recognized deferred tax assets relating to the following:

	2017	2016
NOLCO	**₱3,587,596**	₱1,418,714
Excess MCIT over RCIT	**39,365**	23,992
Accrued rent	**4,800**	–
	₱3,631,761	₱1,442,706

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
2017	₱–	₱175,937,705	₱–	₱–	₱175,937,705	2020
2016	58,602,053	–	–	–	58,602,053	2019
2015	828,504	–	–	–	828,504	2018
2014	904,446	–	19,933	884,513	–	2017
	₱60,335,003	₱175,937,705	₱19,933	₱884,513	₱235,368,262	

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2017	₱–	₱17,560	₱–	₱	₱17,560	2020
2016	141,658	–	–	–	141,658	2019
2015	21,805	–	–	–	21,805	2018
2014	2,187	–	–	2,187	–	2017
	₱165,650	₱17,560	₱–	₱2,187	₱181,023	

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	2017	2016	2015
Income tax computed at statutory tax rate	**₱67,092,224**	₱353,229,637	₱103,514,589
Add (deduct) tax effect of:			
Nondeductible expenses and nontaxable income	**20,122,883**	12,377,366	(2,959,920)
Realized gain on disposals of financial assets at FVPL	**(2,584,244)**	(1,081,306)	(134,581)
Change in unrecognized deferred tax assets	**2,189,055**	504,532	44,901
Interest income subjected to final tax	**(1,282,203)**	(1,189,939)	(2,480,602)
Unrealized holding gains on financial assets at FVPL	**(562,306)**	(1,757,003)	(597,184)
Expired NOLCO	**265,354**	–	629,959
Stock issuance costs	**–**	(7,067,538)	–
	₱85,240,763	₱355,015,749	₱98,017,162

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% Gross Income Tax (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 regular corporate income tax.

As at December 31, 2017, ACPT Project is still under construction.

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 **2017**	Amount of Transactions 2016	Outstanding Balance **2017**	Outstanding Balance 2016
Due from a Related Party -							
CPG	Stockholder	7	Share purchase agreement	**₱–**	₱–	**₱36,052,873**	₱36,052,873

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions 2017	2016	Outstanding Balance 2017	2016
Loans Payable -		12					
Centrobless	Entity under common ownership		Non-interest bearing loans	**₱–**	₱825,321,890	**₱1,591,325,936**	₱1,534,140,364
SOPI	Entity under common management		Non-interest bearing loans	**62,000,000**	–	**60,075,074**	–
				₱62,000,000	₱825,321,890	**₱1,651,401,010**	₱1,534,140,364
Accounts Payable -							
CPG	Stockholder	13	Management fee	**₱8,424,024**	₱5,678,057	**₱8,424,024**	₱5,678,057
Due to a Related Party -							
			Advances for project development	**₱36,876,855**	₱249,789,836	**₱286,666,691**	₱249,789,836
Rock & Salt B.V.	Non-controlling interest		Interest expense	**9,104,077**	7,813,957	**16,918,034**	7,813,957

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2017 and 2016 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 will mature on December 31, 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.

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 ₱286.7 million and ₱249.8 million and recognized interest expense of ₱9.1 million and ₱7.8 million as at December 31, 2017 and 2016, respectively.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2017	2016	2015
Salaries and other employee benefits	**₱72,981,021**	₱63,395,457	₱50,606,184
Retirement expense	**4,782,219**	4,830,248	3,134,101
	₱77,763,240	₱68,225,705	₱53,740,285

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			
	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:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱191,850,580**	₱840,225,824	₱247,031,468
Less share of Series B Preferred Shares	**(140,916,000)**	(35,229,000)	–
	50,934,580	804,996,824	247,031,468
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.0096**	₱0.1514	₱0.0465

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 years presented.

26. **Financial Risk Management Objectives and Policies**

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, trade and other 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 payable to buyers, advance rent and statutory liabilities) 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.

<u>Credit Risk</u>

Credit risk is the risk that the Group will incur a loss when its counterparties fail to discharge their contractual obligations. The Company's credit risk is primarily attributable to its rent and other receivables. 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. Accrued rent receivables are closely monitored on aging of the account. As at December 31, 2017 and 2016, there were no significant credit concentrations.

With respect to credit risk arising from the Group's other financial assets, which are composed of cash and cash equivalents, financial assets at FVPL, investment in time deposits, deposits and amounts held in escrow, the Group's exposure to credit risk arises from a counterparty's default, with maximum exposure equal to the carrying amounts of the instruments. The Company limits its exposure to credit risk by depositing its cash with highly reputable and pre-approved financial institutions and by transacting only with recognized and creditworthy third parties.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statements of financial position, before taking into consideration any collateral and credit enhancements:

	2017	2016
Cash and cash equivalents*	**₱721,760,236**	₱990,712,203
Financial asset at FVPL	**387,879,631**	2,050,075,279
Trade and other receivables**	**74,760,572**	71,669,073
Deposits	**66,444,390**	35,982,536
Amounts held in escrow	**20,096,757**	11,143,822
Investment in time deposits	**19,972,000**	17,402,000
	₱1,290,913,586	₱3,176,984,913

**Excludes cash on hand amounting to ₱35,000 and ₱30,000 as at December 31, 2017 and 2016, respectively.*

***Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating ₱111.5 million and ₱229.4 million as at December 31, 2017 and 2016, respectively.*

The Group's credit risk is primarily attributable to its trade receivables from sale of real estate and other financial assets. The credit quality of the Group's financial assets is managed using internal credit ratings.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system and aging of past due but not impaired financial assets.

	2017						
	Neither Past Due nor Impaired		**Past Due but not Impaired**				
	High Grade	**Standard Grade**	**Less than 1 year**	**1-2 years**	**2-3 years**	**over 3 years**	**Total**
Cash and cash equivalents*	**₱721,760,236**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱721,760,236**
Financial assets at FVPL	**387,879,631**	**–**	**–**	**–**	**–**	**–**	**387,879,631**
Trade and other receivables**	**74,760,572**	**–**	**–**	**–**	**–**	**368,292**	**75,128,864**
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**
	₱1,290,913,586	**₱–**	**₱–**	**₱–**	**₱–**	**₱368,292**	**₱1,291,281,878**

**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 ₱111.5 million.*

	2016						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱990,712,203	₱–	₱–	₱–	₱–	₱–	₱990,712,203
Financial assets at FVPL	2,050,075,279	–	–	–	–	–	2,050,075,279
Trade and other receivables**	71,669,073	–	–	–	–	368,292	72,037,365
Deposits	35,982,536	–	–	–	–	–	35,982,536
Amounts held in escrow	11,143,822	–	–	–	–	–	11,143,822
Investment in time deposits	17,402,000	–	–	–	–	–	17,402,000
	₱3,176,984,913	₱–	₱–	₱–	₱–	₱368,292	₱3,177,353,205

**Excludes cash on hand amounting to ₱30,000.*
***Excludes advances for project development amounting to ₱229.4 million.*

The credit quality of the financial assets was determined as follows:

- High grade - cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms.
- Standard grade - receivables from customers who need to be reminded of their dues.
- Past due but not impaired - items with history of frequent default, nevertheless, the amounts are still collectible.
- Impaired - financial assets with history of default and most likely uncollectible.

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, 2017 and 2016:

	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 ₱178.3 million as at December 31, 2017.*

	2016					
	Due and Payable on Demand	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	₱–	₱795,714,899	₱1,713,425,997	₱33,681,240	₱1,067,765,130	₱3,610,587,266
Accounts payable and other liabilities*	182,488,571	453,446,058	110,069,003	–	–	746,003,632
Due to a related party	249,789,836	–	–	–	–	249,789,836
	₱432,278,407	₱1,249,160,957	₱1,823,495,000	₱33,681,240	₱1,067,765,130	₱4,606,380,734

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱153.2 million as at December 31, 2016.*

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 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 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:

	2017	2016
Total liabilities	**₱6,183,192,941**	₱4,952,055,797
Total equity	**5,063,618,825**	5,109,587,034
Debt-to-equity ratio	**1.22:1**	0.97:1

The Group manages the capital structure and makes adjustments when there are 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.

