

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

**Atty. Riva Khristine V. Maala**

(Contact Person)

**(+632) 8403-6910**

(Company Telephone Number)

1	2	3	1
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*Month*      *Day*  
(Fiscal Year)

## DEFINITIVE

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(Form Type)

2020

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*Month*  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

1,943

Total No. of Stockholders

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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**NOTICE  
OF  
ANNUAL STOCKHOLDERS' MEETING**

NOTICE is hereby given that the **2020** annual stockholders' meeting of **ARTHALAND CORPORATION** will be held on **26 June 2020, Friday**, at **8:30 A.M.** and will be conducted through remote communication.

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 28 June 2019
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Approval of the Proposed Amendment of the By-laws
7. Approval of the 2020 Stock Option Plan
8. Election of Directors (including Independent Directors)
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

Only stockholders of record at the close of business on **04 June 2020** are entitled to further notice of and to vote at this meeting. The electronic copy of the Information Statement which includes the manner of conducting the meeting and the process on how one can join the same, as well as vote *in absentia*, among other relevant documents, is available in [www.arthaland.com](http://www.arthaland.com) and in the Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE EDGE).

WE ARE NOT SOLICITING YOUR PROXY. However, if you cannot personally attend the meeting or participate through remote communication but would still like to be represented thereat and be considered for quorum purposes, you may inform the Office of the Corporate Secretary with contact details indicated below or through [investor.relations@arthaland.com](mailto:investor.relations@arthaland.com) not later than **19 June 2020 (Friday)**. You will be advised the following business day of any further action necessary on your part, which may include accomplishing a proxy.

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. **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street,  
Bonifacio Global City, Taguig City**

Address of Principal Office

**1634**

Postal Code

7. **(+632) 8403-6910**

Registrant's telephone number, including area code

8. **Not Applicable**

Former name, former address and former fiscal year, if changed since last report

9. **26 June 2020, 8:30 A.M., Via Zoom® Webinar**

Date, time and place of the meeting of security holders

10. **04 June 2020**

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
<b>Common</b>	<b>5,318,095,199 (₱0.18 par value)</b>	<b>None</b>
<b>Preferred Series A</b>	<b>12,500,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Series B</b>	<b>20,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Series C</b>	<b>10,000,000 (₱1.00 par value)</b>	<b>None</b>

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 and Series C**

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

Arthaland Corporation DEFINITIVE Information Statement (26 June 2020) 2

<b>A. GENERAL INFORMATION</b>
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**ITEM 1. Date, Time and Place of ANNUAL STOCKHOLDERS' MEETING of Security Holders**

- a.      Date:    26 June 2020 (Friday)  
          Time:    8:30 A.M.  
          Place: [https://us02web.zoom.us/webinar/register/WN\\_3dZd722nRIa\\_OWE7Xo28Hw](https://us02web.zoom.us/webinar/register/WN_3dZd722nRIa_OWE7Xo28Hw)

**Stockholders must register at the above link to enable them to participate during the meeting. Those who cannot personally attend the meeting or participate through remote communication but would still like to be represented thereat and be considered for quorum purposes may inform the Office of the Corporate Secretary at the address indicated below or through [investor.relations@arthaland.com](mailto:investor.relations@arthaland.com) not later than 19 June 2020 (Friday), and will be advised the following business day of any further action necessary, which may include the execution of a proxy, a draft of which is available at [www.arthaland.com](http://www.arthaland.com).**

- b.      Principal Address of Issuer:      7/F Arthaland Century Pacific Tower  
  5<sup>th</sup> Avenue corner 30<sup>th</sup> Street  
  Bonifacio Global City, Taguig City 1634
- c.      The approximate date on which the Information Statement is first sent or given to security holders is 04 June 2020.

**ITEM 2. Dissenters' Right of Appraisal**

The stockholders' right of appraisal is given under the instances provided in Section 80, Title X, Appraisal Right, of the Revised Corporation Code of the Philippines.

For the valid exercise of the appraisal right, **ARTHALAND CORPORATION** adopts the procedure laid down in the Revised Corporation Code.

In the forthcoming Annual Stockholders' Meeting, there are no matters or proposed corporate actions which may give rise to a possible exercise by stockholders of their appraisal rights under Title X of the Revised Corporation Code.

**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 (as of 30 April 2020)**

Class of Shares	No. of Shares	Shares Owned by Foreigners	Voting Rights
Common Shares	5,318,095,199	<u>307,859,460</u> <u>(5.7907%)</u>	One (1) vote per share
Preferred Shares Series A	12,500,000	<u>0</u> <u>(0%)</u>	One (1) vote per share <sup>1</sup>
Preferred Shares Series B	20,000,000	<u>195,390</u> <u>(0.9770%)</u>	One (1) vote per share <sup>2</sup>
Preferred Shares Series C	10,000,000	<u>24,500</u> <u>(0.2450%)</u>	One (1) vote per share <sup>3</sup>

Both Common and Preferred shares are entitled to vote on the proposed amendments to the By-laws to be presented during the annual meeting. However, only Common shares are entitled to vote on the proposed 2020 Stock Option Plan and all other items to be presented during the meeting.

- b. **All stockholders of record at the close of business on 04 June 2020 will be entitled to notice of and to vote at the Annual Stockholders' Meeting. The electronic copy of this Information Statement which includes the manner of conducting the meeting and the process on how one can join the same, as well as vote through proxy, remote communication or in absentia, among other relevant documents, is available in [www.arthaland.com](http://www.arthaland.com) and in the Electronic Disclosure Generation Technology of the Philippine Stock Exchange (PSE EDGE).**

c. **Cumulative Voting Rights**

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

“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.

<sup>1</sup> Under Section 6 of the Revised Corporation Code, “xxx No share may be deprived of voting rights except those classified and issued as “preferred” or “redeemable” shares, unless otherwise provided in this Code: Provided, That there shall always be a class or series of shares with complete voting rights. Holders of nonvoting shares shall nevertheless be entitled to vote on the following matters: xxx (b) Adoption and amendment of bylaws; xxx”

<sup>2</sup> *Ibid.*

<sup>3</sup> *Id.*

“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 2020)**

<i>Title of Class</i>	<i>Name and Address of Record Owners</i>	<i>Citizenship</i>	<i>Amount &amp; Nature of Ownership</i>	<i>% of Class</i>
Common	CPG Holdings, Inc. <sup>4</sup>	Filipino	2,017,619,910 Direct 125,000,000 Indirect	40.289
Common	AO Capital Holdings I, Inc. <sup>5</sup>	Filipino	1,383,730,000 Direct	26.019

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 2020)**

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

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>No. of Shares &amp; Nature of Ownership</i>	<i>Citizenship</i>	<i>% of Class</i>
Common	<b>Ernest K. Cuyegkeng</b> <i>Chairman of the Board</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Jaime C. Gonzalez</b> <i>Vice Chairman and President</i>	76,715,151 Direct and Beneficial Owner	Filipino	0.00 %

<sup>4</sup> Mr. Christopher T. Po is authorized to vote the shares under this account.

<sup>5</sup> Mr. Jaime C. Gonzalez is authorized to vote the shares under this account.

Common	<b>Jaime Enrique Y. Gonzalez</b> <i>Director</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Christopher Paulus Nicolas T. Po</b> <i>Director</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Leonardo Arthur T. Po</b> <i>Director/EVP and Treasurer</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Ricardo Gabriel T. Po</b> <i>Director/Vice Chairman</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Hans B. Sicat</b> <i>Independent Director</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Andres B. Sta. Maria</b> <i>Independent Director</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
Common	<b>Fernan Victor P. Lukban</b> <i>Independent Director</i>	1 Direct and Beneficial Owner	Filipino	0.00 %
None	<b>Riva Khristine V. Maala</b> <i>Corporate Secretary and General Counsel</i>	0	Filipino	N.A.
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	<b>TOTAL</b>	<b>76,715,159</b>		

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 28 June 2019, the stockholders elected the following as the members of its Board of Directors for the year 2019-2020 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<sup>6</sup>
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 2019-2020 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 and President	Mr. Jaime C. Gonzalez
Vice Chairman	Mr. Ricardo Gabriel T. Po
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 2019-2020 and until their successors shall have been elected and qualified in accordance with the By-laws of Arthaland:

<u>Name of Director</u>	<u>Directorship</u>	<u>Date of First Appointment</u>	<u>Age</u>
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	74
Jaime C. Gonzalez	Executive	21 May 2007	74
Jaime Enrique Y. Gonzalez	Non-Executive	24 June 2011	43
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	49
Leonardo Arthur T. Po	Executive	01 August 2016	43
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	52
Hans B. Sicat	Independent	30 June 2017	59
Andres B. Sta. Maria	Independent	24 June 2016	71
Fernan Victor P. Lukban	Independent	25 April 2011 <sup>7</sup>	59

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

**Jaime C. González**, Filipino, presently the Vice Chairman and President of Arthaland, 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

<sup>6</sup> Mr. Emmanuel A. Rapadas tendered his resignation from the Board effective 30 September 2019. He was replaced by Mr. Fernan Victor P. Lukban who was elected to the Board on 23 October 2019.

<sup>7</sup> Mr. Lukban ceased to be a director of ALCO on 23 June 2016 but was re-elected anew on 23 October 2019.



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

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

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

**Leonardo Arthur T. Po**, Filipino, is presently the Executive Vice President and Treasurer of Arthaland. He is likewise a Director and the Treasurer of Century Pacific Food, Inc., and

Shakey's Pizza Asia Ventures, Inc. He graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), food service, quick-serve restaurants, and real estate development.

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

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

**Hans B. Sicat**, Filipino, has been involved with the global capital market for about three decades, being a trained mathematician and economist. He is currently the Country Manager for ING Bank, N. V., Manila Branch where he joined as a Managing Director in 2017. At present, he is a Director of the Investment House Association of the Philippines. He is also affiliated with the Philippines Executive Committee of YPO Gold (a global organization) and is the incoming Philippines Chairman for 2020-2021. Prior to this, he was the President and CEO of the Philippine Stock Exchange (PSE) which he assumed in 2011. He also served as its Chairman and Independent Director for about eighteen months beforehand. He was President and CEO of the Securities Clearing Corporation of the Philippines, a role he held concurrent with the PSE post, and was a Member of the Board of Director of PSE and the Bankers Association of the Philippines from 2018-2019. Mr. Sicat finished his coursework for Ph.D. Economics Program at the University of Pennsylvania, Philadelphia, and earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University in Thailand. Mr. Sicat has diverse interests on the private side too, spanning financial services, Knowledge Process Outsourcing and real estate. He was Acting Chairman of LegisPro Corporation, Independent Director of Serica Balanced Fund & Master Fund, and Skycable Corporation. He was also a Director in List Sotheby's Philippines and was on the Advisory Board of Fintonia Fund, which has an Asian FinTech focus. For over two decades, he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong & the Philippines.

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

### 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 Bangko Sentral 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.”

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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 26 April 2020.

Section 14, Article III of Arthaland’s By-laws further provides that the nomination of independent directors shall be conducted by the Nomination Committee<sup>8</sup> 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

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<sup>8</sup> Composed presently of Messrs. Ricardo Gabriel T. Po (Chairman), Hans B. Sicat and Andres B. Sta. Maria.  
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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. Nominees for 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

B. Nominees for Independent Directors

7. Mr. Fernan Victor P. Lukban
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. Lukban, 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. **Copies of their respective Certificates of Independent Directors are attached to this Information Statement and incorporated herein by reference.**

Arthaland complies with the term limits of its independent directors.

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 11 years as documentation lawyer, among others. 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. In addition, she performs the responsibilities of the Compliance Officer of Arthaland, having assisted its previous compliance officers on their tasks as such.

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

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

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

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

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

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

**Clarence P. Borromeo**, Filipino, has been the Head of the Information Technology (IT) Department of Arthaland since 2009, and was appointed as the Data Privacy Officer concurrently on 09 May 2018. Before joining Arthaland, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines), and before that, the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut). He started his career in Information Technology as IT Helpdesk Supervisor at Zuellig Interpharma Holdings. Mr. Borromeo finished college at the Ateneo de Manila University with a degree in AB Interdisciplinary Studies.

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



**Edgar V. Sabidong**, Filipino, a registered Civil Engineer from the Mapua Institute of Technology, is a Vice President of the Technical Services Department with over thirty years of experience in construction, facilities and project management, 12 years of which were spent in the Caribbean and in the Middle East. He was Project Director of the biggest project in Trinidad and Tobago and while with Saudi Aramco, he handled various facilities like office building, hospital, laboratory and community housing renovation and upgrade works. Locally, he worked with D.M.Consunji, and in its joint venture with the British John Laing International, he worked on the five Rockwell west tower condominium buildings – Hidalgo, Rizal, Luna, and Amorsolo East and West. Engr Sabidong was elected as the Chairman of the Philippine Green Building Council from 2019 to 2020. As a member of the Board of Trustees, he also sits in the BERDE PR and Internal Policy Committees. Given its commitment to greening the industry, Arthaland gave Engr. Sabidong the task to head and lead all project undertakings and sustainability efforts with his concurrent appointment as its Chief Sustainability Officer<sup>9</sup>.

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 Information Statement in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

The above notwithstanding, a director and an officer of Arthaland are currently parties to legal proceedings which neither involves Arthaland directly nor their acts as such director and officer. There is no final resolution on these proceedings at this time and Arthaland believes that their involvement in said proceedings is not material to an evaluation of the ability or integrity of such person to become a director or officer of Arthaland.

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

In 2014, the DOJ found no probable cause to hold Mr. Gonzalez and his co-respondents liable for the charges of PDIC against them and dismissed the complaint. PDIC's Motion

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<sup>9</sup> Engr. Sabidong was appointed by the Board as such on 20 March 2019.

for Reconsideration was likewise denied. PDIC filed a Petition for Review before the Secretary of Justice but there is no decision on the matter to date.

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

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

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

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

2. In 2015, PDIC filed one and the same complaint against Mr. Gonzalez, Ms. Angela de Villa Lacson, Arthaland's former President and CEO, Mr. Froilan Q. Tejada, Arthaland's former Chief Finance Officer, and Ms. Riva Khristine V. Maala, Assistant Corporate Secretary of Arthaland then, among other former officers of then Export and Industry Bank, before (a) the DOJ for violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 and of Section 21(f)(10) of R.A. No. 3591, as amended, and (b) before the BSP for violation of Section 37 of R.A. No. 7653. PDIC alleged that the respondents conspired and fraudulently caused the bank to make advances in favor of Arthaland for the alleged purchase by Arthaland of one of the bank's non-performing assets in the sum of ₱13 million. All respondents denied PDIC's charges against them in their respective counter-affidavits.

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

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

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 a subsidiary 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.

Except for the foregoing and related disclosures on intercompany transactions between Arthaland and its subsidiaries for the period covered by this Information Statement as discussed in the Audited Financial Statements hereto attached as an integral part of 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	Fernan Victor P. Lukban, <i>Chairman</i> Hans B. Sicat Andres B. Sta. Maria
Executive Committee <sup>10</sup>	Ernest K. Cuyegkeng, <i>Chairman</i> Jaime C. Gonzalez, <i>Vice Chairman</i> Ricardo Gabriel T. Po, <i>Vice Chairman</i> Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po Leonardo Arthur T. Po, and Ferdinand A. Constantino
Nomination Committee	Ricardo Gabriel T. Po, <i>Chairman</i> Hans B. Sicat Andres B. Sta. Maria

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<sup>10</sup>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.

Stock Option and Compensation Committee      Jaime C. Gonzalez, *Chairman*  
Ricardo Gabriel T. Po  
Hans B. Sicat

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:

2018

	<u>Salary<sup>11</sup></u>	<u>Bonus</u>	<u>Others</u>
<b><u>Directors and Executives<sup>12</sup></u></b> <b><u>includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highly compensated officers:</u></b> i. <b><u>Leonardo Arthur T. Po, Executive Vice President and Treasurer</u></b> ii. <b><u>Christopher G. Narciso, Executive Vice President</u></b> iii. <b><u>Gabriel I. Paulino, Head, Technical Services, and</u></b> iv. <b><u>Sheryll P. Verano, Head, Strategic Funding and Investments.</u></b>	₱81.72M	₱19.48M	None
<b><u>Officers</u></b> (As a group unnamed)	₱48.69M	₱5.63M	None

2019

	<u>Salary<sup>13</sup></u>	<u>Bonus</u>	<u>Others</u>
<b><u>Directors and Executives<sup>14</sup></u></b> <b><u>includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highly compensated officers:</u></b> i. <b><u>Leonardo Arthur T. Po, Executive Vice President and Treasurer</u></b> ii. <b><u>Christopher G. Narciso, Executive Vice President</u></b> iii. <b><u>Gabriel I. Paulino, Head, Technical Services, and</u></b> iv. <b><u>Sheryll P. Verano, Head, Strategic Funding and Investments.</u></b>	₱83.46M	₱8.75	None
<b><u>Officers</u></b> (As a group unnamed) <sup>15</sup>	₱51.60M	₱9.35M	None

<sup>11</sup> Rounded-off.

<sup>12</sup> Includes all Directors and employees with the rank of Vice President and higher.

<sup>13</sup> Rounded-off.

<sup>14</sup> Includes all Directors and employees with the rank of Vice President and higher.

<sup>15</sup> Includes all employees with the rank of Manager up to Senior Assistant Vice President.

2020 (Estimated and Collective)

	Salary <sup>16</sup>	Bonus	Others
<b>Directors and Executives<sup>17</sup></b> <b><u>includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highly compensated officers:</u></b> <b>i. <u>Leonardo Arthur T. Po, Executive Vice President and Treasurer</u></b> <b>ii. <u>Christopher G. Narciso, Executive Vice President</u></b> <b>iii. <u>Gabriel I. Paulino, Head, Technical Services, and</u></b> <b>iv. <u>Sheryll P. Verano, Head, Strategic Funding and Investments.</u></b>	₱135.06M	None <sup>18</sup>	None
Officers (As a group unnamed)			

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

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

Qualified employees eligible to participate under the plan are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to Arthaland's subsidiaries or affiliates<sup>19</sup>.