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:

			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	**6**	**₱387,879,631**	**₱387,879,631**	**₱–**	**₱–**
Investment properties	**9**	**6,457,315,253**	**–**	**560,559,000**	**5,896,756,253**
Asset for which fair value is disclosed –					
Loans and receivables –					
Deposits		**66,444,390**	**–**	**–**	**58,564,457**
		₱6,911,639,274	**₱387,879,631**	**₱560,559,000**	**₱5,896,756,253**
Liability for which fair value is disclosed –					
Loans payable		**₱4,268,892,416**	**₱–**	**₱–**	**₱4,318,118,823**

			2016		
			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	6	₱2,050,075,279	₱2,050,075,279	₱–	₱–
Investment properties	9	4,534,143,705	–	482,099,300	4,052,044,405
Asset for which fair value is disclosed –					
Loans and receivables –					
Deposits		35,982,536	–	–	31,715,209
		₱6,620,201,520	₱2,050,075,279	₱482,099,300	₱4,083,759,614
Liability for which fair value is disclosed –					
Loans payable		₱3,111,038,703	₱–	₱–	₱3,167,701,702

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 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, 2017 and 2016:

	2017	2016
Financial Assets:		
Cash and cash equivalents	**₱721,795,236**	₱990,742,203
Trade and other receivables*	**74,760,572**	71,669,073
Amounts held in escrow	**20,096,757**	11,143,822
Investment on time deposits	**19,972,000**	17,402,000
	₱836,624,565	₱1,090,957,098
Financial Liabilities:		
Accounts payable and other liabilities**	**₱646,183,188**	₱746,003,632
Due to a related party	**286,666,691**	249,789,836
	₱932,849,879	₱995,793,468

**Excludes advances for project development accrued rent receivable under straight-line basis of accounting aggregating to ₱111.5 million and ₱229.4 million as at December 31, 2017 and 2016, respectively.*

***Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱178.3 million and ₱153.2 million as at December 31, 2017 and 2016, respectively.*

Cash and Cash Equivalents, Trade and Other Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Due to Related Parties. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Investment 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.

28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2017 and 2016 are as follows:

	Note	**2017**	2016
Current Assets			
Cash and cash equivalents	5	**₱721,795,236**	₱990,742,203
Financial asset at FVPL	6	**387,879,631**	2,050,075,279
Trade and other receivables	7	**186,274,230**	301,089,586
Real estate for sale	8	**2,646,731,618**	1,722,192,699
Creditable withholding tax		**253,188,078**	243,216,792
Other assets*	11	**389,391,492**	129,727,245
		₱4,585,260,285	₱5,437,043,804

**Excludes investments in time deposits, deposits and non-current portion of deferred input VAT amounting to ₱103.3 million and ₱55.1 million as at December 31, 2017 and 2016, respectively.*

	Note	2017	2016
Current Liabilities			
Current portion of loans payable**	12	**₱1,841,124,980**	₱726,243,970
Accounts payable and other liabilities***	13	**824,456,920**	789,138,287
Due to a related party	23	**286,666,691**	249,789,836
		₱2,952,248,591	₱1,765,172,093

***Excludes long term portion of loans payable aggregating to ₱2,427.8 million and ₱2,384.8 million as at December 31, 2017 and 2016, respectively.*

****Excludes non-current portion of retention payable amounting to nil and ₱110.1 million as at December 31, 2017 and 2016, respectively.*

29. 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	January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76
Common shares	March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	₱0.012

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2017.

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
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered our report dated March 21, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,957 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1499-A Group A
Valid until August 31, 2018
BIR Accreditation No. 08-005144-12-2017
Valid until March 8, 2020
PTR No. 6607962
Issued January 3, 2018, Makati City

March 21, 2018
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th 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, 2017, included in this Form 17-A and have issued our report thereon dated March 21, 2018. Our audit was 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 Company'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 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 December 31, 2018
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Issued January 3, 2018, Makati City

March 21, 2018
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2017

Below is a schedule showing financial soundness indicators in the years 2017, 2016 and 2015.

	2017	2016	2015
Current/Liquidity Ratio	**1.55**	3.08	3.27
Current assets	**₱4,585,260,285**	₱5,437,043,804	₱4,995,527,495
Current liabilities	**2,952,248,591**	1,765,172,093	1,526,859,669
Solvency Ratio	**0.02**	0.17	0.05
Net income before depreciation	**147,730,940**	830,630,551	266,313,965
Total liabilities	**6,183,192,941**	4,952,055,797	4,862,981,842
Debt-to-Equity Ratio	**1.22**	0.97	2.12
Total liabilities	**6,183,192,941**	4,952,055,797	4,862,981,842
Total equity	**5,063,618,825**	5,109,587,034	2,291,302,886
Debt-to-Equity Ratio	**0.52**	0.31	1.03
Interest-bearing liabilities	**2,617,491,406**	1,576,898,339	2,361,852,743
Total equity	**5,063,618,825**	5,109,587,034	2,291,302,886
Asset-to-Equity Ratio	**2.22**	1.97	3.12
Total assets	**11,246,811,766**	10,061,642,831	7,154,284,728
Total equity	**5,063,618,825**	5,109,587,034	2,291,302,886
Interest Rate Coverage Ratio	**3.87**	15.80	9.69
Pretax income before interest	**301,559,290**	1,256,972,339	384,761,861
Interest expense	**77,918,542**	79,540,215	39,713,231
Profitability Ratio	**0.03**	0.16	0.11
Net income	**138,399,985**	822,416,375	247,031,468
Total equity	**5,063,618,825**	5,109,587,034	2,291,302,886

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2017

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			✓

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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Financial Guarantee 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 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	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	Title	Adopted	Not Adopted	Not Applicable
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			✓

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 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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	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 18	Revenue	✓		
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			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
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 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
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 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			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
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			✓
IFRIC 21	Levies	✓		

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, 2017

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2017

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	₱35,000	₱35,000	₱–	₱–
Cash in Banks:				
Bank of the Philippines	43,076,607	43,076,607	–	
Banco De Oro	19,468,614	19,468,614	–	
Philippine National Bank	7,007,390	7,007,390	–	
Allied Bank	820,205	820,205	–	
Others	317,354	317,354	–	
	70,690,170	70,690,170	–	2,503,854
Short-term Placements:				
Bank of the Philippines	347,781,572	347,781,572	347,781,572	
Banco De Oro	195,601,582	195,601,582	195,601,582	
Allied Bank	57,240,582	57,240,582	57,240,582	
Bank of Makati	49,253,483	49,253,483	49,253,483	
Security Bank	1,192,847	1,192,847	1,192,847	
	651,070,066	651,070,066	651,070,066	11,459,532
Deposits	66,444,390	66,444,390	–	–
Unit Investment Trust Fund	387,879,631	387,879,631	387,879,631	–
Investment in Time Deposit	19,972,000	19,972,000	–	281,865
Amounts Held in Escrow	20,096,757	20,096,757	–	–
	₱1,216,188,014	₱1,216,188,014	₱1,038,949,697	₱14,245,251

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2017

			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
Advances to Employees	₱5,404,468	₱9,260,556	(₱6,739,076)	₱–	₱7,925,948	₱–	₱7,925,948

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017

			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)	₱56,792,941	₱2,464,793	₱–	₱–	₱59,257,734	₱–	**₱59,257,734**
Cebu Lavana Land Corp.	560,500,397	5,417,003	(295,917,400)	–	270,000,000	–	**270,000,000**
Savya Land Development Corporation	–	1,042,812,933	–	–	1,042,812,933		**1,042,812,933**
Emera Property Management, Inc.	2,183,742	2,257,111	(3,112,040)	–	1,328,813	–	**1,328,813**
Cazneau, Inc.	318,305,242	36,244,548	(186,871)	–	354,362,919	–	**354,362,919**
Zileya Land Development, Inc.	7,573,444	98,860,562	–	–	106,434,006	–	**106,434,006**
Manchesterland Properties, Inc.	3,514	–	(3,200)	–	314	–	**314**
	₱945,359,280	₱1,188,056,950	(₱299,219,511)	₱–	₱1,834,196,719	₱–	**₱1,834,196,719**
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	₱–	₱133,547,340	₱–	₱–	₱133,547,340	₱–	**₱133,547,340**
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱289,481,804	₱–	(₱9,546,569)	₱–	₱279,935,235	₱–	**₱279,935,235**
Cebu Lavana Land Corp.	87,038	180,084	–	–	267,122	–	**267,122**
	₱289,568,842	₱180,084	(₱9,546,569)	₱–	₱280,202,357	₱–	**₱280,202,357**

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position: Carrying amount	Interest Rate(s)	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,000,000,000	₱–	₱1,497,767,436	5.81%	At end of term	July 31, 2025
Bank 2	100,000,000	100,000,000	–	3.0%	Monthly	June 11, 2018
Bank 3	300,000,000	–	280,000,000	5.12%	Quarterly	July 5, 2019
Bank 4	2,350,000,000	–	650,000,000	5.77%	Quarterly	August 15, 2021
Various Loan from private funders	89,723,970	89,723,970	–	3.5%	Renewable on maturity	April 2, 2018, May 7, 2018, July 23, 2018
Centrobless Corporation	1,650,643,779	1,591,325,936	–	Interest-free	At end of term payable in cash or dacion in payment	December 31, 2018
Signature Office Property, Inc.	207,051,912	60,075,074	–	Interest-free	At end of term payable in cash or dacion in payment	December 31, 2018
	₱6,697,419,661	₱1,841,124,980	₱2,427,767,436			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2017

Name of related party	Balance at beginning of year	Balance at end of year
Centrobless Corporation	₱1,534,140,364	₱1,591,325,936
Signature Office Property, Inc.	–	60,075,074
	₱1,534,140,364	₱1,651,401,010

**Additional loan is attributable to the construction of ACPT.*

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2017

				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	–	3,526,349,910	9	1,791,745,289
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, 2017

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:

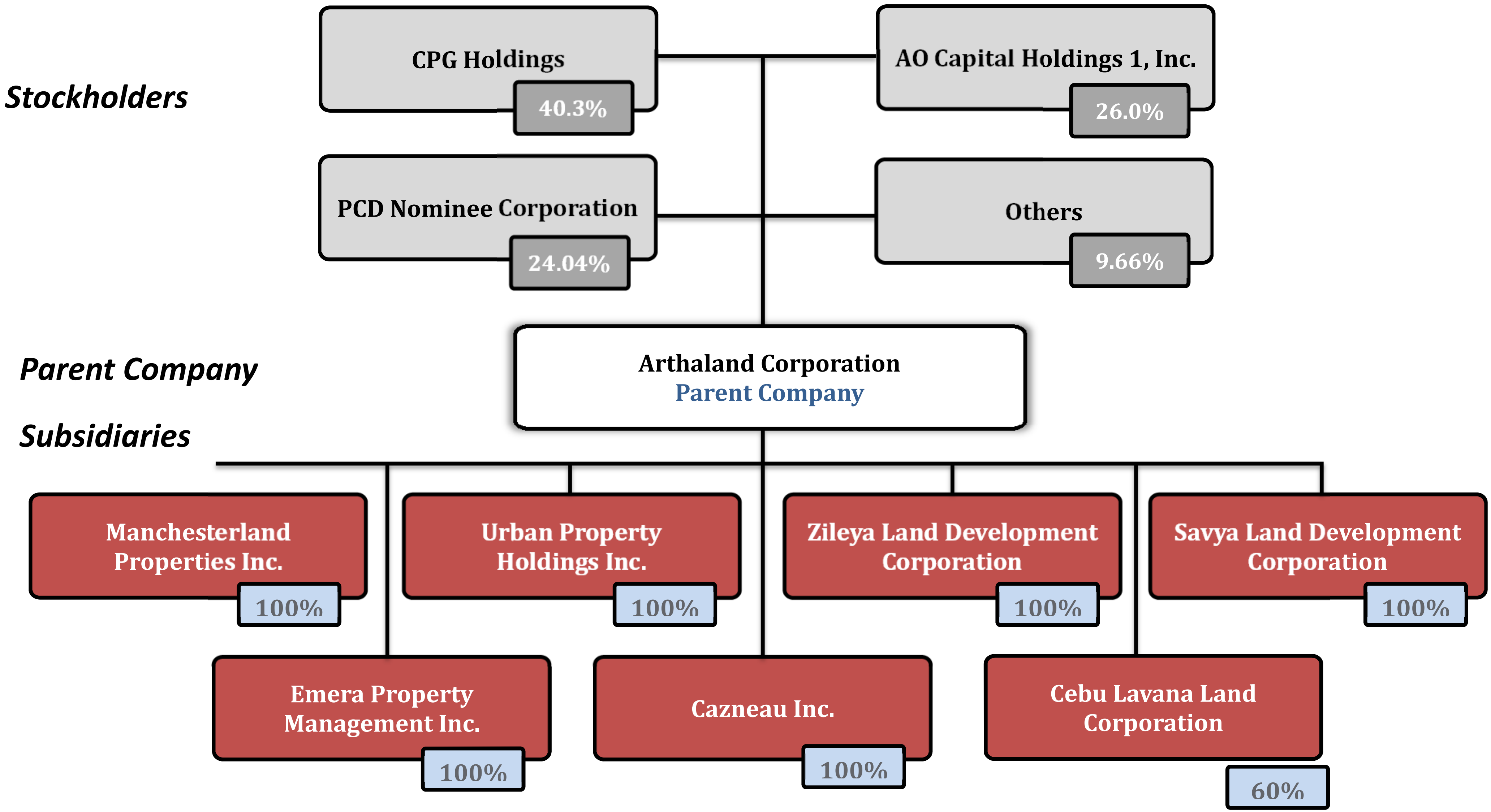
Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2017	Balance for Disbursement as at December 31, 2017
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱–
Makati CBD Residential Project	371.6	371.6	102.3	269.3
Binan Laguna Project	331.9	331.9	33.8	298.1
Partial repayment 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**	**₱1,405.5**	**₱567.4**

ARTHALAND CORPORATION

SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

Unappropriated Retained Earnings, beginning		₱1,681,745,115
Adjustments:		
Cumulative gain on change in fair value of investment properties	(₱845,963,491)	
Unamortized "day 1" gain on loans payable	(81,552,390)	
Unrealized holding gains on financial assets at FVPL	(5,656,674)	
Accumulated depreciation and amortization of investment properties	(201,593)	(933,374,148)
Unappropriated Retained Earnings, as adjusted, beginning		748,370,967
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	29,725,692	
Realized holding gains on financial assets at FVPL	5,656,674	35,382,366
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(28,827,847)	
"Day 1" gain on loan discounting	(2,035,448)	
Unrealized holding gains on financial assets at FVPL	(1,752,251)	
Depreciation and amortization of investment properties	(253,008)	(32,868,554)
Add: Non-actual losses		
Amortization of "day 1" gain on loan discounting		40,717,899
Cash dividends		(204,733,142)
Unappropriated Retained Earnings, as adjusted, ending		₱586,869,536

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)

8 F   P I C A D I L L Y   S T A R   B U I L D I N G

4 T H   A V E N U E   C O R N E R   2 7 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

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

(Form Type)

0 6 | Last Fri

Month *Day*

(Annual Meeting)

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,972

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)

8/F Picadilly Star Building, 4th Avenue corner 27th Street
Bonifacio Global City, Taguig City
(Company's Address)

403-6910
(Telephone Number)

December 31
(Fiscal year ending)
(month & day)

June 30
(Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT
(Form Type)

Amendment Designation (If applicable)

March 31, 2018
(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 *March 31, 2018*

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

   8/F Picadilly Star Building, 4th Avenue corner 27th Street,
   Bonifacio Global City, Taguig City ***1634***

8. Registrant's Telephone Number : *403-6910*

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 (P0.18 par value**	**None**
Preferred Shares – Series A	**12,500,000 (P1.00 par value)**	**None**
Preferred Shares – Series B	**20,000,000 (P1.00 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 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 : May 9, 2018