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 Arthaland's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of 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%

<sup>16</sup> Rounded-off.

<sup>17</sup> Includes all Directors and employees with the rank of Vice President and higher.

<sup>18</sup> Whether bonuses will be given in 2020 is uncertain at this time.

<sup>19</sup> Arthaland must have at least 50% equity holdings of said subsidiary or affiliate.

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|--|-----------------|
| (ii) Within the 13 <sup>th</sup> to the 24 <sup>th</sup> month from Grant Date | - up to 33.33%  |
| (iii) Within the 25 <sup>th</sup> to 36 <sup>th</sup> month from Grant Date    | - up to 33.33%. |

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

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

On 14 December 2018, Arthaland's Board of Directors approved granting options equivalent to not more than 90.0 million common shares to its qualified employees as above defined. The Stock Option and Compensation Committee was tasked to administer the implementation of this grant, which will include to whom and when the Options are to be granted and the effectivity dates thereof, and the number and class of shares to be allocated to each qualified employee, after considering the performance evaluation of said qualified employees vis-a-vis the result of the achievement of the Arthaland's objectives for 2018. **The breakdown of the options granted are discussed in Item 8 of this Information Statement.**

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

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

As of the date of this Information Statement, none of the qualified employees has exercised their respective rights.

## **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. Ms. Carolina P. Angeles was the Certifying Partner for the years 2012-2016. 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.	:	8116478 issued on 06 January 2020 at Makati City
SEC Accreditation No.	:	Partner – No. 1499-AR-1 Group A (Valid until 17 July 2021)
BIR Accreditation No.	:	08-005144-012-2020 (Valid until 01 January 2023)

## 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:

2015	-	₱750,000.00
2016	-	₱950,000.00
2017	-	₱1,500,000.00
2018	-	₱1,650,000.00
2019	-	₱1,750,000.00

RT&Co rendered services to Arthaland's subsidiaries with the exception of Cebu Lavana Land Corp.<sup>20</sup>, which is not wholly-owned, and its audit fees are as follows:

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

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

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

The foregoing fees are all exclusive of VAT.

## **ITEM 8. Compensation Plans**

As stated 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 (the "2009 Stock Option Plan"). However, none of these qualified

<sup>20</sup> The external auditor of CLLC is Isla Lipana & Co., a PwC member firm. Its fees for 2019, 2018 and 2017 amount to ₱520,000.00, ₱500,000.00, and ₱430,000.00, respectively, all of which are net of VAT.

employees exercised their respective stock option rights until the period within which they can do so had expired in October 2012.

On 14 December 2008, the Board of Directors again approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. The Stock Option and Compensation Committee was tasked to administer the implementation of this grant, which will include to whom and when the Options are to be granted and the effectivity dates thereof, and the number and class of shares to be allocated to each qualified employee, after considering the performance evaluation of said qualified employees vis-à-vis the result of the achievement of the Arthaland's objectives for 2018. The Stock Option and Compensation Committee pegged the price the Option is to be exercised at the five-day volume weighted average price per share beginning 17 December 2018, or until 21 December 2018. Said price was at ₱0.85 per share. **The number of options granted to qualified employees amounts to 55,400,000 in and is broken down, as follows:**

1. **President and the 4 highest paid executives – 34,850,000 common shares**
2. **All current executive officers<sup>21</sup> as a group – 49,400,000 common shares**
3. **Each nominee for election as a director<sup>22</sup> – None**
4. **Other persons to receive 5% of these options – None**
5. **All current directors as a group who are not executive officers – None**
6. **All other employees as a group. – 6,000,000 common shares**

On 25 March 2020, the price of the options granted as abovementioned was changed to ₱0.50 per share. As of the date of this Information Statement, none of the qualified employees has exercised their respective rights.

The validity of the 2009 Stock Option Plan expired on 16 October 2019.

At the Annual Stockholders' Meeting, a proposal will be presented to provide another stock option plan to qualified officers and employees of Arthaland (the "2020 Stock Option Plan"). The objective of this plan is similar to the 2009 Stock Option Plan. It will also give Arthaland an assurance to keep its employees, especially the best ones, within the organization.

The total amount of shares of stock which may be issued and are reserved for purposes of the 2020 Stock Option Plan shall still be ten percent (10%) of total outstanding capital stock of Arthaland at any given point in time. The material features thereof are substantially the same as the 2009 Stock Option Plan discussed in detail in Item 6b of this Information Statement.

Before ALCO can implement the 2020 Stock Option Plan, it is necessary for stockholders holding at least 2/3 of the outstanding voting shares of Arthaland to approve the proposal.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

No action will be taken during the Annual Stockholders' Meeting on 26 June 2020 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**).

<sup>21</sup> Includes the President and the top 4 highest paid executives and other officers with the rank of Vice President and higher.

<sup>22</sup> Except Messrs. Jaime C. Gonzalez and Leonardo Arthur T. Po.



## 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 2019 and its quarterly report as of the first quarter of 2020. 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 28 June 2019 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 Annual Stockholders' Meeting held on 29 June 2018
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

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 meeting to approve the following proposed amendments to the By-laws of Arthaland:

Article and Number	Old Provision (as of 29 June 2012)	Proposed Amendments
<b>ARTICLE I Principal and Branch Offices</b>	The principal office of the Corporation shall be located at Metro Manila, Philippines. The Corporation may establish branch offices and agencies in such places within or outside the Philippines as the Board of Directors may determine. <i>(As amended on 25 June 2010)</i>	The principal office of the Corporation <u>is stated in the Articles of Incorporation</u> . The Corporation may establish branch offices and agencies in such places within or outside the Philippines as the Board of Directors may determine.
<b>ARTICLE II Stockholders' Meetings</b>		
Section 1. Place	All meetings of stockholders shall be held at the principal office of the Corporation or at such places within Metro Manila as the Board of Directors may determine.	All meetings of stockholders <u>conducted in person</u> shall be held at the principal office of the Corporation or at such places within Metro Manila.

		<u>The meeting of the stockholders may be conducted through remote communication or such alternative modes as may be allowed by applicable laws and regulations. For this purpose, the Board of Directors shall issue internal procedures embodying the mechanisms for participation of stockholders in meetings and voting through remote communication or in absentia. (New Provision)</u>
Section 3. Quorum	Stockholders present or represented in the meeting and owning a majority of the outstanding voting stock shall constitute a quorum for the transaction of business at the meeting. When a quorum is present at such meeting, the vote of the stockholders owning a majority of the outstanding stock present or represented at such meeting shall decide on any matter brought before such meeting, unless the affirmative vote of stockholders owning a greater capital stock is required by law. <i>(As amended on 25 June 2010)</i>	Stockholders present or represented in the meeting and owning a majority of the outstanding voting stock shall constitute a quorum for the transaction of business at the meeting. <u>A stockholder who participates through remote communication, in absentia, or such alternative modes as may be allowed by applicable laws and regulations, shall be deemed present for purposes of quorum.</u> When a quorum is present at such meeting, the vote of the stockholders owning a majority of the outstanding stock present or represented at such meeting shall decide on any matter brought before such meeting, unless the affirmative vote of stockholders owning a greater capital stock is required by law.
Section 4. Voting Right	<p>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.</p> <p>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 (i) 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. <i>(As amended on 25 June 2010)</i></p>	<p>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 <u>in</u> the proper book of the Corporation at the time of closing thereof for the purpose of the meeting.</p> <p><u>The right to vote of stockholders may be exercised in person, through proxy or remote communication, in absentia, or through such alternative modes as may be provided by applicable laws and regulations. (New Provision)</u></p> <p>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 (i) 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. <i>(As amended on 25 June 2010)</i></p>
Section 5. Annual Meeting	The regular annual meetings of the stockholders shall be held on the last Friday of June of each year, on such date and at such time and place as the Board of Directors shall determine. If, for any reason, an annual meeting shall not take place on said date, the meeting shall thereafter be called in the manner provided for the calling of special meetings. <i>(As amended on 25 June 2010)</i>	The regular annual meetings of the stockholders shall be held on the last Friday of June of each year, on such date, <u>at such time and place, and in such manner as the Board of Directors shall determine. If, for any reason, an annual meeting shall not take place on said date, written notice of postponement and the reason therefor shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting as originally scheduled in the same manner as how the original notice was sent. The date of the re-scheduled regular annual meeting of the stockholders must not be later than sixty (60) days from the original date. If the written notice of postponement does not specify the date of the re-scheduled meeting,</u>

		<u>the stockholders of record shall be notified of the re-scheduled date of the regular annual meeting of stockholders in accordance with Section 7 of this Article II.</u>
Section 6. Special Meetings	<p>Special meetings of the stockholders may be called by the Board of Directors, the Chairman, the President or upon written demand to the Secretary by stockholders owning a majority of the outstanding voting stock.</p> <p>The Board of Directors shall set the date, time and place for the meetings which date shall be within forty (40) business days from receipt by the Secretary of such written demand by the stockholders. <i>(As amended on 25 June 2010)</i></p>	<p>Special meetings of the stockholders may be called by the Board of Directors, the Chairman, the President or upon written demand to the Secretary by stockholders owning <u>such minimum percentage of outstanding capital stock as may be provided by applicable law or regulations, provided that the stockholder exercising this right shall act in good faith and for a legitimate purpose.</u></p> <p>The Board of Directors shall set the date, time, place and manner in which the meeting will be conducted. The meeting shall be held within forty (40) business days from receipt by the Secretary of such written demand by the stockholders, subject to applicable laws and regulations.</p>
Section 7. Notices of Meetings	<p>Notices of meetings of the stockholders shall be made, as the Board of Directors may determine, either by publication in a newspaper of general circulation at least once and at least fifteen [15] business days prior to the date of the meeting, or by written notice sent by delivery, fax or ordinary mail to each stockholder at least fifteen [15] business days prior to the date of the meeting. The notice shall state the date, time and place of the meeting and if a special meeting, the purpose for which the meeting is called. <i>(As amended on 25 June 2010)</i></p>	<p>Notices of meetings of the stockholders shall be made, as the Board of Directors may determine, either <u>(i) by publication in a newspaper of general circulation at least once and at least fifteen [15] business days prior to the date of the meeting, or (ii) by written notice sent by delivery, fax, electronic or ordinary mail, or such other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future and allowed by applicable law and regulations, to each stockholder at least fifteen [15] business days prior to the date of the meeting.</u> The notice shall state the date, time, <u>place and manner in which the meeting will be conducted,</u> and if a special meeting, the purpose for which the meeting is called.</p>
Section 8. Order of Business	<p>The order of business at the annual meeting and, as far as applicable, at all other meetings of stockholders shall be as follows:</p> <ol style="list-style-type: none"> <li>Call to order</li> <li>Secretary's proof of due notice of the meeting and Determination of quorum</li> <li>Approval of minutes of previous meeting</li> <li>Annual Report</li> <li>Ratification of acts of the Board of Directors and Management during the previous year</li> <li>Election of Directors</li> <li>Unfinished business</li> <li>New business</li> <li>Other matters</li> <li>Adjournment. <i>(As amended on 25 June 2010)</i></li> </ol>	<p>The order of business at the annual meeting and, as far as applicable, at all other meetings of stockholders shall be as follows:</p> <ol style="list-style-type: none"> <li>Call to order</li> <li>Secretary's proof of due notice of the meeting and Determination of quorum</li> <li>Approval of minutes of previous meeting</li> <li>Annual Report</li> <li>Ratification of acts of the Board of Directors and Management during the previous year</li> <li>Election of Directors</li> <li>Unfinished business</li> <li>New business</li> <li>Other matters</li> <li>Adjournment. <i>(As amended on 25 June 2010)</i></li> </ol> <p><u>Stockholders representing the minimum percentage of outstanding capital stock as provided by applicable laws and regulations shall have the right include additional items on the agenda, provided that the stockholder exercising</u></p>

		<u>this right shall act in good faith and for a legitimate purpose.</u> (New Provision)
<b>ARTICLE III</b> <b>The Board of Directors</b>		
Section 2. Number, Tenure and Qualifications	<p>The Board of Directors shall be composed of nine (9) members, at least two 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. (As amended on 30 March 2011 and 24 June 2011)</p> <p>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. (As amended on 23 May 2012 and 29 June 2012)</p> <p>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:</p> <ol style="list-style-type: none"> <li>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);</li> <li>is not a director or officer of the related companies of the Corporation's majority stockholder (other than as an independent director thereof);</li> <li>is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;</li> <li>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;</li> <li>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;</li> </ol>	<p>The Board of Directors shall be composed of nine (9) members, at least two <u>(2)</u> 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. (As amended on 30 March 2011 and 24 June 2011)</p> <p>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 <u>these</u> By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein. (As amended on 23 May 2012 and 29 June 2012)</p> <p>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:</p> <ol style="list-style-type: none"> <li>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);</li> <li>is not a director or officer of the related companies of the Corporation's majority stockholders (other than as an independent director thereof);</li> <li>is not a majority stockholder of the Corporation, any of its related companies, or of its majority <u>stockholders</u>;</li> <li>is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority <u>stockholder</u> of the Corporation or any of its related companies;</li> <li>is not acting as nominee or representative of any director or substantial <u>stockholder</u> of the Corporation, any of its related companies or any of its substantial <u>stockholders</u>;</li> </ol>

	<p>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;</p> <p>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</p> <p>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.</p> <p>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.</p> <p>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. <i>(As amended on 23 May 2012 and 29 June 2012)</i></p> <p>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:</p>	<p>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 <u>stockholders</u>, 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 <u>stockholders</u>, 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 <u>stockholder</u>, other than transactions which are conducted at arms-length and could not materially interfere with or influence the exercise of his judgment;</p> <p>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,</p> <p>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.</p> <p>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 <u>stockholder</u>" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.</p> <p>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, <u>provided that the Nomination Committee shall have sole discretion to determine whether such competition or antagonism exists</u>; or (ii) if he is employed by any government agency or a government owned or controlled corporation; or (iii) if he has or had, <u>by himself or on behalf of an entity he represents</u>, 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.</p>
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	<p>a. 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;</p> <p>b. 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 Bangko Sentral ng Pilipinas, committed within five (5) years prior to the date of election as director;</p> <p>c. Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;</p> <p>d. Judicial declaration of bankruptcy or insolvency; and,</p> <p>e. 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 (a) to (d) above.</p> <p>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. <i>(As amended on 23 May 2012 and 29 June 2012)</i></p> <p><u>The decision of the Nomination Committee is final for purposes of the election.</u> <i>(As amended on 23 May 2012 and 29 June 2012)</i></p>	<p>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 permanent disqualification:</p> <p>a. Conviction by final judgment or order of a competent judicial or administrative body of any crime that <u>(i) involves moral turpitude or similar fraudulent acts or transgressions such as fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, or perjury;</u> <u>(ii) involves the purchase or sale of securities, as defined in the Securities Regulation Code;</u> <u>(iii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;</u> or <u>(iv) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them. For purposes of this Section, "similar fraudulent acts or transgressions" shall be defined as anything calculated to deceive, including all acts, omissions and concealment involving a breach of legal or equitable duty, trust or confidence justly reposed, resulting in damage to another, or by which an undue advantage is taken of another;</u></p> <p>b. <u>Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (Commission), or any court of competent jurisdiction, or any administrative body which the Corporation is subject of, from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, investment company, or any corporation; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws governing securities and banking activities;</u></p> <p><u>The disqualification shall also apply if such person is currently the subject of an order of the Commission, or any court, or any administrative body which the Corporation is subject of, denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation</u></p>
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		<p><u>Code, Securities Regulation Code, or any other law administered by the Commission or <i>Bangko Sentral ng Pilipinas</i> (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</u></p> <p>c. <u>Convicted or adjudged by final judgment or order by a court or administrative body which the Corporation is subject of, 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 Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or the BSP, committed within five (5) years prior to the date of election as director;</u></p> <p>d. Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;</p> <p>e. Judicial declaration of bankruptcy or insolvency; and,</p> <p>f. 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 (a) to (e) above.</p> <p><u>The following reasons shall also be considered by the Nomination Committee in evaluating the qualifications of all persons nominated to the Board and such other appointments which require Board approval:</u></p> <p>a. Refusal to fully disclose the extent of his business interests as required under the Securities Regulation Code and its Implementing Rules and Regulations;</p> <p>b. Absence or non-participation for whatever reason/s in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident;</p>
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		<p>c. Dismissal/termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission;</p> <p>d. Being under preventive suspension by the Corporation; <u>and</u></p> <p>e. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock.</p> <p>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.</p> <p>The decision of the Nomination Committee is final for purposes of the election.</p>
Section 3. Regular Meetings	The Board of Directors shall hold regular meetings at least once every quarter, at such time and place, within or outside the Philippines that the Board of Directors may set. The Board of Directors may, however, change the dates and frequency of such regular meetings.	The Board of Directors shall hold regular meetings at least once every quarter, at such time, <u>place, within or outside the Philippines, and in such manner as</u> the Board of Directors may set. The Board of Directors may, however, change the dates and frequency of such regular meetings.
Section 4. Special Meetings	Special meetings of the Board of Directors may be called by the Chairman of the Board or by the President or by the majority of the Board of Directors and shall be held on such date and at such time and place as the directors or officers calling for a special meeting may determine. <i>(As amended on 25 June 2010)</i>	Special meetings of the Board of Directors may be called by the Chairman of the Board, <u>or by the President,</u> or by the majority of the Board of Directors, <u>and shall be held on such date, at such time and place, and in such manner</u> as the directors or officers calling for a special meeting may determine.
Section 5. Notices of Meetings	<p>Notices of Board Meetings shall be in writing and given at least two (2) business days before the date of the meeting by delivery, fax or electronic mail to each director, or by other means of written or printed communication generally accepted and used by the business community as at present available through or as may be made available through technical advances or innovations in the future. The notice shall state the date, time and place of the meeting and, if a special meeting, the purpose for which the meeting is called.</p> <p>The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the specific purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. <i>(As amended on 25 June 2010)</i></p>	<p>Notices of Board Meetings shall be in writing and given at least two (2) business days before the date of the meeting by delivery, fax or electronic mail to each director, or by other means of written or printed communication generally accepted and used by the business community as at present available <u>or as may be made available through technical advances or innovations in the future.</u> The notice shall state the date, time and place of the meeting, <u>including the manner in which the meeting will be conducted, and</u> if a special meeting, the purpose for which the meeting is called.</p>
Section 6. Quorum	A majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the decision of a majority of the	A majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the decision of a majority