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

MARCH 31, 2018 AND DECEMBER 31, 2017

	Notes		MARCH 31 2018 (Unaudited)		DECEMBER 31 2017 (Audited)
ASSETS					
Cash and cash equivalents	4	P	**406,667,941**	P	721,795,236
Financial assets at fair value through profit or loss (FVPL)	5		**388,305,721**		387,879,631
Trade and other receivables	6		**161,137,615**		186,274,230
Real estate for sale	7		**2,635,693,612**		2,646,731,618
Investment properties	8		**6,728,623,596**		6,457,315,253
Property and equipment	9		**47,035,083**		39,743,166
Net deferred tax assets			**82,522,989**		61,212,233
Creditable withholding taxes			**258,325,639**		253,188,078
Other assets	10		**776,801,061**		492,672,321
		P	**11,485,113,257**	P	11,246,811,766
LIABILITIES AND EQUITY					
Liabilities					
Loans payable	11	P	**4,448,883,586**	P	4,268,892,416
Accounts payable and other liabilities	12		**882,505,222**		824,456,920
Due to a related party	13		**286,666,691**		286,666,691
Retirement liability	20		**50,668,546**		50,668,546
Net deferred tax liabilities			**790,241,350**		752,508,368
Total Liabilities			**6,458,965,395**		6,183,192,941
Equity Attributable to Equity Holders of the Parent Company					
Capital stock	14		**989,757,136**		989,757,136
Additional paid-in capital			**2,031,441,541**		2,031,441,541
Retained earnings			**2,060,504,142**		2,085,398,501
Cumulative remeasurement gains on retirement liability - net of tax			**7,448,391**		7,448,391
Parent Company's shares held by a subsidiary	14		**(12,500,000)**		(12,500,000)
			5,076,651,210		5,101,545,569
Non-controlling interests			**(50,503,348)**		(37,926,744)
Total Equity			**5,026,147,862**		5,063,618,825
		P	**11,485,113,257**	P	11,246,811,766

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND 2017

	Notes		MARCH 31 2018 (Unaudited)		MARCH 31 2017 (Unaudited)
ASSETS					
Cash and cash equivalents	4	P	**406,667,941**	P	738,958,392
Financial assets at fair value through profit or loss (FVPL)	5		**388,305,721**		1,629,504,821
Trade and other receivables	6		**161,137,615**		318,288,954
Real estate for sale	7		**2,635,693,612**		2,546,697,619
Investment properties	8		**6,728,623,596**		4,863,449,232
Property and equipment	9		**47,035,083**		22,607,121
Net deferred tax assets			**82,522,989**		27,227,590
Creditable withholding taxes			**258,325,639**		249,650,675
Other assets	10		**776,801,061**		344,418,431
		P	**11,485,113,257**	P	10,740,802,835
LIABILITIES AND EQUITY					
Liabilities					
Loans payable	11	P	**4,448,883,586**	P	3,151,336,317
Accounts payable and other liabilities	12		**882,505,222**		1,603,155,717
Due to a related party	13		**286,666,691**		233,851,254
Retirement liability	20		**50,668,546**		47,244,365
Net deferred tax liabilities			**790,241,350**		657,972,675
Total Liabilities			**6,458,965,395**		5,693,560,328
Equity Attributable to Equity Holders of the Parent Company					
Capital stock	14		**989,757,136**		989,757,136
Additional paid-in capital			**2,031,441,541**		2,031,441,541
Retained earnings			**2,060,504,142**		2,022,778,313
Cumulative remeasurement gains on retirement liability - net of tax			**7,448,391**		3,022,025
Parent Company's shares held by a subsidiary	14		**(12,500,000)**		(12,500,000)
			5,076,651,210		5,034,499,015
Non-controlling interests			**(50,503,348)**		12,743,492
Total Equity			**5,026,147,862**		5,047,242,507
		P	**11,485,113,257**	P	10,740,802,835

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2018

AND FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes		MARCH 31 2018 (Unaudited)		DECEMBER 31 2017 (Audited)
REVENUES	15	**P**	**106,831,351**	P	463,538,594
COST OF SALES AND SERVICES	16		**(62,185,605)**		(328,509,674)
GROSS INCOME			**44,645,746**		135,028,920
OPERATING EXPENSES	17		**68,444,865**		326,558,949
LOSS FROM OPERATIONS			**(23,799,119)**		(191,530,029)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8		**57,660,679**		428,390,699
FINANCE COSTS	18		**(22,302,880)**		(80,663,240)
OTHER INCOME - net	19		**5,299,695**		67,443,318
INCOME BEFORE INCOME TAX			**16,858,375**		223,640,748
INCOME TAX EXPENSE			**19,100,338**		85,240,763
NET INCOME (LOSS)			**(2,241,963)**		138,399,985
COMPREHENSIVE INCOME			**-**		4,426,366
TOTAL COMPREHENSIVE INCOME		**(P**	**2,241,963)**	P	142,826,351
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company			**10,334,641**		191,850,580
Non-controlling interest			**(12,576,604)**		(53,450,595)
			(2,241,963)		138,399,985
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company			**10,334,641**		196,276,946
Non-controlling interest			**(12,576,604)**		(53,450,595)
			(2,241,963)		142,826,351
EARNINGS (LOSS) PER SHARE - Basic and Diluted	23	**(P**	**0.0047)**	P	0.0096

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Notes	**MARCH 31 2018 (Unaudited)**	MARCH 31 2017 (Unaudited)
REVENUES	15	**P 106,831,351**	P 265,283,245
COST OF SALES AND SERVICES	16	**(62,185,605)**	(163,811,702)
GROSS INCOME		**44,645,746**	101,471,543
OPERATING EXPENSES	17	**68,444,865**	83,143,837
INCOME (LOSS) FROM OPERATIONS		**(23,799,119)**	18,327,706
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	**57,660,679**	-
FINANCE COSTS	18	**(22,302,880)**	(23,244,583)
OTHER INCOME - net	19	**5,299,695**	14,265,570
INCOME BEFORE INCOME TAX		**16,858,375**	9,348,693
INCOME TAX EXPENSE		**19,100,338**	2,980,455
NET INCOME		**(2,241,963)**	6,368,238
COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**(P 2,241,963)**	P 6,368,238
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**10,334,641**	9,563,328
Non-controlling interest		**(12,576,604)**	(3,195,090)
		(2,241,963)	6,368,238
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**10,334,641**	9,563,328
Non-controlling interest		**(12,576,604)**	(3,195,090)
		(2,241,963)	6,368,238
LOSS PER SHARE - Basic and Diluted	23	**(P 0.0047)**	(P 0.0048)

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Note	**MARCH 31 2018 (Unaudited)**	MARCH 31 2017 (Unaudited)
CAPITAL STOCK			
Common - ₱0.18 par value			
Issued and outstanding	14	**P 957,257,136**	P 957,257,136
Preferred - ₱1.00 par value			
Issued and subscribed		**32,500,000**	32,500,000
		989,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of period		**2,031,441,541**	2,031,441,541
RETAINED EARNINGS			
Balance at beginning of period		**2,085,398,501**	2,115,456,218
Net income for the period		**10,334,641**	6,368,238
Dividends declared during the period	14	**(35,229,000)**	-99,046,143
Balance at end of period		**2,060,504,142**	2,022,778,313
ACCUMULATED UNREALIZED ACTUARIAL GAINS			
Balance at beginning and end of period	20	**7,448,391**	3,022,025
PARENT COMPANY'S PREFFERED SHARES HELD BY A SUBSIDIARY - at cost	14	**(12,500,000)**	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**5,076,651,210**	5,034,499,015
NON-CONTROLLING INTERESTS			
Balance at beginning of period		**(37,926,744)**	(414,731)
Subscription to a subsidiary		**-**	15,938,582
Net loss for the period		**(12,576,604)**	(2,780,359)
Balance at end of period		**(50,503,348)**	12,743,492
TOTAL EQUITY		**P 5,026,147,862**	P 5,047,242,507

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2018 AND 2017

	Notes		MARCH 31 2018 (Unaudited)		MARCH 31 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax		P	16,858,375	P	9,348,693
Adjustments for:					
Finance Costs	18		22,201,035		21,417,147
Depreciation and amortization	17		2,468,274		2,129,632
Gain on change in FV of investment properties			(57,660,679)		-
Realized holding gains	5		(1,868,935)		(6,043,169)
Unrealized holding gains	5		(426,090)		(10,429,542)
Unrealized forex gains			-		(174,586)
Gain on (loss) sale of property and equipment			-		475,131
Operating income (loss) before working capital changes			(18,428,020)		16,723,306
Decrease (increase) in:					
Trade and other receivables			25,136,615		(17,199,368)
Real estate for sale			11,038,006		(807,329,765)
Other assets			(284,128,740)		(159,590,343)
Accounts payable and other liabilities			58,048,302		703,948,427
Net cash used in operations			(208,333,837)		(263,447,743)
Interest paid			(6,443,865)		(6,647,533)
Income tax paid			(7,815,673)		(8,162,044)
Net cash used in operating activities			(222,593,375)		(278,257,320)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of:					
Financial assets at FVPL - net			1,868,935		437,043,169
Property and equipment			579,973		291,829
Additions to:					
Investment properties			(10,340,164)		(5,432,046)
Property and equipment			(213,647,664)		(329,305,527)
Net cash generated from (used in) investing activities			(221,538,920)		102,597,425
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from:					
Loans payable			219,234,000		106,888,000
Due to a related party			-		(15,938,582)
Payment of loans payable			(55,000,000)		(81,360,000)
Payment of dividends			(35,229,000)		(99,046,143)
Subcription of non-controlling interest			-		13,158,223
Net cash generated from (used in) financing activities			129,005,000.00		(76,298,502)
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS			-		174,586
NET DECREASE IN CASH & CASH EQUIVALENTS			(315,127,295)		(251,783,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIC			721,795,236		990,742,203
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P	406,667,941	P	738,958,392

See accompanying 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 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 (see Note 14).

The registered office and principal place of business of the Parent Company is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

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	**2017**	2016
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (EPMI)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Zileya Land Development Corporation (ZLDC)	Philippines	**100%**	100%
Savya Land Development Corporation (SLDC)	Philippines	**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 MPI which is also 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.

In 2016, the stockholders and the Board of Directors (BOD) of CLLC approved the subscription of a new investor for 214,351 common shares at ₱100 par value a share and 118,982 preferred shares at ₱100 par value a share out of the unissued authorized capital stock of CLLC. The additional subscription resulted in the reduction of ALCO's ownership from 100% to 60%.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig. 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. It is expected to achieve multiple 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 Group 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, and is a building targeting dual certification. It has been pre-certified as LEED Gold and the Parent Company is targeting to secure a LEED Platinum certification for it. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and is expected to be completed in the second quarter of 2018.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey LEED and BERDE certified office building that will be developed in Barangay Lahug, Cebu City. 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, Cebu Exchange boasts of being the largest green building in the country. Pre-selling began in September 2017 although construction will commence in the second quarter of 2018.

In 2017, Cazneau has started planning for and will soon announce its first foray into developing a sustainable, master planned and integrated community in an eight-hectare property in Biñan City, Laguna, adjacent to the De La Salle University Science and Technology campus. This project will be catering to start-ups, incubators, student, faculty population and starter families within the area.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the three months ended March 31, 2018 were approved and authorized for issue by the Board of Directors (BOD) on May 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim consolidated financial statements as of March 31,2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017 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, 2017.

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.

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 8 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.

Change in Accounting Policy and 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:

Adopted effective January 1, 2017 –

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendment to PFRS 12, Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

Adopted effective 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.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces 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 (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contracts with Customers - Clarification to PFRS 15* – 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.

- PIC Q&A No. 2016-04, *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provide implementation guidance, in relation to the mandatory adoption of the new revenue accounting standard in 2018, specifically on accounting for revenue from the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a Contract to Sell with a buyer – whether the sale meet the criteria for revenue recognition over time.

- 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 foregoing amended PFRS did not have any material effect on the consolidated financial statements except for the adoption of PFRS 15. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which is not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements is summarized below. This is effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets 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.

The Group anticipates that the application of PFRS 16 might have a significant effect on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

<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 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.

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's 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

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.

Starting 2016, the Group adopted the fair value model for 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. The fair value of investment properties is determined using market data approach and income approach by 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 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

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 is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The group has concluded that it is acting as principal in all of its revenue arrangements. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Any excess collections over the recognized receivables are included in the "Payable to Buyers" account under "Accounts payable and other liabilities" of the consolidated statements of financial position.

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.

Rental Income. Rental 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.

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

Project management fees. Revenue is recognized in profit or loss when the related services are rendered.

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.

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.

Cost of services. Cost of 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 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.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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 rental income. Contingent rents are recognized as income in the period they are earned.

Employee Benefits

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

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

Retirement Benefits. The Group has an unfunded, 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 change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability 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.

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.

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.

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.

Recognizing Revenue and Cost from Real Estate Sales. Selecting an appropriate revenue recognition method for a particular real estate sale 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 buyer's commitment is evaluated based on collections, credit standing and location of the property. The Company's revenue and cost from real estate sales were recognized based on percentage of completion, which is determined based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Change in estimates may affect the reported amounts of revenue and cost of real estate sales and receivable.

Classifying between Real Estate for Sale and Investment Properties. The Group determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, or held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of 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.

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. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2016 and 2015, the Parent Company has the ability to exercise control over these investees.

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:

Estimating Allowance for Impairment of Trade and Other Receivables. Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Determining Net Realizable Value of Real Estate for Sale. The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate for sale. 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.

Estimating Fair Value of Investment Properties. The Management determines the policies and procedures for the fair value measurement of investment properties. External real estate appraisers are engaged by management for valuation of investment properties. The involvement of external real estate appraisers is decided upon by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management reviews the external real estate appraisers' valuation techniques and inputs used for each investment property.

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. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 8 to the consolidated financial statements.

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 consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, 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.

No impairment loss on nonfinancial assets was recognized in 2017 and 2016.

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 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.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 2018	December 2017	March 2017
Cash on hand	**50,000**	35,000	30,000
Cash in bank	**71,689,753**	70,690,170	62,458,224
Short-term placements	**334,928,188**	651,070,066	676,470,168
	406,667,941	721,795,236	738,958,392

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 three (3) months or less and earn interest at the prevailing short-term deposit rates.

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱388.3 million and ₱387.9million as at March 31, 2018 and December 31, 2017, 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 amounting to ₱426.1 million and ₱10,429.5 million for the three months ended March 31, 2018 and 2017, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income (see Note 19). Realized gain on sale of financial assets at FVPL amounted to ₱1,868.9 million and ₱6,043.2 million for the three months ended March 31, 2018 and 2017, respectively (see Note 19).

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:

	March 2018	December 2017	March 2017
Advances for project development	**98,256,285**	100,270,487	176,777,232
Sale of real estate	**7,340,082**	6,835,201	84,097,726
Advances to employees	**7,035,987**	7,925,948	5,098,714
Other receivables	**48,873,553**	71,610,886	52,683,574
	161,505,907	186,642,522	318,657,246
Allowance for impairment losses	**(368,292)**	(368,292)	(368,292)
	161,137,615	186,274,230	318,288,954

The aging analysis of trade and other receivables are shown below:

	March 2018	December 2017	March 2017
Current	**160,769,323**	185,905,938	317,920,662
Past due			
Within 6 months	**-**	-	-
7 months to 1 year	**-**	-	-
More than 1 year	**368,292**	368,292	368,292
	161,137,615	186,274,230	318,288,954

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.

Receivables from sale of real estate pertain to receivables from sale of condominium units. 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 to officers and employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Other receivables mainly include accrued project management fees.

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 March 31, 2018 and December 31, 2017, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

7. REAL ESTATE FOR SALE

This account consists of:

	March 2018	December 2017	March 2017
Raw land	**1,334,546,051**	1,268,419,016	1,264,848,689
Assets under construction	**1,248,775,313**	1,275,413,889	985,659,150
Condominium units for sale	**52,372,248**	102,898,713	296,189,780
	2,635,693,612	2,646,731,618	2,546,697,619

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

Assets under Construction
Assets under construction consist of land and project development costs of ongoing real estate projects of the Group. As at December 31, 2017, this account includes the land and development costs of Cebu Exchange and project in Biñan, Laguna (see Note 1).