	quorum duly assembled as a Board shall be valid as a corporate act, except in the election of officers which requires the vote of the majority of all the directors.	of the quorum duly assembled as a Board shall be valid as a corporate act, except in the election of officers which requires the vote of the majority of all the directors. <u>For meetings of the Board of Directors conducted through remote communication as provided in Section 11 of this Article III, a director who participates through remote communication shall be deemed present for the purpose of attaining quorum.</u>
Section 8. Minutes	Minutes of all meetings of the Board of Directors shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall indicate the date, time and place of the meeting, whether the meeting was regular or special, those present and absent, and every act done or ordered done in the meeting. On the demand of any director, the time any director entered or left the meeting, the yeas and nays taken on motion or proposition and a record thereof, or the protest of any director on any action or proposed action, may be noted in the minutes.	Minutes of all meetings of the Board of Directors shall be kept and preserved as a record of the business transacted at such meetings. The minutes shall indicate the date, time, <u>place of the meeting, and the manner in which the meeting was conducted.</u> Upon demand of any director, the time any director <u>joined</u> or left the meeting, the yeas and nays taken on motion or proposition and a record thereof, or the protest of any director on any action or proposed action, may be noted in the minutes.
Section 10. Compensation	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.	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.  <u>Any changes approved by the incumbent Board of Directors to the compensation of its members shall only be effective at the succeeding term of the next elected Board of Directors. (New Provision)</u>
Section 11. Conduct of Meetings	Meetings of the Board of Directors shall be presided by the Chairman of the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by any other director chosen by the Board of Directors. The Secretary shall act as secretary of every meeting; if not present, the chairman of the meeting shall appoint a secretary of the meeting. <i>(New Provision adopted on 25 June 2010)</i>	Meetings of the Board of Directors shall be presided by the Chairman of the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by any other director chosen by the Board of Directors. The Secretary shall act as secretary of every meeting; if not present, the chairman of the meeting shall appoint a secretary of the meeting. <i>(New Provision adopted on 25 June 2010)</i>  <u>Directors who cannot physically attend or vote at the meeting of the Board of Directors can participate and vote through remote communication or other alternative modes of communication that allow reasonable opportunities for them to participate as allowed by applicable laws and regulations. For this purpose, internal procedures shall be implemented by the Board of Directors to address administrative, technical, and logistical issues. (New Provision)</u>  <u>The director participating in the meeting through remote communication may cast his vote through electronic mail, messaging service or such other manner as may be provided in internal procedures of the Corporation and allowed by applicable laws and regulations. The vote shall be sent to the Presiding Officer or the Secretary of the meeting for notation. (New Provision)</u>

Section 12. Executive Committee	<p>There shall be an Executive Committee to which the Board of Directors may delegate some of its powers and authorities which may lawfully be delegated.</p> <p>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.</p> <p><b>The Executive Committee shall adopt and observe its own internal procedures and conduct of business. (New Provision adopted on 25 June 2010)</b></p>	<p>There shall be an Executive Committee to which the Board of Directors may delegate some of its powers and authorities which may lawfully be delegated.</p> <p>The Executive Committee shall be composed of <u>such number of directors and officers of the Corporation as may be appointed by the Board of Directors.</u></p> <p>The Executive Committee shall adopt and observe its own internal procedures and conduct of business.</p>
<b>ARTICLE IV The Officers</b>		
Section 5. Qualifications, Powers and Duties of Officers	<p>a. The Chairman of the Board – The Chairman of the Board, who shall be chosen from among the members of the Board, shall preside at all meetings of the Board of Directors and of the stockholders of the Corporation, if present, and shall, in general, be vested with all the powers and shall perform all such other duties and functions as from time to time may be assigned to him by the Board of Directors.</p> <p>b. The President – The President, who shall be chosen from among the Board, shall have active supervision of the operations of the Corporation. He shall perform in general all duties and functions incident to the office of the President and such other duties and functions as from time to time may be assigned to him by the Board of Directors or the Chairman.</p> <p>c. The Treasurer – The Treasurer, who need not be a member of the Board of Directors of the Corporation, shall be the financial officer of the Corporation. As such, he shall: (1) have custody of and be responsible for all funds of the Corporation; (2) keep, or cause to be kept, a complete and accurate record of all receipts and disbursements and other financial transactions in the corresponding books of accounts of the Corporation; (3) render such financial reports and statements as may be required by the Board of Directors of the Corporation; and, (4) perform in general all duties and functions incident to the office of the Treasurer and such other duties and functions as from time to time may be assigned to him by the Chairman or the President.</p> <p>d. The Secretary – The Secretary, who need not be a member of the Board of Directors but must be a resident and citizen of the Philippines, shall (1) keep or cause to be kept, the books provided for the purpose, and the minutes of the meetings of the stockholders and the Board of Directors; (2) see to it that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; (3) be the custodian of the corporate records and seal of the Corporation, and shall see to it that the seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required or is duly authorized; and (4) perform in general all duties and functions incident to the</p>	<p>a. The Chairman of the Board – The Chairman of the Board, who shall be chosen from among the members of the Board, shall preside at all meetings of the Board of Directors and of the stockholders of the Corporation, if present, and shall, in general, be vested with all the powers and shall perform all such other duties and functions as from time to time may be assigned to him by the Board of Directors.</p> <p>b. The President – The President, who shall be chosen from among the Board, shall have active supervision of the operations of the Corporation <u>and shall preside all meetings of the Board of Directors and of the stockholders of the Corporation in the absence of the Chairman of the Board.</u> He shall perform in general all duties and functions incident to the office of the President and such other duties and functions as from time to time may be assigned to him by the Board of Directors or the Chairman.</p> <p>c. The Treasurer – The Treasurer, who need not be a member of the Board of Directors of the Corporation, <u>shall take charge of the funds, securities, receipts and disbursements of the Corporation. As such, he shall: (1) have custody of and be responsible for all funds of the Corporation; (2) deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositories as may be selected by the Board; (3) receive and give, or cause to be given, receipts for moneys due and payable to the Corporation from any source whatsoever, and pay out money as the business of the Corporation may require; and (4) perform in general all duties and functions incident to the office of the Treasurer and such other duties and functions as from time to time may be assigned to him by the Chairman or the President.</u></p> <p>d. The Secretary – The Secretary, who need not be a member of the Board of Directors but must be a resident and citizen of the Philippines, shall (1) keep or cause to be kept, the books provided for the purpose, and the minutes of the meetings of the stockholders and the Board of Directors; (2) see to it that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; (3) be the</p>

	Office of the Secretary and such other duties and functions as from time to time may be assigned to him by the Board of Directors, the Chairman or the President. <i>(As amended on 25 June 2010)</i>	custodian of the corporate records and seal of the Corporation, and shall see to it that the seal is affixed to all documents, the execution of which on behalf of the Corporation under its seal is required or is duly authorized; and (4) perform in general all duties and functions incident to the Office of the Secretary and such other duties and functions as from time to time may be assigned to him by the Board of Directors, the Chairman or the President. <i>(As amended on 25 June 2010)</i>
<b>ARTICLE V</b> <b>Internal and External Auditors</b> <i>(As amended on 25 June 2010)</i>		
Section 3. Internal Auditor	<p>The Corporation shall have an Internal Auditor who shall be appointed by the Board of Directors, and who shall report to the Board of Directors through the Audit Committee. The Internal Auditor shall be the Principal Auditing Officer of the Corporation and as such, shall have the following duties in addition to those which may be prescribed by the Board of Directors or required by the Chairman of the Board:</p> <ul style="list-style-type: none"> <li>a. to see to it that adequate records of all assets, liabilities and transaction of the Corporation are maintained;</li> <li>b. to see to it that adequate audits thereof are currently and regularly made;</li> <li>c. to see to it that operating, financial, and accounting systems, organizational relationship, management information systems and control processes, etc., being implemented are effective and are suitable for control purposes;</li> <li>d. to conduct a periodic appraisal, examination and verification of the Corporation's books of account and financial records and ascertain compliance with operating instructions, laws, circulars and regulations;</li> <li>e. to analyze and review operating and accounting procedures using generally accepted auditing standards, and evaluate systems of internal control;</li> <li>f. to conduct regular audits, as well as any other examination that may be required by the Board of Directors or the Audit Committee;</li> <li>g. to pass upon all voucher, payrolls, and other accounts payable, and to determine that they are properly authorized and certified;</li> <li>h. to initiate and enforce measures and procedures relating to all accounting matters, including clerical and office methods, records and reports to the end that the business of the Corporation shall be conducted in accordance with law, lawful rules, regulations and directives of the Securities and Exchange Commission, and with the maximum safety, efficiency and economy;</li> <li>i. to certify such statement of financial condition, income statements, reports, records and statistics as may be required by law, by the</li> </ul>	<p>The Corporation shall have an Internal Auditor who shall be appointed by the Board of Directors, and who shall report to the Board of Directors through the Audit Committee. The Internal Auditor <u>may be designated as</u> the Principal Auditing Officer of the Corporation and as such, shall have the following duties in addition to those which may be prescribed by the Board of Directors or required by the Chairman of the Board:</p>

	<p>Securities and Exchange Commission, or requested by the Chairman, the President, the Board of Directors, or the Audit Committee;</p> <p>j. to attend meetings of the Board of Directors and the standing committees when so required by the Chairman of the Audit Committee or the Board of Directors concerning the books, accounts, and system of financial transactions of the Corporation and of any person or entity in which the Corporation may be interested;</p> <p>k. in case of any defalcation, default, or dereliction of duties coming to his knowledge at any time, to notify at once the Chairman and/or the President;</p> <p>l. to regularly report results of his examinations, other findings and recommendations to the Board of Directors or to the Audit Committee; and,</p> <p>m. to perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the Chairman of the Board of Directors. <i>(New Provision adopted on 25 June 2010)</i></p>	
<b>ARTICLE VI</b>		
<b>Shares of Stock</b>		
Section 1. Stock and Transfer Book	<p>The Corporation shall keep a stock and transfer book which shall contain in full the following data: (a) the names, addresses and citizenship of the stockholders of the Corporation; (b) the number of shares issued to or subscribed for by each stockholder and the date of issuance or subscription; (c) the amounts paid on a subscription and the dates of such payments; and, (d) the assignments of subscription rights and transfers of shares and the dates thereof.</p> <p>All notices to stockholder as may be required by these By-Laws shall be sent to their respective addresses as recorded in the stock and transfer book or such other records kept by the Corporation, unless the Secretary is otherwise notified in writing by the stockholders concerned of changes in their addresses.</p>	<p>The Corporation shall keep a stock and transfer book which shall contain in full the following data: (a) the names, addresses and citizenship of the stockholders of the Corporation; (b) the number of shares issued to or subscribed for by each stockholder and the date of issuance or subscription; (c) the amounts paid on a subscription and the dates of such payments; and, (d) the assignments of subscription rights and transfers of shares and the dates thereof.</p> <p><u>Except as otherwise provided in Section 7 of Article II of these By-Laws, all notices to stockholders as may be required by these By-Laws and other laws and regulation, including the Information Statement, shall be sent either (i) by delivery to their respective addresses as recorded in the stock and transfer book or such other records kept by the Corporation, unless the Secretary is otherwise notified in writing by the concerned stockholders of changes in their addresses; (ii) by fax, electronic or ordinary mail; or (iii) by other means of written or printed communication generally accepted and used by the business community as at present available or as may be made available through technical advances or innovations in the future and allowed by applicable law and regulations.</u></p>
Section 4. Closing of Stock and Transfer Book	<p>The Board of Directors may direct that the stock and transfer book of the Corporation be closed for a stated period of not less than fifteen (15) business days but not more than twenty (20) business days counted from and before the date of the stockholders' meeting for the purpose of determining the stockholders entitled to notice of and to vote at such meeting or the record date for</p>	<p>The Board of Directors may direct that the stock and transfer book of the Corporation be closed for a stated period of not less than <u>twenty (20) calendar days for regular meetings and seven (7) calendar days for special meetings counted from and before the date of the stockholders' meeting, subject to applicable laws and regulations,</u> for the purpose of determining the stockholders entitled</p>

	the purpose of determining the stockholders entitled to receive any dividend or to any allotment of rights or to exercise the rights in respect of any change, conversion or exchange of the capital stock. <i>(As amended on 25 June 2010)</i>	to notice of and to vote at such meeting or the record date for the purpose of determining the stockholders entitled to receive any dividend or to any allotment of rights or to exercise the rights in respect of any change, conversion or exchange of the capital stock.
Section 5. Stockholder's Liability for Other Obligations to the Corporation	<p>In the event that a stockholder has any delinquent obligation to the Corporation either as a borrower, co-maker, guarantor, surety, mortgagor, pledgor or in any capacity, the Board of Directors shall have the authority to sell the shares at such price and under such terms as it may determine, and to apply the proceeds thereof or any dividend, to the payment of such obligation. The stockholder concerned shall be required to surrender, within ten (10) business days from the date of notice, the stock certificates covering the subject shares duly endorsed to the Secretary. In the event the stockholder fails to surrender the stock certificates, the same shall be considered as cancelled certificates and shall be replaced following the same requirements for lost or destroyed certificates.</p> <p>Except as may be authorized by the Board of Directors, no share of a stockholder who may have an obligation to the Corporation shall be transferable in the proper book of the Corporation until such obligation is fully paid.</p>	<p>In the event that a stockholder has any delinquent obligation to the Corporation either as a borrower, co-maker, guarantor, surety, mortgagor, pledgor or in any capacity, the Board of Directors shall have the authority to sell <u>the stockholder's</u> shares at such price and under such terms as it may determine, and to apply the proceeds thereof or any dividend, to the payment of such obligation. The stockholder concerned shall be required to surrender within ten (10) business days from <u>receipt</u> of notice, the stock <u>certificate/s</u> covering the subject shares duly endorsed to the Secretary. In the event the stockholder fails to surrender the stock certificates, the same shall be considered as cancelled certificates and shall be replaced following the same requirements for lost or destroyed certificates <u>without any further action from the concerned stockholder</u>.</p> <p>Except as may be authorized by the Board of Directors, no share of a stockholder who may have an obligation to the Corporation shall be transferable in the proper book of the Corporation until such obligation is fully paid.</p>
<b>ARTICLE VII</b>		
<b>Fiscal Year and Dividends</b>		
Section 2. Dividends	<p>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.</p> <p>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.</p> <p>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. <i>(As amended on 25 June 2010)</i></p>	<p>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.</p> <p>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, <u>or such other period mandated by applicable laws and regulations of any administrative body the Corporation is subject of</u>. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.</p> <p>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, <u>or such other period as mandated by applicable laws and regulations of any administrative body the Corporation is subject of</u>.</p>

**The foregoing amendments to the By-laws were proposed primarily to align the same with the Revised Corporation Code. Once approved, these amendments will allow alternative modes of conducting meetings and grant stockholders the right to participate in meetings through remote communication or *in absentia*, to propose the calling of stockholders' meetings, and to include items in the agenda, among other rights.**

## **ITEM 18. Other Proposed Action**

The appointment of RT&Co as External Auditor of Arthaland for 2020 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 in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2020 dated 12 March 2020<sup>23</sup> which provides the guidelines on voting through proxy, remote communication or *in absentia*, 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.

For the proposed amendment to the By-laws, the approval of Common and Preferred stockholders owning at least a majority of the outstanding capital stock is required.

For the 2020 Stock Option Plan, the approval of Common stockholders owning at least two-thirds (2/3) of the outstanding capital stock is required.

### **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

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<sup>23</sup> Guidelines on the Attendance and Participation of Directors, Trustees, Stockholders, Members, and Other Persons of Corporations in Regular and Special Meetings through Teleconferencing, Video Conferencing and Other Remote or Electronic Means of Communication

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 done in accordance with SEC Memorandum Circular No. 6, Series of 2020 dated 12 March 2020 and such internal procedures issued pursuant thereto. This will be supervised by the designated staff of the External Auditor and the Stock Transfer Agent.

*- Nothing follows. -*



**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 **01 June 2020**.

**ARTHALAND CORPORATION**

By:



**RIVA KHRISTINE V. MAALA**

*Corporate Secretary and General Counsel*

SUBSCRIBED AND SWORN to before me this **1<sup>st</sup> day of June 2020** at **Taguig City, Philippines**,  
affiant exhibiting to me her **Passport Number P4663090B** issued on **03 February 2020** by the  
Department of Foreign Affairs-NCR East, Philippines.

Doc. No. 342  
Page No. 70  
Book No. 12  
Series of 2020.

**GAUDENCIO A. BARBOZA JR.**  
**NOTARY PUBLIC**

**UNTIL DEC. 31, 2020**

PTR NO. A-4762374 / 1-2-2020 / TAGUIG CITY

IBP NO. 095971 / 11-28-2019 RSM (FOR YR. 2020)

**ROLL NO. 41969**

**MCLE COMP. VI No. 0021812**

**MARCH 29, 2019**

**APP No. 32(2019-2020)**

**Attachments:**

**Management Report**

**Certificates of Independent Director (Fernan Victor P. Lukban, Hans B. Sicat  
and Andres B. Sta. Maria)**

**Audited Financial Statements for 2019 (including Statement of Management Responsibility)  
SEC Form 17-Q (First Quarter 2020)**

**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 7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634 Philippines.



# **MANAGEMENT REPORT**

## BUSINESS AND GENERAL INFORMATION

### a. Business Development

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

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

Arthaland instituted several corporate actions in 2007 which led to the entry of investors AO Capital Holdings 1 (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<sup>2</sup> 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. In June 2019, Arthaland again issued to the public 10,000,000 Series C Preferred shares (the “Series C Preferred Shares”) which are also cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions.