Condominium Units for Sale
Condominium units for sale pertain to unsold and completed units of Arya Residences.

As at March 31, 2018, December 31, 2017 and March 31, 2017, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory write-down as at March 31, 2018, December 31, 2017 and March 31, 2017.

8. INVESTMENT PROPERTIES

This account consists of:

	March 2018	December 2017	March 2017
ACPT	**4,792,886,033**	4,579,238,370	3,396,320,870
Arya Residences:			
Commercial units	**1,110,864,000**	1,110,864,000	855,110,000
Parking slots	**206,653,884**	206,653,883	129,919,062
Raw Land			
UPHI's property	**497,653,479**	464,476,979	398,122,800
Batangas and Tagaytay property	**120,566,200**	96,082,021	83,976,500
	6,728,623,596	6,457,315,253	4,863,449,232

ACPT
ACPT is an office building under construction which is intended for lease (see Note 1).

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 intended for lease.

Raw Land
UPHI's raw land, with fair value amounting to ₱497.7 million and ₱464.5 million as at March 31, 2018 and December 31, 2018, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at March 31, 2018 and December 31, 2017, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay aggregating ₱120.6 and ₱96.1 million as at March 31, 2018 and December 31, 2017, respectively.

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	2017
ACPT		Discount rate	**8.7%**	8.7%
	Land development approach	Proposed rental rates (per sq.m.)	**₱1,250**	₱1,250
		Calculated no. of net leasable area	**27,809 sq.m**	27,809 sq.m
		Vacancy rate	**5% - 75%**	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow approach (DCF)	Rental rate per square meter (sq.m.)	**₱2,360**	₱2,360
		Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**6.17%**	6.17%
		Vacancy rate	**2%**	2%
Parking slots	Discounted cash flow approach	Rental rate per slot	**₱5,500**	₱5,500
		Rent escalation rate p.a.	**5%**	5%
		Discount rate	**6.17%**	6.17%
		Vacancy rate	**2%**	2%

Raw Land	Market data approach	Price per sq. m.	**₱1,500**	₱1,400
		Value adjustments	**5% - 65%**	5% - 65%

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.

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.

9. PROPERTY AND EQUIPMENT

The balances and movements of this account as of March 31, 2018, December 31, 2017 and March 31, 2017 consist of:

	Cost	Accumulated Depreciation	Net Carrying Amount
March 2018			
Office equipment	**44,161,218**	**(38,269,814)**	**5,891,404**
Furniture and fixture	**8,697,639**	**(7,692,733)**	**1,004,906**
Leasehold improvements	**70,215,195**	**(48,367,055)**	**21,848,140**

	Cost	Accumulated Depreciation	Net Carrying Amount
Transportation equipment	**39,357,009**	**(21,066,376)**	**18,290,633**
	162,431,061	**(115,395,978)**	**47,035,083**
December 2017			
Office equipment	43,503,108	(37,926,370)	5,576,738
Furniture and fixture	8,075,858	(7,647,608)	428,250
Leasehold improvements	62,934,702	(48,352,701)	14,582,001
Transportation equipment	42,352,941	(23,196,764)	19,156,177
	156,866,609	(117,123,443)	39,743,166
March 2017			
Office equipment	42,583,064	(37,218,810)	5,364,254
Furniture and fixture	7,587,794	(7,536,695)	51,099
Leasehold improvements	48,363,334	(48,242,122)	121,212
Transportation equipment	34,817,931	(17,747,375)	17,070,556
	133,352,123	(110,745,002)	22,607,121

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

10. OTHER ASSETS

This account consists of:

	March 2018	December 2017	March 2017
Input VAT	**326,659,635**	305,361,184	187,819,896
Deposits	**267,532,170**	66,444,390	67,450,853
Investment in time deposits	**71,322,000**	19,972,000	17,556,000
Prepayments	**69,881,605**	62,413,744	56,762,207
Amounts held in escrow	**20,096,757**	20,096,757	11,143,822
Deferred input VAT	**19,722,122**	16,864,439	2,144,632
Others	**1,586,772**	1,519,807	1,541,021
	776,801,061	492,672,321	344,418,431

Input VAT represents VAT paid on land acquisition and to supplier that can be claimed as credit against the company's future VAT liabilities.

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects.

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rate of 1.75% per annum. 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.

Prepayments consist of prepaid rent, taxes, insurance and others expenses which are amortized over a year.

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 P1,622.2 million and ₽1,497.8 million as at March 31, 2018 and December 31, 2017, respectively (see Note 10).

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

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

11. LOANS PAYABLE

This account consists of:

	March 31, 2018	December 2017	March 2017
Local creditor banks	**2,692,864,087**	2,527,767,436	1,513,565,020
Private funders	**1,756,019,499**	1,741,124,980	1,637,771,297
	4,448,883,586	4,268,892,416	3,151,336,317

Local creditor banks

Loans from local banks consist of interest-bearing secured loans and CTS financing obtained to finance project development and carries interest rates ranging from 3.50% to 5.81% per annum (p.a.) in 2018 and 3.00% to 5.81% p.a. in 2017.

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 six (6) promissory notes that are maturing on July 2025. In addition, 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 ₱1,622.2 million and ₱1,497.8 million as at March 31, 2018 and December 31, 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 March 31 is as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total liabilities	**2,036,901,057**	1,967,491,406	1,603,288,991
Total equity	**4,520,731,132**	4,535,384,733	5,047,242,507
	0.45:1.00	0.43:1.00	0.32:1.00

The Parent Company is compliant with the required debt to equity ratio as at March 31, 2018, December 31, 2017, and March 31, 2017.

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 2018 and 2017.

In 2015, the Parent Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless), an entity under common control, with principal amount of ₱1,650.6 million to partially finance the construction of ACPT.

This loan is payable in cash or in kind at the option of Centrobless. In the event Centrobless elects to be paid in kind on maturity date, the Company shall pay the loan by dacion en pago with total space encompassing seven (7) floors of ACPT and 150 parking slots therein for ₱1,650.6 million.

Outstanding balance of this loan amounted to ₱1,605.8 million and ₱1,591.3 million as at March 31, 2018 and December 31, 2017, respectively.

In 2017, the Parent Company entered into a non-interest bearing loan agreement with Signature Office Property, Inc. (SOPI), an entity under common control, with principal amount of ₱207.1 million, to finance the remaining construction of ACPT. Drawdowns aggregating ₱62.0 million were made in 2017. The loan will mature on December 31, 2018.

Outstanding balance of this loan amounted to ₱60.5 million as at March 31, 2018.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	March 2018	December 2017	March 2017
Retention payable	**331,682,202**	329,929,213	308,876,406
Accounts payable	**264,662,145**	162,195,665	1,077,869,583
Payable to buyers	**121,196,086**	140,710,597	53,846,551
Accrued expenses	**86,412,328**	122,915,922	83,401,545
Dividends Payable	**37,330,695**	4,597,364	66,409,252
Deferred output VAT	**19,485,099**	15,466,182	-
Advance Rent	**12,941,273**	10,787,533	-
Withholding taxes payable	**4,934,713**	11,309,420	8,377,322
Others	**3,860,681**	41,929,921	4,375,058
	882,505,222	824,456,920	1,603,155,717

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.

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 reservation fees and collections received from prospective buyers and lessees, which are to be applied against the receivable upon execution of sales documents and to be applied as security deposits upon execution of lease contracts, respectively.

Accrued expenses, which are expected to be settled within the next 12 months, are the accruals for unbilled project costs, interest, utilities, salaries and wages and other employee benefits.

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.

Advance rent pertain 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.

13. 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.

Advance to and from Subsidiaries
The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

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. 3.5% interest-bearing loans for its real estate projects.