All of Arthaland’s issued and outstanding common shares, Series B and Series C Preferred shares are listed with and traded in the Philippine Stock Exchange (PSE) with the trading symbols “ALCO”, “ALCPB”, and “ALCPC”, respectively.

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

<sup>1</sup> Arthaland was initially 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 corporate name to ArthaLand Corporation.

<sup>2</sup> 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.

**b. Business/Projects**

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

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

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

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

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

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

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

**Savya Financial Center** is a grade-A midrise office development with a fully integrated retail component, envisioned to be the new capital address for business and commerce in Arca South, Taguig City. It will stand as a one-of-a-kind global address created to the highest standards. Both the North and South towers of Savya Financial Center are designed and will be built with leading edge sustainable building features, qualifying it to be registered for dual certification in both LEED

and BERDE. Pre-selling just recently began and ground breaking immediately followed. The North tower is targeted for turnover to buyers by the end of 2021.

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

What makes 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 Corp. and Savva Land Development Corporation.

- i. **Bhavana Properties, Inc.** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle Arthaland used to purchase a parcel of land with a total area of 2,245 square meters, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, which will be the site of its next project in the Visayas.
- ii. **Bhavya Properties, Inc.** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle Arthaland will use for its forthcoming project in Makati City.
- iii. **Cazneau Inc.** was incorporated on 31 July 2008, principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer, of residential, industrial or commercial property. In September 2016, Cazneau acquired the 8.1-hectare property in Biñan, Laguna where Courtyard Hall now stands.
- iv. **Cebu Lavana Land Corp. (CLLC)** was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle Arthaland used to acquire two parcels of adjacent land in Cebu City, Philippines, and to develop the same into an office building to be known as Cebu Exchange. In January 2016, Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands and managed by Arch Capital Management Company Limited, subscribed to 40% of CLLC's shares of stock.
- v. **Emera Property Management, Inc.** was incorporated on 31 July 2008<sup>3</sup>. It was originally established to engage in the realty development business but now serves as the property management arm of Arthaland for Arya, ACPT and all its succeeding development projects to ensure the maintenance of high-quality standards therein.
- vi. **Manchesterland Properties, Inc. (MPI)** was incorporated on 27 March 2008 and is presently the registered owner of the commercial units in The Plaza at Arya Residences and some non-appurtenant parking slots therein.

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<sup>3</sup> Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

- vii. **Pradhana Land, Inc.** was incorporated on 09 September 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle that will be used for Arthaland's succeeding projects, the details of which will be disclosed at the appropriate time.
- viii. **Savya Land Development Corporation (SLDC)** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle Arthaland used to acquire Lots 9 and 10 in Arca South located in Barangay West Bicutan, Taguig City. In August 2019, the Securities and Exchange Commission (SEC) approved SLDC's application to merge with Arcosouth Development, Inc. ("Arcosouth"), with SLDC as the surviving entity. Arcosouth is the registered owner of the lot adjacent to SLDC's property, *i.e.* Lot 11. The objective of the merger is to jointly develop the three (3) lots into an office building to be known as Savya Financial Center.
- ix. **Kashtha Holdings, Inc. (KHI)** was incorporated on 01 October 2019, with the objective of making it a 60-40 joint venture company ("JV Company") between Arthaland and Mitsubishi Estate Company Limited ("MEC"), which will (i) acquire and thereafter, own and hold the 50% equity interest of Arthaland in SLDC, thereby making KHI the direct 50% stockholder therein, and (ii) acquire by assignment the shareholder's advances made by Arthaland to SLDC.
- x. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. This plan may, however, change subject to market conditions.
- xi. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. It is the investment vehicle used by Arthaland in the acquisition of certain condominium units in Mid-land Mansions Condominium located at 839 A. Arnaiz Avenue, Legazpi Village, 1200 Makati City.

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

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 (3) 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.

In an Order dated 08 May 2017, Arthaland was directed to file the necessary complaint and for PDIC to submit its Answer in order that there is a separate docket and hearing of the same and

thereby enable the court to have a full and complete resolution of the issues presented by Arthaland.

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

## **2. Quieting of Title**

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

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

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

## **3. Expropriation**

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

In July 1999, NAPOCOR and UPHI agreed to refer to commissioners the determination of just compensation for UPHI. UPHI did not question the propriety of expropriation any further but continued to participate in the proceedings having found NAPOCOR's valuation unreasonable and to enable it to submit evidence as and when the commissioners required the same. The



matter was eventually elevated before the Court of Appeals in 2015 and is still pending resolution to date.

#### **4. Claim for Refund**

- i. A buyer<sup>4</sup> offered to purchase a unit in Arya Residences, paid the reservation fee and signed the Reservation Agreement, which reads, in part, that should the buyer “fail to pay any of the amounts due xxx, the Seller shall have the sole option to (i) cancel the sale and forfeit in its favor all payments made xxx.” A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made, as well attorney’s and appearance fees, by filing a complaint before the Housing and Land Use Regulatory Board (HLURB) on May 2017.

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

- ii. Another buyer<sup>5</sup> offered to purchase a unit in Arya Residences in November 2012, paid the reservation fee but failed to pay the final amortization and other charges which became due in January 2014, on the ground that a viewing of the unit was not allowed beforehand, notwithstanding that pursuant to the Contract to Sell signed, full payment of the account is required prior to turnover of the unit. A viewing of the unit is not scheduled until the account is fully paid since inspection is the initial step of the turnover process. All buyers of Arya Residences were treated in the same manner.

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

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

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

#### **5. Labor**

- i. 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 Arthaland 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

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<sup>4</sup> The complainant is Ms. Bernadette Villaseñor.

<sup>5</sup> The complainant is Ms. Anita Medina-Yu.

laws and occupational health and safety standards. As of the date of this Report, there is no resolution to the Appeal.

- ii. 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 to the Appeal.

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

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 and only company at present to have all its projects in the country both LEED and BERDE-registered, and it intends to continue to provide distinguishing products with better quality at more competitive pricing. Arthaland knows it can achieve this given its substantially lower overhead costs, being a relatively leaner organization.



**e. Industry Risk**

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

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

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

Overall, the industry, and necessarily 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**

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

**g. Advances to Related Parties**

In the regular conduct of business, Arthaland, its subsidiaries and partners, and other related companies enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. 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 the 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 the exclusive use of the tradenames, logos and taglines "Arthaland Future Proof by Design", "Arthaland Century Pacific Tower" and "Cebu Exchange". The tradename "Arya Residences" now belongs to Arya Residences Condominium Corporation.

**i. Government approval for principal products or services**

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 all its projects 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 2019, Arthaland has a total of 105 personnel, 49 of whom are in management and 56 are non-managers<sup>6</sup>. As of the same period, Arthaland also engaged 84 sales agents.

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

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

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<sup>6</sup> 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.

## I. Working Capital

Generally, 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 from Centrobless Corporation<sup>7</sup>, a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, Arthaland's largest stockholder at present, and from Signature Office Property, Inc.<sup>8</sup>, which is majority-owned and chaired by Arthaland Director Jaime Enrique Y. Gonzalez.

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

### OPERATIONAL INFORMATION

#### a. Market Information

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

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

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

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

Quarter	2019			2018			2017		
	High	Low	Close	High	Low	Close	High	Low	Close
1	- 0 -	- 0 -	- 0 -	107.00	107.00	107.00	107.50	102.50	107.50
2	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	105.50	105.50	105.50
3	- 0 -	- 0 -	- 0 -	101.50	101.50	101.50	106.50	106.50	106.50
4	101.30	98.25	101.30	- 0 -	- 0 -	- 0 -	108.00	108.00	108.00

The following are the highlights of quarterly trading of the Preferred shares Series C which were listed on 27 June 2019:

Quarter	2019		
	High	Low	Close
1	- 0 -	- 0 -	- 0 -
2	101.00	101.00	101.00
3	101.00	101.00	101.00
4	- 0 -	- 0 -	- 0 -

The trading highlights of the first quarter of 2020 are as follows:

<sup>7</sup> The loan amounting to ₱1,650,643,779.00 has a maturity date of 31 December 2018.

<sup>8</sup> This loan amounting to ₱207,051,912.00 also has a maturity date of 31 December 2018.

Quarter	ALCO			ALCPB			ALCPC		
	High	Low	Close	High	Low	Close	High	Low	Close
1	0.62	0.57	0.61	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

The closing market prices of ALCO, ALCPB and ALCPC as of 30 April 2020 are ₱0.57, ₱99.00 and ₱98.00, respectively.

## b. Security Holders

The total shares issued and outstanding are as follows:

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

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

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

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

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

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

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

TOTAL	5,255,827,658	98.828
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**The top 20 stockholders of Common shares as of 30 April 2020 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	1,358,362,665	25.542
4. PCD Nominee Corporation – Non-Filipino	307,017,435	5.773
5. Elite Holdings, Inc.	119,809,996	2.253
6. Tina Keng	25,000,000	0.470
7. EQL Properties, Inc.	14,671,125	0.276
8. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
9. RBL Fishing Corporation	4,350,000	0.082
10. Veronica D. Reyes	3,799,272	0.071
11. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
12. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
13. Anito Tan and/or Lita Tan	2,027,049	0.038
14. Lourdes D. Dizon	1,740,000	0.033
15. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
16. Dante Garcia Santos	1,631,250	0.031
17. Luciano H. Tan	1,505,950	0.028
18. Samuel Uy	1,087,500	0.020
19. Datacom Systems Corp.	1,004,394	0.019
20. Mitsu Machine Phils Inc.	998,313	0.019
<b>TOTAL</b>	<b>5,255,979,908</b>	<b>98.831</b>

**The shareholder of the Preferred shares Series A as of 31 December 2019 and 30 April 2020 remains to be MPI, a wholly-owned subsidiary of Arthaland.**

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

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

**The top stockholders of Preferred shares Series B as of 30 April 2020 are as follows:**

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,679,510	98.398
2. PCD Nominee Corporation – Non-Filipino	195,390	0.977
3. Antonio T. Chua	35,100	0.176
4. Chiong Ping G. Ching and/or Maria Gracia J.	29,000	0.145

<b>5. <u>Chiong Ping Go Ching and/or Chiong Bio Go</u></b>	<b><u>29,000</u></b>	<b><u>0.145</u></b>
<b>6. <u>Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan</u></b>	<b><u>29,000</u></b>	<b><u>0.145</u></b>
<b>7. <u>Christopher Chua W. Kawpeng</u></b>	<b><u>600</u></b>	<b><u>0.003</u></b>
<b>8. <u>Daniel Chua W. Kawpeng</u></b>	<b><u>600</u></b>	<b><u>0.003</u></b>
<b>9. <u>David Chua W. Kawpeng</u></b>	<b><u>600</u></b>	<b><u>0.003</u></b>
<b>10. <u>Edwin Chua W. Kawpeng</u></b>	<b><u>600</u></b>	<b><u>0.003</u></b>
<b>11. <u>Tomas Chua W. Kawpeng</u></b>	<b><u>600</u></b>	<b><u>0.003</u></b>
<b>TOTAL</b>	<b>20,000,000</b>	<b>100.000</b>

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

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

**The top stockholders of Preferred shares Series C as of 30 April 2020 are as follows:**

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
<b>1. PCD Nominee Corporation – Filipino</b>	<b>9,975,500</b>	<b>99.755</b>
<b>2. PCD Nominee Corporation – Non-Filipino</b>	<b>24,500</b>	<b>0.245</b>
<b>TOTAL</b>	<b>10,000,000</b>	<b>100.000</b>

**c. Dividends**

Arthaland declared cash dividends to Common stockholders, as follows:

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

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

<b><u>Declaration Date</u></b>	<b><u>Record Date</u></b>	<b><u>Payment Date</u></b>	<b><u>Amount/Share</u></b>
08 February 2017	24 February 2017	06 March 2017	₱1.76145
10 May 2017	25 May 2017	06 June 2017	₱1.76145
09 August 2017	23 August 2017	06 September 2017	₱1.76145
26 October 2017	24 November 2017	06 December 2017	₱1.76145
10 January 2018	09 February 2018	06 March 2018	₱1.76145
09 May 2018	23 May 2018	06 June 2018	₱1.76145
01 August 2018	16 August 2018	06 September 2018	₱1.76145
24 October 2018	12 November 2018	06 December 2018	₱1.76145
21 February 2019	01 March 2019	06 March 2019	₱1.76145
23 October 2019	15 November 2019	06 December 2019	₱1.76145

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

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

No dividends were declared in 2016.

Whether Arthaland 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.”

**Other than the foregoing, there is no other restriction that limits the payment of dividends to common share.**

**d. Recent Sales of Unregistered or Exempt Securities**

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

**MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**FINANCIAL POSITION**

**31 December 2019 vs. 31 December 2018**

	<b><u>31 Dec 2019</u></b>	<b><u>31 Dec 2018</u></b>	<b><u>Change</u></b>
Cash and cash equivalents	<b>407,214,384</b>	285,413,332	43%
Financial assets at fair value through profit or loss (FVPL)	<b>772,186,717</b>	196,094,319	294%
Trade and other receivables	<b>389,687,736</b>	236,463,779	65%
Contract Assets	<b>3,250,482,689</b>	785,197,944	314%
Real estate for sale	<b>5,410,062,969</b>	3,412,713,425	59%
Creditable withholding tax	<b>338,105,363</b>	259,819,891	30%
Investment properties	<b>7,280,000,267</b>	5,901,514,575	23%

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

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

*43% Increase in Cash and Cash Equivalents*

The increase is accounted for by the proceeds from various loans, advances from shareholders, and sales collections.

*294% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The increase was due to investments in money market placements of the additional cash from loan proceeds and sales collections.

*65% Increase in Trade and Other Receivables*

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

*314% Increase in Contract Assets*

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

*59% Increase in Real Estate for Sale*

The increase is mainly due to the acquisition of various properties for development and the additional construction costs incurred during the year for ongoing projects.



*30% Increase in Creditable Withholding Tax*

This represents the increase in taxes withheld on the additional collections from buyers of office units in Cebu Exchange and Savva Financial Center.

*23% Increase in Investment Properties*

The increase is mainly attributable to the appraisal gain of ACPT and other investment properties.

*19% Increase in Property and Equipment*

The increase is due to the completion of fit-out costs of Arthaland's new corporate office in ACPT, and to additional transportation and office equipment.

*100% Decrease in Deferred Tax Assets*

The decrease is due to the realization of net income in CLLC resulting to the full utilization of its NOLCO.

*34% Increase in Other Assets*

The increase is largely attributable to the down payment made to contractors of ongoing projects as well as to VAT Input payments.

*66% Increase in Loans Payable*

The increase is largely due to additional drawdowns from bank loan facilities availed of in order to partly fund Arthaland's working capital and project financing requirements.

*50% Increase in Accounts Payable and Other Liabilities*

The increase is mainly attributable to payables to contractors/suppliers for ongoing projects.

*58% Increase in Contract Liabilities*

The increase pertains to collections received from buyers of office units in Cebu Exchange and Savva Financial Center the related revenue of which is not yet recognized.

*196% Increase in Due to a Related Party*

This pertains to advances made by shareholders of CLLC and SLDC.

*51% Increase in Retirement Liability*

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

*68% Increase in Net Deferred Tax Liabilities*

The increase is due mainly to the gain resulting from the change in fair value of investment properties.

*48% Increase in Additional Paid-in Capital*

This is due to the excess of the proceeds over par value of the Preferred Shares Series C that was issued during the year, net of stock issuance costs.

*43% Increase in Retained Earnings*

The increase is due to the net income for the year, net of dividends declared.

*101% Decrease in Cumulative re-measurement gains (losses) on retirement liability*

The decrease is due to the current year's cumulative remeasurement losses as against last year's gains in valuation of Arthaland's retirement liability.

*1740% Increase in Non-Controlling Interests*

The increase is mainly due to the higher net income of CLLC for the current year as compared to the prior year.

**FINANCIAL POSITION**

**31 December 2018 vs. 31 December 2017**

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec 2017</u> <i>As Restated</i></b>	<b><u>Change</u></b>
Cash and cash equivalents	<b>₱326,679,590</b>	<b>₱721,795,236</b>	-55%
Financial assets at fair value through profit or loss (FVPL)	<b>154,828,061</b>	387,879,631	-60%
Trade and other receivables	<b>742,932,730</b>	186,274,230	299%
Contract Assets	<b>785,197,944</b>	-	100%
Real estate for sale	<b>3,412,713,425</b>	2,646,731,618	29%
Creditable withholding tax	<b>259,819,891</b>	253,188,078	3%
Investment properties	<b>5,901,514,575</b>	6,457,315,253	-9%
Property and equipment	<b>237,452,955</b>	39,743,166	497%
Deferred tax assets - net	<b>16,197,731</b>	61,212,233	-74%
Other Assets	<b>499,128,861</b>	492,672,321	1%
<b>Total Assets</b>	<b>₱12,336,465,763</b>	<b>₱11,246,811,766</b>	10%
Loans payable	<b>4,169,976,102</b>	4,268,892,416	-2%
Accounts payable and other liabilities	<b>1,655,848,013</b>	702,744,459	136%
Contract liabilities	<b>20,385,280</b>	121,712,461	-83%
Due to a related party	<b>386,666,691</b>	286,666,691	35%
Retirement liability	<b>66,088,998</b>	50,668,546	30%
Net deferred tax liabilities	<b>779,222,593</b>	752,508,368	4%
<b>Total Liabilities</b>	<b>₱7,078,187,677</b>	<b>₱6,183,192,941</b>	14%
Capital stock	<b>989,757,136</b>	989,757,136	0%
Additional paid-in capital	<b>2,031,441,541</b>	2,031,441,541	0%
Retained earnings	<b>2,214,144,875</b>	2,085,398,501	6%
Cumulative re-measurement gains on retirement liability – net of tax	<b>18,169,495</b>	7,448,391	144%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
Total equity attributable to the Parent Company	<b>5,241,013,047</b>	5,101,545,569	3%
Non-controlling interest	<b>17,265,039</b>	(37,926,744)	146%
<b>Total Equity</b>	<b>₱5,258,278,086</b>	<b>5,063,618,825</b>	4%
<b>Total Liabilities and Equity</b>	<b>₱12,336,465,763</b>	<b>₱11,246,811,766</b>	10%

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

*55% Decrease in Cash and Cash Equivalents*

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

*60% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The reduction is due to the termination of money market placements which were subsequently used to fund the operating requirements of Arthaland, including its ongoing projects.