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 will mature on December 31, 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:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Salaries and other employee benefits	**14,391,759**	72,981,021	33,479,312
Retirement benefits expense	**-**	4,782,219	-
	14,391,759	77,763,240	33,479,312

14. EQUITY

The account consists of:

	Shares		
	March 2018	December 2017	March 2017
Authorized:			
Common shares	16,368,095,199	16,368,095,199	16,368,095,199
Preferred shares	50,000,000	50,000,000	50,000,000
Issued:			
Common shares - ₱0.18 par value	5,318,095,199	5,318,095,199	5,318,095,199
Preferred shares - ₱1.00 par value	32,500,000	32,500,000	32,500,000

	Amount		
	March 2018	December 2017	March 2017
Issued:			
Common shares - ₱0.18 par value	957,257,136	957,257,136	957,257,136
Preferred shares - ₱1.00 par value	32,500,000	32,500,000	32,500,000
	989,757,136	989,757,136	957,257,136

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				
January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76145
August 9, 2017	August 23, 2017	September 6, 2017	₱35,229,000	₱1.76145
May 10, 2017	May 25, 2017	June 6, 2017	₱35,229,000	₱1.76145
February 8, 2017	February 24, 2017	March 6, 2017	₱35,229,000	₱1.76145
Common Shares				
February 28, 2017	March 14, 2017	April 7, 2017	₱63,817,142	₱0.012

15. REVENUES

The account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Real estate sales	**85,139,118**	433,964,838	261,204,172
Rental income	**18,015,484**	14,858,157	2,446,752
CUSA Fees	**2,005,128**	8,139,533	-
Project Management fees	**1,671,621**	6,576,066	1,632,321
	106,831,351	463,538,594	265,283,245

Real estate sales pertain to revenues earned from the sale of condominium units in Arya Residences.

Rent income pertains to the revenues earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences which are recognized on a straight line basis under PAS 17, Lease.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC). 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.

16. COST OF SALES AND SERVICES

The account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Cost of real estate sales	**60,569,103**	320,515,983	162,401,918
Cost of services	**1,616,502**	7,993,691	1,409,784
	62,185,605	328,509,674	163,811,702

17. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Personnel costs	**26,310,345**	133,377,623	32,404,590
Advertising	**7,881,891**	36,792,147	9,928,244
Taxes and licenses	**6,944,139**	33,321,044	13,178,130
Commissions	**5,931,552**	11,701,489	7,114,369
Communication and office expenses	**5,684,875**	21,378,435	3,589,638
Management and professional fees	**4,189,810**	33,152,440	6,024,983
Rent	**3,826,848**	13,908,352	3,153,832
Depreciation and amortization	**2,468,274**	9,330,955	2,129,632
Insurance	**1,565,535**	9,908,865	2,538,611
Transportation and travel	**1,222,920**	7,856,509	1,646,958
Utilities	**1,117,110**	1,416,796	291,224
Repairs and maintenance	**657,866**	2,360,720	501,116
Representation	**100,231**	1,435,959	232,011
Others	**543,469**	10,617,615	410,498
	68,444,865	326,558,949	83,143,836

18. FINANCE COSTS

Finance costs relate to the following:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Nine Months)
Interest expense	**22,201,035**	77,918,542	21,417,147
Bank charges	**101,845**	2,744,698	1,827,436
	22,302,880	80,663,240	23,244,583

19. OTHER INCOME – NET

This account consists of:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Interest income	**1,919,047**	14,245,251	3,830,302
Realized gain on disposals of financial assets at FVPL	**1,868,935**	37,576,414	6,043,169
Unrealized holding gains on financial assets at FVPL	**426,090**	1,874,352	10,429,542
Forfeited collections	**-**	10,657,784	-
Foreign exchange gains (losses)	**-**	83,998	174,586
"Day 1" gain on loan discounting	**-**	2,907,783	-
Gain (loss) on disposal of Investment property	**-**	(475,131)	-
Others	**1,085,623**	572,867	(6,212,028)
	5,299,695	67,443,318	14,265,571

20. RETIREMENT LIABILITY

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular 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 following tables summarize the components of retirement benefit costs recognized in the interim consolidated statements of comprehensive income (based on the report of an independent actuary dated January 31, 2018):

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Balance at beginning of period	**50,668,546**	47,244,365	47,244,365
Current service cost	**-**	7,205,814	-
Interest cost	**-**	2,541,747	-
Remeasurement gains on:			
Experience adjustments	**-**	(4,963,330)	-
Change in financial assumptions	**-**	(1,360,050)	-
Balance at end of period	**50,668,546**	50,668,546	47,244,365

Movements in the present value of retirement liability are as follows:

	March 2018 (Three Months)	December 2017 (Twelve Months)	March 2017 (Three Months)
Balance at beginning of period	**50,668,546**	47,244,365	47,244,365
Retirement expense	**-**	9,747,561	-
Remeasurement gain	-	(6,323,380)	-
Balance at end of period	**50,668,546**	50,668,546	47,244,365

21. 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 March 31, 2018 and December 31, 2017, 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 March 31, 2018, December 31, 2017 and March 31, 2017.
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 March 31, 2018, December 31, 2017 and March 31, 2017.

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.

22. 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:

	March 2018	December 2017	March 2017
Total liabilities	**6,458,965,405**	6,183,192,941	5,693,560,328
Total equity	**5,026,147,853**	5,063,618,825	5,047,242,507
Debt-to-equity ratio	**1.29:1**	1.22:1	1.13:1

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.

23. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share are computed as follows:

	March 2018	December 2017	March 2017
Net income attributable to equity holders of the Parent Company	**10,334,641**	191,850,580	26,958,046
Less share of Series "B" Preferred Shares	**(35,229,000)**	(140,916,000)	(35,229,000)
	(24,894,359)	50,934,580	(25,665,672)
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
	(0.0047)	0.0096	(0.0048)

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 years presented.

24. FINANCIAL RATIOS

	MARCH 31 2018	DECEMBER 31 2017	MARCH 31 2017
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	1.55:1	2.50:1
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.024:1	0.001:1
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.22:1	1.13:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.52:1	0.32:1
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.22:1	2.13:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	3.87:1	1.76:1
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.03:1	0.001:1

** December 2017 ratio is based on full year income while March 2018 and March 2017 ratios are based on three-month income.*

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL POSITION
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Cash and cash equivalents	**P 406,667,941**	P 738,958,392	-45%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	1,629,504,821	-76%
Trade and other receivables	**161,137,615**	318,288,954	-49%
Real estate for sale	**2,635,693,612**	2,546,697,619	3%
Investment properties	**6,728,623,596**	4,863,449,232	38%
Property and equipment	**47,035,083**	22,607,121	108%
Net deferred tax assets	**82,522,989**	27,227,590	203%
Creditable withholding tax	**258,325,639**	249,650,675	3%
Other assets	**776,801,061**	344,418,431	126%
Total Assets	**11,485,113,257**	10,740,802,835	7%
Loans payable	**4,448,883,586**	3,151,336,317	41%
Accounts payable and other liabilities	**882,505,222**	1,603,155,717	-45%
Due to a related party	**286,666,691**	233,851,254	23%
Retirement liability	**50,668,546**	47,244,365	7%
Net deferred tax liabilities	**790,241,350**	657,972,675	20%
Total Liabilities	**6,458,965,395**	5,693,560,328	13%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,022,778,313	2%
Cumulative remeasurement 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%
	5,076,651,210	5,034,499,015	1%
Non-controlling interests	**(50,503,348)**	12,743,492	-496%
Total Equity	**5,026,147,862**	5,047,242,507	0%
Total Liabilities and Equity	**P 11,485,113,257**	P10,740,802,835	7%

The Company's total resources as of March 31, 2018 increased by 7% to ₱11.5 billion from March 31, 2017 level of ₱10.7 billion due to the following:

45% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

76% 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 the on-going projects of the Company.

49% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

38% Increase in Investment Properties
The increase was mainly due to additional construction costs of ACPT and valuation gain for the quarter.

108% Increase in Property and Equipment
The increase was largely due to the capitalization of construction costs for sales gallery in Cebu.

203% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from losses at CLLC.

126% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional input vat from construction costs.

41% Increase in Loans Payable
The increase was largely due to additional loan drawdowns, availed to partly fund the Company's working capital and project financing requirements.

45% Decrease in Accounts Payable and Other Liabilities
The decrease was attributable to the payment made on the land purchased for the Cebu project, as well as payments of other trade suppliers and project contractors.

15% Increase in Due to a Related Party
This pertains to additional advances made by stockholders for the Cebu project.

7% Increase in Retirement Liability
The increase was due to additional provisions as of yearend 2017 and current period to comply with the requirements of PAS 19, as supported by the latest independent third party actuarial valuation report.

20% 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 as mentioned previously.

146% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax
The increase was due to the cumulative re-measurement gains on ALCO's retirement liability for 2017 in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

496% Decrease in Non-Controlling Interests
The significant decrease was brought about by CLLC's net loss for the period.

FINANCIAL RATIOS
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	2.50:1	-38%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.001:1	-97%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.13:1	14%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.32:1	72%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.13:1	8%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	1.76:1	0%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.001:1	106%

FINANCIAL POSITION
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Cash and cash equivalents	**P 406,667,941**	P 721,795,236	-44%
Financial assets at fair value through profit or loss (FVPL)	**388,305,721**	387,879,631	0%
Trade and other receivables	**161,137,615**	186,274,230	-13%
Real estate for sale	**2,635,693,612**	2,646,731,618	0%
Investment properties	**6,728,623,596**	6,457,315,253	4%
Property and equipment	**47,035,083**	39,743,166	18%
Net deferred tax assets	**82,522,989**	61,212,233	35%
Creditable withholding tax	**258,325,639**	253,188,078	2%
Other Assets	**776,801,061**	492,672,321	58%
Total Assets	**11,485,113,257**	11,246,811,766	2%
Liabilities			
Loans payable	**4,448,883,586**	4,268,892,416	4%
Accounts payable and other liabilities	**882,505,222**	824,456,920	7%
Due to related party	**286,666,691**	286,666,691	0%

	MARCH 31 2018	DECEMBER 31 2017	% Change
Retirement liability	**50,668,546**	50,668,546	0%
Net deferred tax liabilities	**790,241,350**	752,508,368	5%
Total Liabilities	**6,458,965,395**	6,183,192,941	4%
Equity attributable to equity holders of the Parent Company			
Capital stock	**989,757,136**	989,757,136	0%
Additional paid-in capital	**2,031,441,541**	2,031,441,541	0%
Retained earnings	**2,060,504,142**	2,085,398,501	-1%
Cumulative remeasurement gains on retirement liability - net of tax	**7,448,391**	7,448,391	0%
Parent Company's shares held by a subsidiary	**(12,500,000)**	(12,500,000)	0%
Non-controlling interests	**(50,503,348)**	(37,926,744)	-33%
Total Equity	**5,026,147,862**	5,063,618,825	-1%
Total Liabilities and Equity	**P 11,485,113,257**	P 11,246,811,766	2%

The Company's total resources increased by 2% from ₱11.2 billion in December 31,2017 to ₱11.5 billion as of March 31, 2018, due to the following:

44% Decrease in Cash and Cash Equivalents
The decrease in cash is attributable to normal disbursement for operations, debt servicing, and project related costs, net of inflows from loan availments and revenue collections.

13% Decrease in Trade and Other Receivables
The decrease was largely due to collection of maturing accounts from customers, as well as the application of previous advances to contractors against their progress billings.

18% Increase in Property and Equipment
The increase was due to the additional construction costs of sales gallery in Cebu.

35% Increase in Net Deferred Tax Assets
The increase represents additional NOLCO recognized from current period's losses at CLLC.

58% Increase in Other Assets
The substantial increase was attributed to cost of condominium units acquired and booked as deposits pending completion of sale contract, as well as additional placements in time deposits.

7% Increase in Accounts Payable and Other Liabilities
The increase was due to additional payables to trade contractors and suppliers for project related and other operational costs.

33% Decrease in Non-Controlling Interests
Decrease in non-controlling interest was largely accounted for by losses incurred in CLLC.

FINANCIAL RATIOS
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.56:1	1.55:1	-1%
Solvency Ratio (Net income before depreciation over total liabilities)	0.000:1	0.024:1	-100%
Debt-to-equity Ratio (Total liability over total equity)	1.29:1	1.22:1	6%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.55:1	0.52:1	6%
Asset-to-equity Ratio (Total assets over total equity)	2.29:1	2.22:1	3%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.76:1	3.87:1	-55%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.002:1	0.03:1	-93%

RESULTS OF OPERATIONS
March 2018 vs March 2017

	MARCH 31 2018	MARCH 31 2017	% Change
Revenues	**P 106,831,351**	P 265,283,245	-60%
Cost of sales and services	**(62,185,605)**	(163,811,702)	-62%
Gross Profit	**44,645,746**	101,471,543	-56%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	66,101,224	-17%
Selling and marketing expenses	**13,813,443**	17,042,613	-19%
	68,444,865	83,143,837	-18%
OPERATING PROFIT (LOSS)	**(23,799,119)**	18,327,705	-230%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	23,224,583	-4%
Gain on change in FV of investment properties	**(57,660,679)**	-	100%

	MARCH 31 2018	MARCH 31 2017	% Change
Other income – net	**(5,299,695)**	(14,265,570)	-63%
	(40,657,494)	8,979,013	-553%
PROFIT BEFORE TAX	**16,858,375**	9,348,693	80%
TAX EXPENSE (BENEFIT)	**19,100,338**	2,980,455	541%
NET PROFIT (LOSS)	**P (2,241,963)**	P 6,368,238	-135%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	9,563,328	8%
Non-controlling interest	**(12,576,604)**	(3,195,090)	294%
	P (2,241,963)	P 6,368,238	-135%

The company reported a ₱2.2 million net loss in the first three months of 2018 as against ₱6.4 million income recognized over the same period in 2017.

60% Decrease in Revenues
The decrease in revenues was due to fewer available units for sale.

62% Decrease in Cost of Sales and Services
The decrease in cost of sales was directly related to Revenues.

17% Decrease in Administrative Expenses
The decrease was due to lower personnel related costs, taxes and licenses and other fees paid.

19% Decrease in Selling and Marketing Expenses
The decrease was due to less marketing efforts and lower commission paid due to less Arya units sold.

100% Increase in Gain on Change in FV of Investment Properties
The increase is due to appraisal gain on investment properties recognized for the period.

63% Decrease in Other Income - Net
The decrease was due to the lower level of placements in Q1 2018 as compared to prior period.

541% Increase in Tax Expense
The increase was mainly due to the tax effect of gain on change in fair value of investment properties.

RESULTS OF OPERATIONS
March 2018 vs December 2017

	MARCH 31 2018	DECEMBER 31 2017	% Change
Revenues	**P 106,831,351**	P 463,538,594	-77%
Cost of sales and services	**(62,185,605)**	328,509,674	-81%
Gross Profit	**44,645,746**	135,028,920	-67%
OPERATING EXPENSES			
Administrative expenses	**54,631,422**	278,065,313	-80%
Selling and marketing expenses	**13,813,443**	48,493,636	-72%

	MARCH 31 2018	DECEMBER 31 2017	% Change
	68,444,865	326,558,949	-79%
OPERATING LOSS	**(23,799,119)**	(191,530,029)	-88%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**22,302,880**	80,663,240	-72%
Gain on change in FV of investment properties	**(57,660,679)**	(428,390,699)	-87%
Other income – net	**(5,299,695)**	(67,443,318)	-92%
	(40,657,494)	(415,170,777)	-90%
PROFIT BEFORE TAX	**16,858,375**	223,640,748	-92%
TAX EXPENSE	**19,100,338**	85,240,763	-78%
NET PROFIT	**P (2,241,963)**	P 138,399,985	-102%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	**10,334,641**	P 191,850,580	-95%
Non-controlling interest	**(12,576,604)**	(53,450,595)	-76%
	P (2,241,963)	P 138,399,985	-102%

The Company posted a consolidated net loss of ₱2.2 million in the first quarter of 2018 as compared with the 2017 full year net income of ₱138.4 million.