*299% Increase in Trade and Other Receivables*

The increase is accounted for by the receivables from the ACPT leasing operations and down payment made to contractors for the construction of the Group's real estate projects.

*100% Increase in Contract Assets*

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

*29% Increase in Real Estate for Sale*

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

*9% Decrease in Investment Properties*

The decrease is mainly due to the settlement of loans through *dacion en pago* of certain floors in ACPT and the reclassification of the Arthaland corporate office to Property and Equipment account.

*497% Increase in Property and Equipment*

The increase is due to the reclassification of the Arthaland corporate office from investment properties to Property and Equipment, as abovementioned.

*74% Decrease in Deferred Tax Assets*

The decrease is due to the realization of net income in CLLC.

*136% Increase in Accounts Payable and Other Liabilities*

The increase is largely due to the effect of consolidated payables to stockholders of Arcosouth and the deferred VAT payables from the sales of office units in Cebu Exchange.

*83% Decrease in Contract Liabilities*

The decrease pertains to down payment received subsequently recognized as revenues from real estate sales, as mentioned under Contract Assets.

*35% Increase in Due to a Related Party*

This pertains to additional advances made by stockholders CLLC.

*30% Increase in Retirement Liability*

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

*6% Increase in Retained Earnings*

The increase is due to the net income for the year, net of dividends declared.

*144% Increase in Cumulative re-measurement gains (losses) on retirement liability*

The difference is due to the change in financial assumptions and experience adjustments based on the new retirement plan as mentioned above.

*146% Increase in Non-Controlling Interests*

The increase is due to CLLC's net income recognized for the year.

**FINANCIAL POSITION**

**31 December 2017 vs. 31 December 2016**

	<b><u>31 Dec 2017</u></b>	<b><u>31 Dec 2016</u></b>	<b><u>Change</u></b>
Cash and cash equivalents	<b>₱721,795,236</b>	₱990,742,203	-27%
Financial assets at fair value through profit or loss (FVPL)	<b>387,879,631</b>	2,050,075,279	-81%
Trade and other receivables	<b>186,274,230</b>	301,089,586	-38%
Real estate for sale	<b>2,646,731,618</b>	1,722,192,699	54%
Creditable withholding taxes (CWT)	<b>253,188,078</b>	243,216,792	4%
Investment properties	<b>6,457,315,253</b>	4,534,143,705	42%
Property and equipment	<b>39,743,166</b>	20,071,668	98%
Deferred tax assets	<b>61,212,233</b>	15,282,811	301%
Other assets	<b>492,672,321</b>	184,828,088	167%
Total Assets	<b>₱11,246,811,766</b>	₱10,061,642,831	12%
Loans payable	<b>4,268,892,416</b>	3,111,038,703	37%
Accounts payable and other liabilities	<b>824,456,920</b>	899,207,290	-8%
Due to a related party	<b>286,666,691</b>	249,789,836	15%
Retirement liability	<b>50,668,546</b>	47,244,365	7%
Net deferred tax liabilities	<b>752,508,368</b>	644,775,603	17%
Total Liabilities	<b>₱6,183,192,941</b>	₱4,952,055,797	25%
Capital stock	<b>989,757,136</b>	989,757,136	0%
Additional paid-in capital	<b>2,031,441,541</b>	2,031,441,541	0%
Retained earnings	<b>2,085,398,501</b>	2,098,281,063	-1%
Cumulative re-measurement gains on retirement liability – net of tax	<b>7,448,391</b>	3,022,025	146%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
Total equity attributable to the Parent Company	<b>5,101,545,569</b>	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 is due to normal operating and project related disbursements including final payment for the Cebu property.

*81% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The reduction is due to partial termination of money market placements which were subsequently used to fund property acquisition and on-going projects of the Group.

*38% Decrease in Trade and Other Receivables*

The decrease is largely due to the collection of maturing accounts, as well as the application of previous advances to contractors against their 2017 progress billings.

*54% Increase in Real Estate for Sale*

The increase is mainly accounted for by the cost of the property acquired in Q1 2017 and the on-going development in Cebu.

*42% Increase in Investment Properties*

The increase is largely attributable to the appraisal increment and additional construction costs of ACPT recognized and recorded during the year.

*98% Increase in Property and Equipment*

The increase is basically due to the new office and transportation equipment acquired as well as leasehold improvements made during the year.

*301% Increase in Deferred Tax Assets*

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

*167% Increase in Other Assets*

The increase is largely accounted for by VAT inputs from property acquired and advance payments made to suppliers and contractors.

*37% Increase in Loans Payable*

Net increase is attributable to borrowings made during the year to finance on-going projects, particularly ACPT and Cebu Exchange.

*8% Decrease in Accounts Payable and Other Liabilities*

The net decrease is largely due to payments made to suppliers as well as contractors and the full payment of the purchase price of the Cebu property in Q3 2017.

*15% Increase in Due to a Related Party*

This pertains to additional advances made by shareholders for CLLC.

*7% Increase in Retirement Liability*

The increase is due to additional provisions for the year to comply with the requirements of PAS 19.

*17% Increase in Net Deferred Tax Liabilities*

The increase is directly attributable to the additional gain on change in fair value of investment properties that was recognized during the year.

*146% Increase in Cumulative re-measurement gains (losses) on retirement liability*

The difference represents year-end adjustments on cumulative re-measurement gains on 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 is attributed to pre-income losses incurred in CLLC.

## RESULTS OF OPERATIONS

### 31 December 2019 vs. 31 December 2018

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

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

### *240% Increase in Revenues*

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

### *247% Increase in Cost of Sales and Services*

The increase in cost of sales is directly related to the increase in revenues.

### *26% Increase in Administrative Expenses*

The increase is due to professional fees, personnel related expenses, and taxes.

### *253% Increase in Selling and Marketing Expenses*

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

### *70% Increase in Finance Costs*

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

### *583% Increase in Gain on Change in Fair Value of Investment Properties*

The increase is attributable to the appraisal gain of ACPT and other investment properties.

### *91% Decrease in Other Income – Net*

The decrease is largely due to realized gain on the settlement of loans through *dacion en pago* realized in 2018.

### *284% Increase in Income Tax Expense*

The increase is due to higher net income recognized for the year.

### *271% Decrease in Change in Actuarial Gain (Loss)*

The decrease is due to the remeasurement loss from change in financial assumptions used in the valuation of retirement plan as mentioned under Retirement Liability.

## 31 December 2018 vs. 31 December 2017

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

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

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

*144% Increase in Revenues*

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

*86% Increase in Cost of Sales and Services*

The increase in cost of sales is directly related to the increase in revenues from the sales of office units in Cebu Exchange.

*19% Increase in Administrative Expenses*

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

*49% Increase in Selling and Marketing Expenses*

The increase is due to sales commissions, travel and advertising expenses for Cebu Exchange.

*9% Decrease in Finance Costs*

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

*60% Decrease in Gain on Change in Fair Value of Investment Properties*

The decrease pertains to the reversal of unrealized gain on investment properties due to the effect of the *dacion en pago* executed during the year.

*403% Increase in Other Income – Net*

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

*94% Increase in Income Tax Expense*

The increase is due to higher net income recognized for the year.

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



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

## RESULTS OF OPERATIONS

### 31 December 2017 vs. 31 December 2016

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

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

#### *17% Decrease in Cost of Sales and Services*

The decrease in cost of sales is due to the decrease in revenues from sales of the few remaining units in Arya Residences Tower 2.

#### *7% Decrease in Administrative Expenses*

The decline is attributable to less manpower related cost, taxes and licenses, insurance premium, and utility expenses paid during the year.

#### *27% Decrease in Selling and Marketing Expenses*

The decrease is mainly attributable to lower commission expenses and lesser marketing efforts in 2017 as compared to the previous year.

#### *70% Decrease in Gain on Change in Fair Value of Investment Properties*

The decrease is due to first time adoption of fair valuation for investment properties in 2016 and thus substantial appraisal gain was recognized in the previous year as compared to the current year.

*54% Decrease in Other Income – Net*

The decrease is attributable to the “Day 1 Gain” on a larger loan acquired in 2016 as compared to 2017.

*76% Decrease in Income Tax Expense*

The decrease is attributable to the tax effect of gain on change in fair value of investment properties in 2016.

*118% Increase in Change in Actuarial Gain – Net of tax*

This is a result of year-end adjustment to comply with the requirements of PAS 19 based on the latest actuarial valuation report.

## FINANCIAL RATIO

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

**There are no known trends, events or uncertainties which have a material impact on liquidity.**

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

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

**There are no known trends, events or uncertainties which have a material impact on sales.**

**There are no significant elements of income or loss from continuing operations.**

**There are no seasonal aspects that have any material effect on the financial statements.**

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

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

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## **FINANCIAL POSITION**

### **March 2020 vs March 2019**

	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>% Change</b>
Cash and cash equivalents	<b>₱2,810,011,529</b>	₱497,707,913	465%
Financial assets at fair value through profit or loss (FVPL)	<b>1,420,110,375</b>	291,546,784	387%
Trade and other receivables	<b>437,414,608</b>	286,208,723	53%
Contract assets	<b>3,470,813,905</b>	1,130,539,676	207%
Real estate for sale	<b>5,933,386,526</b>	3,691,922,262	61%
Investment properties	<b>7,284,492,034</b>	6,273,373,603	16%
Property and equipment	<b>281,875,809</b>	262,889,982	7%
Net deferred tax assets	-	1,300,898	-100%
Creditable withholding tax	<b>343,163,030</b>	276,424,197	24%
Other assets	<b>1,370,433,979</b>	1,056,861,556	30%
<b>Total Assets</b>	<b>₱23,351,701,795</b>	₱13,768,775,594	70%
Loans and Bonds payable	<b>7,847,569,605</b>	4,636,773,723	69%
Bonds Payable	<b>2,952,807,600</b>	-	100%
Accounts payable and other liabilities	<b>2,327,439,909</b>	2,270,569,243	3%
Contract liabilities	<b>33,903,787</b>	1,496,690	2165%
Due to related parties	<b>1,307,169,833</b>	458,050,493	185%
Retirement liability	<b>102,216,115</b>	68,424,653	49%
Net deferred tax liabilities	<b>1,319,343,376</b>	878,298,220	50%
<b>Total Liabilities</b>	<b>₱15,890,450,225</b>	₱8,313,613,022	91%
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>999,757,136</b>	989,757,136	1%
Additional paid-in capital	<b>3,008,959,878</b>	2,031,441,541	48%
Retained earnings	<b>3,119,581,240</b>	2,380,718,703	31%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	<b>(207,724)</b>	18,169,495	-101%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>7,115,590,530</b>	5,407,586,875	32%
Non-controlling interests	<b>345,661,040</b>	47,575,697	627%
<b>Total Equity</b>	<b>7,461,251,570</b>	5,455,162,572	37%

	<b>31 Mar 2020</b>	31 Mar 2019	% Change
<b>Total Liabilities and Equity</b>	<b>₱23,351,701,795</b>	₱13,768,775,594	70%

Arthaland's total resources as of 31 March 2020 increased by 70% to ₱23.4 billion from the 31 March 2019 level of ₱13.8 billion due to the following:

*465% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from issuance of ASEAN Green bonds on 06 February 2020, loan proceeds and sales collections, net of outflows from payments of loans and operational and construction related expenses.

*387% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The increase is due to investments in money market placements of the additional cash from ASEAN Green Bonds and loan proceeds.

*53% Increase in Trade and Other Receivables*

The increase is largely due to the revenues recognized from the sale of office units in Cebu Exchange and Savva Financial Center starting the last quarter of 2019, and to receivables from ACPT tenants.

*207% Increase in Contract Assets*

The increase pertains to the above revenue recognition from the sale of office units in Cebu Exchange and Savva Financial Center – there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

*61% Increase in Real Estate for Sale*

The increase is mainly due to the acquisition of various properties for development and additional construction costs incurred for ongoing projects.

*16% Increase in Investment Properties*

The increase is mainly attributable to the appraisal gain of ACPT and other investment properties for the year 2019.

*7% Increase in Property and Equipment*

The increase is due to the completion of fit-out costs of the corporate office in ACPT and acquisition of additional transportation and office equipment.

*100% Decrease in Net Deferred Tax Assets*

The decrease was due to realization of net income in CLLC resulting to the full utilization of its NOLCO.

*24% Increase in Creditable Withholding Tax*

This represents the increase in taxes withheld from the additional collections from buyers of Cebu Exchange and Savva Financial Center.

*30% Increase in Other Assets*

The increase is mainly due to Input VAT payments and prepaid commissions related to the pre-selling activities of Cebu Exchange, Savva Financial Center and Sevina Park Villas.

*69% Increase in Loans Payable*

The increase is largely due to the availment of term loan to finance eligible Green projects and additional drawdowns from bank loan facilities, availed to partly fund Arthaland's working capital and project financing requirements.

*100% Increase in Bonds Payable*

This pertains to the ASEAN Green Bonds, net of debt issuance costs, issued in the first quarter of 2020 to be used in the acquisition and development of eligible Green projects.

*2165% Increase in Contract liabilities*

The increase pertains to collections received from buyers of Cebu Exchange and Savya Financial Center but the related revenue is not yet recognized.

*185% Increase in Due to Related Parties*

This pertains to advances made by shareholders of CLLC and SLDC.

*49% Increase in Retirement Liability*

The increase is due to the additional retirement expense recognized for the period and remeasurement loss recognized, net of contributions, in December 2019.

*50% Increase in Net Deferred Tax Liabilities*

The increase is due to the deferred tax liabilities attributable to the gain resulting from the change in fair value of investment properties recognized in 2019.

*48% Increase in Additional Paid-in Capital*

This is due to the excess of the proceeds over par value of the Preferred Shares Series C issued in the second quarter of 2019, net of stock issuance costs.

*31% Increase in Retained Earnings*

The increase is due to net income for the period, net of dividends declared.

*101% Decrease in Cumulative Remeasurement Gains (Losses) on Retirement Liability - Net of Tax*

The decrease is due to cumulative remeasurement losses recognized in December 2019 as mentioned under Retirement Liability.

*627% Increase in Non-Controlling Interests*

The increase is due mainly to CLLC's net income recognized for the period.

**FINANCIAL RATIOS**

**March 2020 vs March 2019**

	<b>31 Mar 2020</b>	31 Mar 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>2.53:1</b>	1.69:1	50%
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.003:1</b>	0.029:1	-90%
Debt-to-equity Ratio (Total liability over total equity)	<b>2.13:1</b>	1.52:1	40%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	<b>1.45:1</b>	0.85:1	71%
Asset-to-equity Ratio (Total assets over total equity)	<b>3.13:1</b>	2.52:1	24%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>1.83:1</b>	51.56:1	-96%
Profitability Ratio (Net income over total equity)	<b>0.005:1</b>	0.043:1	-88%

**FINANCIAL POSITION**

## March 2020 vs December 2019

	31 Mar 2020	31 Dec 2019	% Change
Cash and cash equivalents	<b>₱2,810,011,529</b>	₱407,214,384	590%
Financial assets at fair value through profit or loss (FVPL)	<b>1,420,110,375</b>	772,186,717	84%
Trade and other receivables	<b>437,414,608</b>	389,687,736	12%
Contract Assets	<b>3,470,813,905</b>	3,250,482,689	7%
Real estate for sale	<b>5,933,386,526</b>	5,410,062,969	10%
Investment properties	<b>7,284,492,034</b>	7,280,000,267	0%
Property and equipment	<b>281,875,809</b>	282,549,715	0%
Creditable withholding tax	<b>343,163,030</b>	338,105,363	1%
Other Assets	<b>1,370,433,979</b>	1,345,542,152	2%
<b>Total Assets</b>	<b>₱23,351,701,795</b>	₱19,475,831,992	20%
Liabilities			
Loans payable	<b>7,847,569,605</b>	6,925,381,746	13%
Bonds payable	<b>2,952,807,600</b>	-	100%
Accounts payable and other liabilities	<b>2,327,439,909</b>	2,488,916,877	-6%
Contract liabilities	<b>33,903,787</b>	32,179,674	5%
Due to related parties	<b>1,307,169,833</b>	1,144,586,297	14%
Retirement liability	<b>102,216,115</b>	99,880,460	2%
Net deferred tax liabilities	<b>1,319,343,376</b>	1,309,495,052	1%
<b>Total Liabilities</b>	<b>₱15,890,450,225</b>	₱12,000,440,106	32%
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>999,757,136</b>	999,757,136	0%
Additional paid-in capital	<b>3,008,959,878</b>	3,008,959,878	0%
Retained earnings	<b>3,119,581,240</b>	3,161,789,766	-1%
Cumulative rereasurement gains (losses) on retirement liability - net of tax	<b>(207,724)</b>	(207,724)	0%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>7,115,590,530</b>	7,157,799,056	-1%
Non-controlling interests	<b>345,661,040</b>	317,592,830	9%
<b>Total Equity</b>	<b>₱7,461,251,570</b>	₱7,475,391,886	0%
<b>Total Liabilities and Equity</b>	<b>₱23,351,701,795</b>	₱19,475,831,992	20%

Arthaland's total resources increased by 20% from ₱19.5 billion in 31 December 2019 to ₱23.4 billion as of 31 March 2020, due to the following:

### *590% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from the issuance of ASEAN Green Bonds and loan proceeds, net of outflows from payments of loans and operational and construction related expenses.

### *84% Increase in Financial assets at fair value through profit or loss*

The increase is due to investments in money market placements of the additional cash from the ASEAN Green Bonds and loan proceeds.

*12% Increase in Trade and Other Receivables*

The increase is due to the revenue recognition from the sale of office units in Cebu Exchange and Savya Financial Center and the additional receivables from ACPT tenants.

*7% Increase in Contract Assets*

The increase pertains to the above revenue recognition from the sale of office units in Cebu Exchange and Savya Financial Center – there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

*10% Increase in Real Estate for Sale*

The increase is due to the additional construction costs incurred during the period for ongoing projects.

*13% Increase in Loans Payable*

The increase is largely due to the availment of a term loan in February 2020 to finance the eligible Green projects of Arthaland.

*100% Increase in Bonds Payable*

This pertains to the issuance of the ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible Green projects.

*6% Decrease in Accounts Payable and Other Liabilities*

The net decrease is largely due to payments made to contractors/suppliers for ongoing projects.

*5% Increase in Contract Liabilities*

The increase pertains to collections received from buyers of Cebu Exchange and Savya Financial Center but the related revenue is not yet recognized.

*14% Increase in Due to Related Parties*

This pertains to additional advances made by a stockholder of SLDC.

*9% Increase in Non-Controlling Interests*

The increase is mainly due to CLLC's net income recognized for the period.

**FINANCIAL RATIOS**

**March 2020 vs December 2019**

	<b>31 Mar 2020</b>	31 Dec 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.53:1	1.94:1	30%
Solvency Ratio (Net income before depreciation over total liabilities)	0.003:1	0.126:1	-98%
Debt-to-equity Ratio (Total liability over total equity)	2.13:1	1.61:1	32%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	1.45:1	0.93:1	56%
Asset-to-equity Ratio (Total assets over total equity)	3.13:1	2.61:1	20%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.83:1	18.08:1	-90%
Profitability Ratio (Net income over total equity)	0.005:1	0.199:1	-97%

**RESULTS OF OPERATIONS**  
**March 2020 vs March 2019**

	<b>31 Mar 2020</b>	31 Mar 2019	% Change
Revenues	<b>₱ 577,214,772</b>	₱466,347,163	24%
Cost of sales and services	<b>310,156,160</b>	278,813,210	11%
GROSS INCOME	<b>267,058,612</b>	187,533,953	42%
Administrative expenses	<b>83,396,877</b>	71,333,758	17%
Selling and marketing expenses	<b>68,149,195</b>	37,062,211	84%
OPERATING EXPENSES	<b>151,546,072</b>	108,395,969	40%
OPERATING INCOME	<b>115,512,540</b>	79,137,984	-46%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	<b>(67,301,683)</b>	(7,338,941)	817%
Gain on change in FV of investment properties	-	288,795,152	-100%
Other income – net	<b>7,445,569</b>	4,236,267	76%
INCOME BEFORE INCOME TAX	<b>55,656,426</b>	364,830,462	-85%
TAX EXPENSE	<b>17,248,742</b>	132,716,976	-87%
NET INCOME	<b>₱38,407,684</b>	₱232,113,486	-83%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>10,339,474</b>	201,802,828	-95%
Non-controlling interest	<b>28,068,210</b>	30,310,658	7%
	<b>₱38,407,684</b>	₱232,113,486	-83%

Arthaland reported a ₱38.4 million net income in the first quarter of 2020 as against ₱232.1 million net income recognized over the same period in 2019, reflecting the impact of COVID-19, placing the entire Luzon and subsequently Cebu City in the Visayas, under Enhanced Community Quarantine (ECQ) in the first quarter of 2020, thereby halting construction activities, limiting economic and travel activities of workers, suppliers and other stakeholders, and affecting sales reservations and bookings.

*24% Increase in Revenues*

The increase is attributable to the application of the percentage of completion method for revenue recognition on the sale of office units in Cebu Exchange, the first time revenue recognition from the sale of office units in Savya Financial Center starting the last quarter of 2019, and the leasing revenue from ACPT tenants. Only 1 unit in Savya Financial Center was booked sold in the first quarter of 2020 due to the impact of COVID-19 and the ECQ in Luzon and Cebu.

*11% Increase in Cost of Sales and Services*

The increase in cost of sales and services is related to the above revenue recognition.

*17% Increase in Administrative Expenses*

The increase is due to personnel related costs and depreciation expenses.



*84% Increase in Selling and Marketing Expenses*

The increase is mainly due to amortized commissions from the sale of office units in Cebu Exchange and Savya Financial Center.

*817% Increase in Finance Costs*

The increase is due mainly to the interest due from the ACPT OLSA loan which is no longer capitalized since the building was already completed in 2019, and the interests from the ASEAN Green Bonds, term loans and other working capital loans.

*100% Decrease in Gain on Change in FV of Investment Properties*

No appraisal gain from investment properties was recognized for the period.

*76% Increase in Other Income - Net*

The increase is attributable to earnings on the additional placements made from the proceeds of the ASEAN Green Bonds and various loans.

*87% Decrease in Tax Expense*

The decrease is mainly due to tax related to the gain resulting from the change in fair value of investment properties recognized in the prior period.

**RESULTS OF OPERATIONS**

**March 2020 vs December 2019**

	<b>31 Mar 2020</b>	31 Dec 2019	% Change
Revenues	<b>₱577,214,772</b>	₱3,847,857,424	-85%
Cost of sales and services	<b>310,156,160</b>	2,145,739,457	-86%
GROSS INCOME	<b>267,058,612</b>	1,702,117,967	-84%
OPERATING EXPENSES			
Administrative expenses	<b>83,396,877</b>	409,806,713	-80%
Selling and marketing expenses	<b>68,149,195</b>	256,010,229	-73%
	<b>151,546,072</b>	665,816,942	-77%
OPERATING INCOME	<b>115,512,540</b>	1,036,301,025	-89%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	<b>(67,301,683)</b>	(124,839,604)	-46%
Gain on change in FV of investment properties	-	1,180,724,811	-100%
Other income – net	<b>7,445,569</b>	31,106,679	-76%
INCOME BEFORE INCOME TAX	<b>55,656,426</b>	2,123,292,911	-97%
TAX EXPENSE	<b>17,248,742</b>	636,145,034	-97%
NET INCOME	<b>₱38,407,684</b>	₱1,487,147,877	-97%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>10,339,474</b>	1,187,016,033	-99%
Non-controlling interest	<b>28,068,210</b>	300,131,844	91%

	<b>31 Mar 2020</b>	31 Dec 2019	% Change
	<b>₱38,407,684</b>	₱1,487,147,877	-97%

Arthaland posted a consolidated net income of ₱38.4 million in the first quarter of 2020 as compared to the 2019 full year net income of ₱1,487.1 million, reflecting the impact of the COVID-19 pandemic and ECQ in both Luzon and Cebu, as previously mentioned.

## 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, while the heads of various departments of the organization monitor the requisite compliances within the scope of their responsibilities.

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. For this reason, everyone in the organization undertake every effort necessary to create awareness of the Manual of Corporate Governance of Arthaland (the "Manual")<sup>9</sup>. 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 currently undertaken to create one. An evaluation by a third party (Institute of Corporate Directors) was supposed to have been conducted during the latter part of the first quarter of 2020 but the same was rescheduled to the latter part of this year due to the COVID-19 pandemic.

*- Nothing follows. -*

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<sup>9</sup> Arthaland submitted a revised Manual of Corporate Governance on 06 May 2019 and the same is now available online at [www.arthaland.com](http://www.arthaland.com).

## **CERTIFICATIONS OF INDEPENDENT DIRECTORS**

## CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FERNAN VICTOR P. LUKBAN**, 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 **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**. I first served as its independent have from **25 April 2011** until **23 June 2016**. I was again elected as an Independent Director of the Corporation on **23 October 2019** to fill the vacancy created by the resignation of Mr. Emmanuel A. Rapadas, and to serve as such for the remainder of his term, or until **25 June 2020**.

2. I am nominated for election as an Independent Director of the Corporation at its scheduled Annual Stockholders' Meeting on **26 June 2020**.

3. I am also an Independent Director of Central Azucarera de Tarlac Inc., Shakey's Pizza Asia Ventures, Inc. and Century Pacific Food, Inc., the latter two being related to CPG Holdings, Inc., a major stockholder of the Corporation.

4. 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.

5. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates, except as otherwise disclosed above.

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

7. I am not connected with any government agency or instrumentality at present. In the event that 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 Services Rules, as applicable.

8. 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.

9. 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 WHEREOF, I hereunto affix my signature on the date and place indicated below.

  
FERNAN VICTOR P. LUKBAN

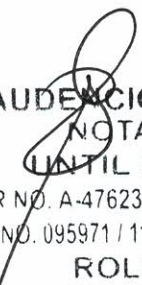
### OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 01 JUN 2020, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Fernan Victor P. Lukban** (i) whom I identified through his **Passport Number P4639574A** issued by the **Department of Foreign Affairs, Butuan on 07 October 2017**, 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. 375  
Page No. 76  
Book No. 12  
Series of **2020**.

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



## 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 organized and existing under Philippine law, with principal place of business at the **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**. I have been an Independent Director of the Corporation since **30 June 2017**.

2. I am nominated for election as an Independent Director of the Corporation at its scheduled Annual Stockholders' Meeting on **26 June 2020**.

3. I am presently the Managing Director and Country Manager for ING Bank, N.V., Manila Branch.

I am also affiliated with the following companies and organizations:

<u>Company/Organization</u>	<u>Position/Relationship</u>
Asian Institute of Management	Executive in Residence
Fintonia Fund	Advisory Board
IHAP	Member, Board of Trustees
LegisPro Corporation	Acting Chairman
List Sotheby's Philippines	Director
Serica Balanced Fund & Master Fund	Independent Director
Skycable Corporation	Independent Director
YPO Gold Philippines	Chairman, 2020-2021

4. 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.

5. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates, except as otherwise disclosed above.

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

7. I am not connected with any government agency or instrumentality at present. In the event that 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 Services Rules, as applicable.

8. 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.

9. 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 WHEREOF, I hereunto affix my signature on the date and place indicated below.

  
HANS B. SICAT


### OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 01 JUN 2020, 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 March 2016**, 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. 318  
Page No. 65  
Book No. 12  
Series of **2020**.

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



## CERTIFICATION OF INDEPENDENT DIRECTOR

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 **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634**. I have been an Independent Director of the Corporation since **24 June 2016**.

2. I am nominated for election as an Independent Director of the Corporation at its scheduled Annual Stockholders' Meeting on **26 June 2020**.

3. I am presently affiliated also with the following companies:

<u>Company</u>	<u>Position/Relationship</u>
United Laboratories, Inc.	Director
Shimizu Philippine Contractors, Inc.	Chairman, Director
Ceros Holdings, Inc.	Director, Corporate Secretary
Calasmar Holdings, Inc.	Director
Pathfinder Group Philippines, Inc.	Director, Corporate Secretary
Alegre Resort Corporation	Director, Corporate Secretary

4. 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.

5. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates, except as otherwise disclosed above.

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

7. I am not connected with any government agency or instrumentality at present. In the event that 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 Services Rules, as applicable.

8. 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.



9. 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 WHEREOF, I hereunto affix my signature on the date and place indicated below.



ANDRES B. STA. MARIA

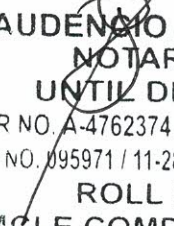
### OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 01 JUN 2020, 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 P0668677B** issued by the **Department of Foreign Affairs NCR East on 14 February 2019**, 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.

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Page No. 65  
Book No. 12  
Series of **2020**.



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

# **AUDITED FINANCIAL STATEMENTS FOR 2019**

# COVER SHEET

for  
AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

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

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

7 / F A r t h a l a n d C e n t u r y P a c i f i c T o w e r , 5 t  
h A v e n u e c o r n e r 3 0 t h S t r e e t , B o n i f a c i o  
G l o b a l C i t y , T a g u i g C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Group's Email Address

—

Group's Telephone Number/s

(02) 8-403-6910

Mobile Number

—

No. of Stockholders

1,943

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Riva Khristine V. Maala

Email Address

rvmaala@arthaland.com

Telephone Number/s

(02) 8-403-6910

Mobile Number

—

## CONTACT PERSON'S ADDRESS

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

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

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

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

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

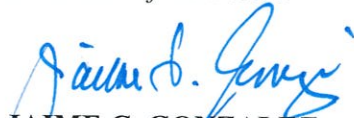
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

Signed this **25<sup>th</sup>** day of **March 2020**, **Taguig City, Philippines**.



**ERNEST K. CUYEGKENG**  
*Chairman of the Board*



**JAIME C. GONZALEZ**  
*Vice Chairman and President*



**FERDINAND A. CONSTANTINO**  
*Chief Finance Officer*

## OATH

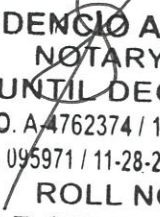
REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) SS.

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

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

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

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

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

## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis of Opinion*

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

### *Key Audit Matters*

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





### **Fair Value Measurement**

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

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

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

### **Revenue from Real Estate Sales**

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

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

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

### *Other Information*

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



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

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

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

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

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8116478

Issued January 6, 2020, Makati City

March 25, 2020

Makati City, Metro Manila

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

(Forward)

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

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

(Forward)



Years Ended December 31				
	Note	2019	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Financial assets at FVPL	7	(P4,542,390,465)	(P1,176,084,250)	(P1,041,573,727)
Investment properties	10	(154,046,731)	(486,818,962)	(1,422,318,493)
Property and equipment	11	(71,949,144)	(36,917,708)	(30,651,541)
Proceeds from disposal of:				
Financial assets at FVPL		3,982,464,489	1,507,648,191	2,611,246,414
Property and equipment		453,099	623,878	1,173,957
Investment properties		–	20,462,000	–
Net cash provided by (used in) investing activities		(785,468,752)	(171,086,851)	117,876,610
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from:				
Loans payable	13	3,480,084,116	1,846,036,912	2,050,662,463
Issuance of preferred shares		987,518,337	–	–
Due to a related party	23	757,919,606	100,000,000	36,876,855
Payments of loans payable	13	(728,331,864)	(152,000,000)	(951,520,000)
Payment of dividends	15	(238,484,518)	(204,273,545)	(204,884,469)
Subscription of non-controlling interest		–	–	15,938,582
Net cash provided by financing activities		4,258,705,677	1,589,763,367	947,073,431
<b>EFFECT OF CONSOLIDATION</b>	4	(852,576)	4,990,173	–
<b>NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>		(605,121)	906,754	83,998
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		121,801,052	(304,408,177)	(400,920,694)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		285,413,332	589,821,509	990,742,203
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	P407,214,384	P285,413,332	P589,821,509

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General Information**

**Corporate Information**

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

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

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

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

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

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

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

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

### **Composition of the Group**

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

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

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

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

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

### **Major Projects**

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

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

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

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

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

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

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

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

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

#### **Approval of the Consolidated Financial Statements**

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

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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation**

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

### **Measurement Bases**

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

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

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

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

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

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

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

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

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

#### **Adoption of New and Amended PFRS**

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

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

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

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

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

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

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the “solely payments of principal and interest” criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost [or, depending on the business model, at fair value through other comprehensive income (FVOCI)].
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.
- Annual Improvements to PFRS 2015 to 2017 Cycle:
  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.



- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.
- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

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

#### **Amended PFRS Issued But Not Yet Effective**

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

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

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- SEC Memorandum Circular No. 14 Series of 2018, *Philippine Interpretations Committee (PIC) Q&A No. 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- SEC Memorandum Circular No. 4, Series of 2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods* – The circular provides relief to the real estate industry by deferring the implementation of IFRIC Agenda decision which provides an adequate basis for an entity to determine whether to capitalize borrowing costs. Effective January 1, 2021, real estate companies will adopt the IFRIC interpretations and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

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

**Basis of Consolidation**

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

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

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

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

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

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

#### **Financial Assets and Liabilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Reclassification**

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

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

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

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

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

#### **Impairment of Financial Assets at Amortized Cost**

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

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

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

#### **Derecognition of Financial Assets and Liabilities**

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

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

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

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

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

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

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

#### **Offsetting of Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

#### **Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

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

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

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

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

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

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

#### **Cost to Obtain a Contract with a Customer**

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

#### **Contract Balances**

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

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

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

#### **Debt Issue Costs**

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

#### **Real Estate for Sale**

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



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

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

#### **Borrowing Costs**

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

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

#### **Creditable Withholding Taxes (CWT)**

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

#### **Investment Properties**

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

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

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

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

### **Property and Equipment**

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

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

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

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

#### **Other Assets**

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

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

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

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

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

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

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

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

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

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

### **Impairment of Nonfinancial Assets**

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

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

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

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

### **Payable to Buyers**

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

### **Advance Rent**

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

### **Capital Stock**

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

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

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

**Additional Paid-in Capital**

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

**Retained Earnings**

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

**Other Comprehensive Income (OCI)**

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

**Parent Company's Shares Held by a Subsidiary**

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

**Non-controlling Interests**

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

**Basic and Diluted Earnings Per Share (EPS)**

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

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

**Revenue Recognition**

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

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

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

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

A. Revenue from Contract with Customers

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

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

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

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

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

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

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

B. Revenue from Other Sources

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

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

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

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

**Cost and Expenses Recognition**

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

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

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

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

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

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

## **Leases**

### **a. Accounting policies prior to January 1, 2019**

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

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

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- iv. there is a substantial change to the asset.

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

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

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

### **b. Accounting policies beginning January 1, 2019**

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

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

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



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

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

### **Employee Benefits**

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

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

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

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

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

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

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

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

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

#### **Foreign Currency - Denominated Transactions**

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

#### **Income Taxes**

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

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

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

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

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

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

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

### **Related Party Transactions and Relationships**

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

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

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

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

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

### **Segment Reporting**

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

### **Provisions and Contingencies**

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

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

### **Events After the Reporting Period**

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

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

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

#### **Judgments**

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

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

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

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

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

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

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

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

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

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

**Accounting Estimates and Assumptions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



The carrying amounts of financial assets are as follows:

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

\*Excluding Cash on Hand amounting to ₱45,000 as at December 31, 2019 and 2018

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

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

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

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

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

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

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

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

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

The carrying amounts of nonfinancial assets are as follows:

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

\*Presented under "Receivables" account.

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

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

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

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

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

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

#### 4. Material Non-controlling Interests

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

##### CLLC

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

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

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

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

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

#### *SLDC*

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

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

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#### 5. Contract Assets and Contract Liabilities

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

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

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

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

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#### 6. Cash and Cash Equivalents

This account consists of:

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

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

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

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

## 7. Financial Assets at FVPL

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

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

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

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

## 8. Receivables

This account consists of:

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

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

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

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

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

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

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

## 9. Real Estate for Sale

This account consists of:

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

Movements of this account follow:

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

### **Raw Land**

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

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

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

### **Assets under Construction**

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

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

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

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

### **Condominium Units for Development**

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

### **Borrowing Cost**

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

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

## 10. Investment Properties

Investment properties consist of:

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

Movements of this account follow:

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

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

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



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

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

#### **ACPT**

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

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

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

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

#### **Arya Residences’ Commercial Units and Parking Slots**

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

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

#### **Raw Land and Courtyard Hall**

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

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

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

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

### **Leasing Operations**

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

### **Fair Value Measurement**

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

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

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

### **Land Development Approach**

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

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.
- Establishment of total rental income from lease of office and commercial units based on the current rental rates in similar office building within the immediate vicinity.
- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.
- Estimation of overhead and operating expenses such as promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

#### **Discounted Cash Flow Approach**

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

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

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

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

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

#### **Market Data Approach**

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

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

#### Depreciated Replacement Cost Method

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

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

		2019		
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Note				
		<b>₱1,083,731,309</b>	<b>₱4,817,783,266</b>	<b>₱5,901,514,575</b>
		<b>140,878,361</b>	<b>1,039,846,450</b>	<b>1,180,724,811</b>
		–	<b>148,183,650</b>	<b>148,183,650</b>
	13	–	<b>26,668,479</b>	<b>26,668,479</b>
		–	<b>22,456,601</b>	<b>22,456,601</b>
		–	<b>452,151</b>	<b>452,151</b>
		<b>₱1,224,609,670</b>	<b>₱6,055,390,597</b>	<b>₱7,280,000,267</b>

		2018		
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Note				
		<b>₱560,559,000</b>	<b>₱5,896,756,253</b>	<b>₱6,457,315,253</b>
	13	–	<b>(1,330,035,528)</b>	<b>(1,330,035,528)</b>
		–	<b>474,788,616</b>	<b>474,788,616</b>
		<b>306,281,350</b>	<b>(133,462,256)</b>	<b>172,819,094</b>
	13	–	<b>104,494,260</b>	<b>104,494,260</b>
		<b>216,890,959</b>	<b>(176,865,569)</b>	<b>40,025,390</b>
		–	<b>(28,796,033)</b>	<b>(28,796,033)</b>
		–	<b>10,903,523</b>	<b>10,903,523</b>
		<b>₱1,083,731,309</b>	<b>₱4,817,783,266</b>	<b>₱5,901,514,575</b>

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

## 11. Property and Equipment

The balances and movements of this account consist of:

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

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

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

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

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

## 12. Other Assets

This account consists of:

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

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

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

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

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

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

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

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

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

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

### 13. Loans Payable

This account consists of:

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

Movements of this account follow:

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

Movements in debt issue cost are as follows:

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

Movements in “Day 1” gain are as follows:

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

Future repayment of the principal is as follows:

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

### **Local Bank Loans**

These are loans from local banks which are interest-bearing secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 5.12% to 8.58% in 2019 and 3.50% to 7.15% in 2018.

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

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



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

- Loan outstanding balance is secured by a land, together with improvements amounting to ₱931.8 million as at December 31, 2019 and 2018, together with any improvements thereon, located in Cebu City (see Note 9); and
- A pledge of shares of the Parent and Rock and Salt B.V., non-controlling interest, in CLLC in which shall be evidenced by that Contract of Pledge to be executed by the pledgers in favor of the lender in form and substance, acceptable to the latter, to secure the payment of the drawdowns on the loan, including the interest, penalties, fees and other charges thereon, as well as all sums due and payable by CLLC to the bank.

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

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

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements amounting to ₱55.3 million and ₱26.4 million as at December 31, 2019 and 2018, respectively (see Note 12);
- The Parent Company is required to maintain, at most, the following debt to equity ratio:

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

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

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

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

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

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

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

The loan facility is secured by the following:

- (i) unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million and ₱1,433.8 million as at December 31, 2019 and 2018, respectively (see Note 9);
- (ii) corporate continuing suretyship of the Parent Company until completion of construction of Tower 1 of the SLDC's project and 100% sale of units therein; and,
- (iii) A ₱30.1 million deposit in the name of the SLDC. Carrying amount of the deposit amounted to ₱30.1 million as at December 31, 2019 and 2018 and is presented as "Amounts held in escrow" in "Other Assets" account in the consolidated statements of financial position (see Note 12).

The outstanding balance of this loan amounted to ₱1,082.7 million and ₱684.9 million as at December 31, 2019 and 2018, respectively.

#### **Private Funders**

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

Purpose	Terms	Nominal interest rate (p.a.)	2019	2018
Working fund	Payable in full on June 1, 2020, unsecured	3.50%	<b>₱40,000,000</b>	₱40,000,000
Working fund	Payable in full on January 20, 2020, unsecured	3.50%	<b>16,302,970</b>	16,302,970
Working fund	Payable in full on March 30, 2020, unsecured	3.50%	<b>16,276,000</b>	16,276,000
Working fund	Payable in full on January 20, 2020, unsecured	3.50%	<b>12,145,000</b>	15,145,000
			<b>₱84,723,970</b>	₱87,723,970

*Construction of ACPT.* The Parent Company entered into noninterest-bearing loan agreements for ₱1,650.6 million with Centrobless in 2015 and for ₱207.1 million with SOPI in 2017. Both are related parties under common management with the Parent Company (see Note 23).

The loans are payable in cash or in kind at the option of Centrobless and SOPI. In the event Centrobless and SOPI elect to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago:

- Centrobless - seven (7) floors and 150 parking slots of ACPT
- SOPI - one (1) floor and 10 parking slots of ACPT

"Day 1" gain of ₱2.9 million in 2017 was recognized on this loan and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 19).

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. Accordingly, the cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed (see Note 10). This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018 (see Note 19).

### **Capitalized Borrowing Costs**

Borrowing costs capitalized are as follows:

	Note	2019	2018	2017
Real estate for sale	9	<b>₱159,586,770</b>	₱68,332,597	₱36,653,151
Investment properties	10	<b>26,668,479</b>	104,494,260	68,169,703
		<b>₱186,255,249</b>	₱172,826,857	₱104,822,854

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 (see Note 9).

### **Interest Expense**

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

	2019	2018	2017
Interest expense on interest-bearing loans and due to a related party	<b>₱124,339,961</b>	₱21,785,948	₱19,750,114
Amortization of “Day 1” gain on loan discounting	—	51,086,712	58,168,428
	<b>₱124,339,961</b>	₱72,872,660	₱77,918,542

## **14. Accounts Payable and Other Liabilities**

This account consists of:

	Note	2019	2018
Accounts payable:			
Third parties		<b>₱755,821,015</b>	₱178,485,778
Related party	23	<b>3,044,200</b>	2,856,448
Statutory payables:			
Deferred output VAT		<b>743,384,411</b>	361,197,971
Income tax payable		<b>24,378,558</b>	1,696,980
Withholding taxes payable		<b>21,507,169</b>	13,645,930
Retention payable		<b>405,458,152</b>	333,284,476
Accrued:			
Construction costs		<b>81,182,715</b>	—
Interest		<b>77,890,207</b>	56,636,579
Personnel costs		<b>24,200,544</b>	11,785,055
Others		<b>53,308,640</b>	25,454,109
Payable to buyers		<b>113,447,252</b>	13,459,550
Advance rent	21	<b>73,093,100</b>	53,279,878
Security deposits	21	<b>71,843,980</b>	70,254,092
Construction bonds		<b>29,650,160</b>	25,379,501
Dividend payable		<b>5,943,585</b>	5,056,961
Due to Arcosouth’s stockholders		—	495,919,597
Others		<b>4,763,189</b>	7,455,108
		<b>₱2,488,916,877</b>	₱1,655,848,013

Accounts payable, which are unsecured, noninterest-bearing and are normally settled within 30 days to one (1) year, consists mainly of liabilities to contractors and suppliers.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Payable to buyers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and Courtyard Hall which may be applied to unsettled balances or refunded at the end of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is noninterest-bearing and payable on demand.

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

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## 15. Equity

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

	2019		2018		2017	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	<b>50,000,000</b>	<b>16,368,095,199</b>	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	<b>₱1.00</b>	<b>₱0.18</b>	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	<b>42,500,000</b>	<b>5,318,095,199</b>	32,500,000	5,318,095,199	32,500,000	5,318,095,199

### **Preferred Shares**

The rollforward analysis of the outstanding preferred shares is as follows:

	2019		2018		2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
<b>Issued and Outstanding</b>						
Balance at beginning of year	32,500,000	₱32,500,000	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	10,000,000	10,000,000	–	–	–	–
Balance at end of year	42,500,000	42,500,000	32,500,000	32,500,000	32,500,000	32,500,000
<b>Parent Company's Shares held by a Subsidiary</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>
	30,000,000	₱30,000,000	20,000,000	₱20,000,000	20,000,000	₱20,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A” preferred shares) to MPI and 30.0 million preferred shares (the “Series B” and “Series C” preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

In 2019, the Parent Company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series C preferred shares to the public amounted to ₱14.2 million consisting of ₱1.7 million which was charged to profit or loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

### **Common Shares**

As at December 31, 2019 and 2018, the Parent Company has issued and outstanding common shares of 5,318,095,199 amounting to ₱957.3 million.

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
	Public offering of Series “B”		
2016	preferred shares	20,000,000	100
	Public offering of Series “C”		
2019	preferred shares	10,000,000	100

The Parent Company has 1,943 and 1,955 shareholders as at December 31, 2019 and 2018, respectively.

### **Dividend Declaration**

The Parent Company's BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	₱17,319,000	Series C preferred shares	₱1.73
October 23, 2019	November 15, 2019	December 6, 2019	35,229,000	Series B preferred shares	1.76
August 7, 2019	September 6, 2019	September 27, 2019	17,319,000	Series C preferred shares	1.73
August 7, 2019	August 22, 2019	September 6, 2019	35,229,000	Series B preferred shares	1.76
June 21, 2019	July 8, 2019	July 31, 2019	63,817,142	Common shares	0.012
May 8, 2019	May 22, 2019	June 6, 2019	35,229,000	Series B preferred shares	1.76
February 21, 2019	March 1, 2019	March 6, 2019	35,229,000	Series B preferred shares	1.76
			<b>₱239,371,142</b>		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	Series B preferred shares	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	35,229,000	Series B preferred shares	1.76
May 9, 2018	May 23, 2018	June 6, 2018	35,229,000	Series B preferred shares	1.76
March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	Common shares	0.012
January 10, 2018	February 9, 2018	March 6, 2018	35,229,000	Series B preferred shares	1.76
			<b>₱204,733,142</b>		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 26, 2017	November 24, 2017	December 6, 2017	₱35,229,000	Series B preferred shares	₱1.76
August 9, 2017	August 23, 2017	September 6, 2017	35,229,000	Series B preferred shares	1.76
May 10, 2017	May 25, 2017	June 6, 2017	35,229,000	Series B preferred shares	1.76
February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	Common shares	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			<b>₱204,733,142</b>		

### **Stock Option Plan**

As at December 31, 2019, the stock option plan is still subject for approval of the majority of the stockholders.

### **Use of Proceeds**

#### *Series B*

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	230.6	101.3
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange Project	53.6	53.6	53.6	—
<b>Total</b>	<b>₱1,971.8</b>	<b>₱1,972.9</b>	<b>₱1,871.6</b>	<b>₱101.3</b>

#### Series C

The estimated gross proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
<b>Total</b>	<b>₱984.1</b>	<b>₱985.3</b>	<b>₱985.3</b>	<b>₱—</b>

## 16. Revenues

The Group's revenues are as follows:

Note	2019	2018	2017
Real estate sales of:			
Cebu Exchange	<b>₱2,870,054,489</b>	₱844,954,726	₱—
Savya Financial Center	<b>645,749,539</b>	—	—
Arya Residences	—	147,639,118	433,964,838
Leasing operations	<b>321,918,256</b>	132,436,268	22,997,690
Project management fees	<b>10,135,140</b>	7,439,974	6,576,066
	<b>₱3,847,857,424</b>	<b>₱1,132,470,086</b>	<b>₱463,538,594</b>

Leasing operations pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

## 17. Operating Expenses

Operating expenses are classified as follows:

	2019	2018	2017
Administrative	<b>₱409,806,713</b>	₱325,187,083	₱273,749,586
Selling and marketing	<b>256,010,229</b>	72,423,411	48,493,636
	<b>₱665,816,942</b>	₱397,610,494	₱322,243,222

Details of operating expenses by nature are as follows:

	Note	2019	2018	2017
Personnel costs		<b>₱191,303,427</b>	₱176,647,311	₱129,061,896
Commissions		<b>131,899,678</b>	27,157,093	11,701,489
Advertising		<b>124,110,551</b>	45,266,318	36,792,147
Management and professional fees		<b>64,516,070</b>	31,867,665	33,152,440
Taxes and licenses		<b>30,047,582</b>	17,671,357	33,321,044
Communication and office expenses		<b>29,116,455</b>	20,057,547	21,378,435
Depreciation and amortization	11	<b>26,722,029</b>	15,449,610	9,330,955
Transportation and travel		<b>24,498,653</b>	18,787,861	7,856,509
Insurance		<b>15,788,365</b>	12,886,192	9,908,865
Repairs and maintenance		<b>12,799,877</b>	2,792,489	2,360,720
Utilities		<b>5,002,052</b>	8,315,942	1,416,796
Rent	21	<b>1,659,167</b>	14,498,091	13,908,352
Representation		<b>1,377,793</b>	672,727	1,435,959
Others		<b>6,975,243</b>	5,540,291	10,617,615
		<b>₱665,816,942</b>	₱397,610,494	₱322,243,222

Personnel costs consist of:

	Note	2019	2018	2017
Salaries and other employee benefits		<b>₱168,761,466</b>	₱140,910,996	₱119,314,335
Retirement benefits expense	20	<b>22,541,961</b>	35,736,315	9,747,561
		<b>₱191,303,427</b>	₱176,647,311	₱129,061,896

## 18. Finance Costs

This account consists of:

	Note	2019	2018	2017
Interest expense	13	<b>₱124,339,961</b>	₱72,872,660	₱77,918,542
Bank charges		<b>499,643</b>	774,628	2,744,698
		<b>₱124,839,604</b>	₱73,647,288	₱80,663,240



## 19. Other Income - Net

This account consists of:

	Note	2019	2018	2017
Realized gain on disposals of financial assets at FVPL	7	<b>₱16,784,004</b>	₱14,190,431	₱37,576,414
Interest income	6	<b>13,489,356</b>	6,088,906	14,245,251
Unrealized holding gains (losses) on financial assets at FVPL	7	<b>(617,582)</b>	(6,385,529)	1,874,352
Unrealized foreign exchange gains (losses)		<b>(605,121)</b>	906,754	83,998
Gain (loss) on disposal of property and equipment	11	<b>322,744</b>	—	(475,131)
Forfeited collections		<b>178,571</b>	—	10,657,784
Gain on settlement of loans payable	13	—	319,553,431	—
Loss on disposal of investment properties	10	—	(8,334,033)	—
"Day 1" gain on loan discounting	13	—	—	2,907,783
Others		<b>1,554,707</b>	13,100,733	572,867
		<b>₱31,106,679</b>	₱339,120,693	₱67,443,318

## 20. Net Retirement Liability

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated March 20, 2020):

Breakdown of retirement benefits expense is as follows (see Note 17):

	2019	2018	2017
Current service cost	<b>₱18,130,347</b>	₱7,879,934	₱7,205,814
Net interest cost	<b>4,411,614</b>	2,033,107	2,541,747
Past service cost	—	25,823,274	—
	<b>₱22,541,961</b>	₱35,736,315	₱9,747,561

In 2018, the new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2019	2018	2017
Balance at beginning of year	<b>₱66,088,998</b>	₱50,668,546	₱47,244,365
Current service cost	<b>18,130,347</b>	7,879,934	7,205,814
Net interest cost	<b>4,411,614</b>	2,033,107	2,541,747
Past service cost	—	25,823,274	—
Contribution to retirement plan assets	<b>(15,003,669)</b>	(5,000,000)	—
Remeasurement losses (gains) on:			
Change in financial assumptions	<b>30,887,077</b>	(9,240,813)	(1,360,050)
Experience adjustments	<b>(5,262,217)</b>	(6,066,417)	(4,963,330)
Return on plan assets	<b>628,310</b>	(8,633)	—
Balance at end of year	<b>₱99,880,460</b>	₱66,088,998	₱50,668,546

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2019 and 2018 are as follows:

	2019	2018
Present value of retirement liability	<b>₱120,206,490</b>	₱71,097,631
Fair value of plan assets	<b>(20,326,030)</b>	(5,008,633)
	<b>₱99,880,460</b>	₱66,088,998

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

	2019	2018	2017
Balance at beginning of year	<b>₱71,097,631</b>	₱50,668,546	₱47,244,365
Current service cost	<b>18,130,347</b>	7,879,934	7,205,814
Interest cost	<b>5,353,652</b>	2,033,107	2,541,747
Past service cost	—	25,823,274	—
Remeasurement losses (gains) on:			
Change in financial assumptions	<b>30,887,077</b>	(9,240,813)	(1,360,050)
Experience adjustments	<b>(5,262,217)</b>	(6,066,417)	(4,963,330)
Balance at end of year	<b>₱120,206,490</b>	₱71,097,631	₱50,668,546

Changes in the fair value of plan assets are as follows:

	2019	2018
Balance at beginning of year	<b>₱5,008,633</b>	₱—
Contribution to retirement plan assets	<b>15,003,669</b>	5,000,000
Interest income	<b>942,038</b>	—
Remeasurement gain (loss) on return on plan assets	<b>(628,310)</b>	8,633
Balance at end of year	<b>₱20,326,030</b>	₱5,008,633

Plan assets are composed of trust accounts.

The cumulative remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

<b>2019</b>			
	<b>Cumulative Remeasurement Losses</b>	<b>Deferred Tax (see Note 22)</b>	<b>Net</b>
Balance at beginning of year	<b>₱25,956,422</b>	<b>₱7,786,927</b>	<b>₱18,169,495</b>
Remeasurement losses	<b>(26,253,170)</b>	<b>(7,875,951)</b>	<b>(18,377,219)</b>
Balance at end of year	<b>(₱296,748)</b>	<b>(₱89,024)</b>	<b>(₱207,724)</b>

<b>2018</b>			
	<b>Cumulative Remeasurement Gains</b>	<b>Deferred Tax (see Note 22)</b>	<b>Net</b>
Balance at beginning of year	<b>₱10,640,559</b>	<b>₱3,192,168</b>	<b>₱7,448,391</b>
Remeasurement gains	<b>15,315,863</b>	<b>4,594,759</b>	<b>10,721,104</b>
Balance at end of year	<b>₱25,956,422</b>	<b>₱7,786,927</b>	<b>₱18,169,495</b>

<b>2017</b>			
	<b>Cumulative Remeasurement Gains</b>	<b>Deferred Tax (see Note 22)</b>	<b>Net</b>
Balance at beginning of year	<b>₱4,317,179</b>	<b>₱1,295,154</b>	<b>₱3,022,025</b>
Remeasurement gains	<b>6,323,380</b>	<b>1,897,014</b>	<b>4,426,366</b>
Balance at end of year	<b>₱10,640,559</b>	<b>₱3,192,168</b>	<b>₱7,448,391</b>

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

	<b>2019</b>	<b>2018</b>
Discount rate	<b>5.22%</b>	7.53%
Salary projection rate	<b>6.00%</b>	5.00%
Average remaining service years	<b>24.8</b>	23.6

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2019 and 2018 are presented below.

		<b>Effect on Present Value of Retirement Liability</b>	
		<b>Discount Rate</b>	<b>Salary Projection Rate</b>
<b>December 31, 2019</b>	<b>+1%</b>	<b>(₱11,366,089)</b>	<b>₱13,583,980</b>
	<b>-1%</b>	<b>13,837,647</b>	<b>(11,387,681)</b>
December 31, 2018	+1%	(₱3,905,406)	₱4,737,145
	-1%	4,663,430	(4,026,486)

The expected future benefit payments are as follows:

Financial Year	Amount
2020	₱51,716,581
2021	535,937
2022-2029	52,965,328

## 21. Lease Commitments

### **Operating Lease Commitments - Group as a Lessor**

The Parent Company entered into various non-cancellable lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

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

Moreover, Cazneau has entered into lease agreements for its dormitory units in Courtyard Hall, which is renewable every term.

Leasing revenue recognized from these operating leases amounted to ₱321.9 million in 2019, ₱132.4 million in 2018 and ₱23.0 million in 2017 (see Note 16). Lease receivables amounted to ₱45.0 million and ₱30.4 million as at December 31, 2019 and 2018, respectively (see Note 8). Accrued rent receivable amounted to ₱99.0 million and ₱52.0 million as at December 31, 2019 and 2018, respectively (see Note 8). Advance rent from tenants amounted to ₱73.1 million and ₱53.3 million as at December 31, 2019 and 2018, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱71.8 million and ₱70.3 million as at December 31 2019 and 2018, respectively (see Note 14).

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

	2019	2018
Within one year	₱253,368,521	₱164,000,835
After one year but not more than five years	835,221,094	803,023,438
More than five years	43,670,598	127,208,392
	<b>₱1,132,260,213</b>	<b>₱1,094,232,665</b>

### **Operating Lease Commitment - Group as a Lessee**

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease.

For short-term leases, rent expense recognized amounted to ₱1.7 million in 2019, ₱14.5 million in 2018 and ₱13.9 million in 2017 (see Note 17).

## 22. Income Taxes

The components of income tax expense are as follows:

	Note	2019	2018	2017
<b>Reported in Profit or Loss</b>				
Current income tax expense:				
RCIT		<b>₱66,966,595</b>	₱91,047,356	₱13,636,823
MCIT		<b>5,619,419</b>	186,560	17,560
Final taxes		<b>5,533,420</b>	5,436,777	11,680,051
Gross income tax (GIT)		<b>3,678,373</b>	1,970,310	—
		<b>81,797,807</b>	98,641,003	25,334,434
Deferred income tax expense		<b>554,347,227</b>	67,094,603	59,906,329
		<b>₱636,145,034</b>	₱165,735,606	₱85,240,763
<b>Reported in OCI</b>				
Deferred tax benefit (expense)				
related to remeasurement losses				
(gains) on net retirement liability	20	<b>₱7,875,951</b>	(₱4,594,759)	(1,897,014)

### Deferred Tax Assets and Deferred Tax Liabilities

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

	2019	2018
Deferred tax assets:		
NOLCO	<b>₱62,261,706</b>	₱66,349,661
Retirement liability	<b>29,964,138</b>	19,826,699
Advance rent	<b>11,841,153</b>	7,850,736
Excess MCIT over RCIT	<b>5,805,659</b>	282,245
Unrealized foreign exchange loss	<b>181,536</b>	49,001
Allowance for impairment losses	<b>110,488</b>	110,488
	<b>₱110,164,680</b>	₱94,468,830
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	<b>₱1,127,340,036</b>	₱773,122,593
Excess of financial over taxable gross profit	<b>237,134,847</b>	44,761,616
Accrued rent receivable	<b>17,155,013</b>	9,733,521
Depreciation of investment properties	<b>14,624,431</b>	5,724,684
Transfer of fair value to property and equipment	<b>13,208,866</b>	13,478,435
Capitalized debt issue costs	<b>10,196,539</b>	10,351,816
Unrealized foreign exchange gains	—	321,027
	<b>1,419,659,732</b>	857,493,692
Net deferred tax liabilities	<b>₱1,309,495,052</b>	₱763,024,862

Deferred tax assets and deferred tax liabilities are presented in the consolidated statements of financial position as follows:

	2019	2018
Net deferred tax asset	P—	P16,197,731
Net deferred tax liabilities	1,309,495,052	779,222,593
	<b>P1,309,495,052</b>	<b>P763,024,862</b>

As at December 31, 2019 and 2018, the Group did not recognize deferred tax assets relating to the following:

	2019	2018
NOLCO	P5,660,266	P3,610,919
Excess MCIT over RCIT	320	45,973
Accrued rent	—	4,800
	<b>P5,660,586</b>	<b>P3,661,692</b>

Management has assessed that these may not be realized in the future.

#### **NOLCO and Excess MCIT over RCIT**

The details of the Group's NOLCO and excess MCIT over RCIT are as follows:

#### **NOLCO**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2019	P—	P201,505,549	P—	P—	P201,505,549	2022
2018	6,397,876	—	—	—	6,397,876	2021
2017	175,937,705	—	157,434,557	—	18,503,148	2020
2016	50,866,353	—	45,600,084	5,266,269	—	2019
	<b>P233,201,934</b>	<b>P201,505,549</b>	<b>P203,034,641</b>	<b>P5,266,269</b>	<b>P226,406,573</b>	

#### **Excess MCIT over RCIT**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2019	P—	P5,619,419	P—	P—	P5,619,419	2022
2018	186,560	—	—	—	186,560	2021
2016	141,658	—	—	141,658	—	2019
	<b>P328,218</b>	<b>P5,619,419</b>	<b>P—</b>	<b>P141,658</b>	<b>P5,805,979</b>	

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

	2019	2018	2017
Income tax computed at statutory tax rate	<b>₱636,987,873</b>	₱166,305,856	₱67,092,224
Add (deduct) tax effects of:			
Nondeductible expenses and nontaxable income	<b>30,197,169</b>	7,426,287	20,122,883
Income subject to GIT	<b>(28,497,641)</b>	(7,573,344)	—
Stock issuance costs	<b>(3,744,499)</b>	—	—
Change in unrecognized deferred tax assets	<b>1,998,894</b>	29,931	2,189,055
Expired NOLCO	<b>1,579,881</b>	248,551	265,354
Realized gain on disposals of financial assets at FVPL subjected to final tax	<b>(1,552,143)</b>	(1,866,346)	(2,584,244)
Interest income subjected to final tax	<b>(1,151,433)</b>	(750,988)	(1,282,203)
Unrealized holding losses (gains) on financial assets at FVPL	<b>185,275</b>	1,915,659	(562,306)
Expired MCIT	<b>141,658</b>	—	—
	<b>₱636,145,034</b>	₱165,735,606	₱85,240,763

#### **PEZA Registration**

ACPT is registered with the PEZA as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

## 23. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2019	2018	2019	2018
Due from Related Parties							
		8					
CPG	Principal stockholder		Share purchase agreement	₱—	₱—	₱36,052,873	₱36,052,873
Centrobless	Entity under common management		Advances for working capital	12,872,674	—	12,872,674	—
SOPi	Entity under common management		Advances for working capital	4,915,835	—	4,915,835	—
						₱53,841,382	₱36,052,873

### Loans Payable

	Entity under common management						
SOPi		13	Noninterest-bearing loans	P—	P145,051,912	P—	P—

### Accounts Payable

	Principal stockholder						
CPG		14	Management fee	P11,069,818	P10,387,085	P3,044,200	P2,856,448

### Due to Related Parties

			Advances for project development				
Help Holdings, Inc.	Non-controlling interest			P632,919,597	P—	P632,919,597	P—
			Advances for project development				
Rock & Salt B.V.	Non-controlling interest			125,000,009	100,000,000	511,666,700	386,666,691
						P1,144,586,297	P386,666,691

### Accrued Interest

	Non-controlling interest						
Rock & Salt B.V.			Interest expense	P17,058,595	P11,831,496	P45,808,575	P28,749,980

### Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to P36.1 million as at December 31, 2019 and 2018 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.



### **Advances for Working Capital**

Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash.

The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2019 and 2018.

### **Loans Payable**

Outstanding loans payable are unsecured, noninterest-bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 13).

### **Management Fees**

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### **Advances for Project Development**

SLDC received advances from a related party and expenses paid by a related party on behalf of SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱511.7 million and ₱386.7 million and recognized interest expense of ₱10.9 million and ₱11.8 million as at December 31, 2019 and 2018, respectively. These are unsecured, unguaranteed, and payable on demand and in cash.

### **Compensation of Key Management Personnel**

The compensation of key management personnel are as follows:

	2019	2018	2017
Salaries and other employee benefits	<b>₱83,779,871</b>	₱77,960,692	₱72,981,021
Retirement benefits expense	<b>15,727,562</b>	24,095,262	4,782,219
	<b>₱99,507,433</b>	₱102,055,954	₱77,763,240

## **24. Reconciliation of Liabilities Arising from Financing Activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	2018	Financing Cash Flows			2019
		Availments/ Declaration	Payments	Movement in Debt Issue Cost	
Loans payable	₱4,169,976,102	₱3,486,252,129	(₱728,331,864)	(₱2,514,621)	₱6,925,381,746
Due to related parties	386,666,691	757,919,606	—	—	1,144,586,297
Dividends payable	5,056,961	239,371,142	(238,484,518)	—	5,943,585
	<b>₱4,561,699,754</b>	<b>₱4,483,542,877</b>	<b>(₱966,816,382)</b>	<b>(₱2,514,621)</b>	<b>₱8,075,911,628</b>

	2017	Financing Cash Flows			Non-cash Changes			2018
		Availments/ Declaration	Payments	Dacion en pago	Amortization of Day 1 gain	Movement in Debt Issue Cost		
Loans payable	₱4,268,892,416	₱1,851,211,912	(₱152,000,000)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)		₱4,169,976,102
Due to related parties	286,666,691	100,000,000	—	—	—	—		386,666,691
Dividends payable	4,597,364	204,733,142	(204,273,545)	—	—	—		5,056,961
	₱4,560,156,471	₱2,155,945,054	(₱356,273,545)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)		₱4,561,699,754

## 25. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	<b>₱1,187,016,033</b>	₱333,479,516	₱191,850,580
Less share of Series B and C Preferred Shares	<b>(175,554,000)</b>	(140,916,000)	(140,916,000)
	<b>1,011,462,033</b>	192,563,516	50,934,580
Divided by weighted average number of outstanding common shares	<b>5,318,095,199</b>	5,318,095,199	5,318,095,199
Earnings per share	<b>₱0.1902</b>	₱0.0362	₱0.0096

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three (3) years presented.

## 26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), contract assets, amounts held in escrow, deposits, investment in time deposits, loans payable and, accounts payable and other liabilities (except statutory payables, payable to buyers and advance rent) and due to related parties.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

### **Credit Risk**

The Group's exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables, contract assets and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

*Trade Receivables and Contract Assets*

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2019 and 2018, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

*Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

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

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

**Financial Assets at FVPL**

The Group is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

2019					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	<b>₱407,134,384</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱407,134,384</b>
Financial assets at FVPL	—	—	—	<b>772,186,717</b>	<b>772,186,717</b>
Receivables**	—	<b>290,315,333</b>	<b>368,292</b>	—	<b>290,683,625</b>
Contract assets	—	<b>3,250,482,689</b>	—	—	<b>3,250,482,689</b>
Deposits	<b>62,270,945</b>	—	—	—	<b>62,270,945</b>
Amounts held in escrow	<b>85,402,876</b>	—	—	—	<b>85,402,876</b>
	<b>₱554,808,205</b>	<b>₱3,540,798,022</b>	<b>₱368,292</b>	<b>₱772,186,717</b>	<b>₱4,868,161,236</b>

\*Excludes cash on hand amounting to ₱80,000.

\*\*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.0 million as at December 31, 2019.

2018					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	<b>₱285,333,332</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱285,333,332</b>
Financial assets at FVPL	—	—	—	<b>196,094,319</b>	<b>196,094,319</b>
Receivables**	—	<b>184,133,674</b>	<b>368,292</b>	—	<b>184,501,966</b>
Contract assets	—	<b>785,197,944</b>	—	—	<b>785,197,944</b>
Deposits	<b>59,239,173</b>	—	—	—	<b>59,239,173</b>
Amounts held in escrow	<b>56,514,398</b>	—	—	—	<b>56,514,398</b>
Investment in time deposits	<b>21,032,000</b>	—	—	—	<b>21,032,000</b>
	<b>₱422,118,903</b>	<b>₱969,331,618</b>	<b>₱368,292</b>	<b>₱196,094,319</b>	<b>₱1,587,913,132</b>

\*Excludes cash on hand amounting to ₱80,000.

\*\*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱52.0 million as at December 31, 2018.

### **Liquidity Risk**

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2019 and 2018:

2019						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P2,448,042,005	P1,683,854,057	P809,315,313	P2,013,966,861	P6,955,178,236
Accounts payable and other liabilities*	405,458,152	1,107,648,235	–	–	–	1,513,106,387
Due to related parties	1,144,586,297	–	–	–	–	1,144,586,297
	<b>P1,550,044,449</b>	<b>P3,555,690,240</b>	<b>P1,683,854,057</b>	<b>P809,315,313</b>	<b>P2,013,966,861</b>	<b>P9,612,870,920</b>

\*Excludes payable to buyers, advance rent and statutory payables aggregating to P975.8 million as at December 31, 2019.

2018						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P417,723,970	P90,095,700	P195,518,550	P3,493,919,751	P4,197,257,971
Accounts payable and other liabilities*	333,284,476	879,283,228	–	–	–	1,212,567,704
Due to related parties	386,666,691	–	–	–	–	386,666,691
	<b>P719,951,167</b>	<b>P1,297,007,198</b>	<b>P90,095,700</b>	<b>P195,518,550</b>	<b>P3,493,919,751</b>	<b>P5,796,492,366</b>

\*Excludes payable to buyers, advance rent and statutory payables aggregating to P443.3 million as at December 31, 2018.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

### **Capital Management**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2019	2018
Total liabilities	<b>₱12,000,440,106</b>	₱7,078,187,677
Total equity	<b>7,475,391,886</b>	5,258,278,086
Debt-to-equity ratio	<b>1.61:1.00</b>	1.35:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## **27. Fair Value Measurement**

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	Note	Carrying Amount	2019 Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	<b>₱772,186,717</b>	<b>₱772,186,717</b>	<b>₱—</b>	<b>₱—</b>
Investment properties	10	<b>7,280,000,267</b>	<b>—</b>	<b>1,224,609,670</b>	<b>6,055,390,597</b>
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	<b>62,270,945</b>	<b>—</b>	<b>—</b>	<b>62,400,650</b>
		<b>₱8,114,457,929</b>	<b>₱772,186,717</b>	<b>₱1,224,609,670</b>	<b>₱6,117,791,247</b>
Liability for which fair value is disclosed -					
Loans payable	13	<b>₱6,925,381,746</b>	<b>₱—</b>	<b>₱—</b>	<b>₱7,248,318,862</b>

		2018			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱196,094,319	₱196,094,319	₱—	₱—
Investment properties	10	5,901,514,575	—	1,083,731,309	4,817,783,266
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	59,239,173	—	—	45,737,104
		₱6,156,848,067	₱196,094,319	₱1,083,731,309	₱4,863,520,370
Liability for which fair value is disclosed -					
Loans payable	13	₱4,169,976,102	₱—	₱—	₱4,082,252,132

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

*Financial Assets at FVPL.* The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

*Investment Properties.* The fair value of investment properties were determined using land development approach, discounted cash flow approach, market data approach and depreciated replacement cost approach.

*Deposits and Loans Payable.* The fair value of the Group's deposits and loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash and cash equivalents*	₱407,134,384	₱285,333,332
Receivables**	290,683,625	184,501,966
Contract assets	3,250,482,689	785,197,944
Amounts held in escrow	85,402,876	56,514,398
Investment in time deposits	—	21,032,000
	₱4,033,703,574	₱1,332,579,640
Financial liabilities:		
Accounts payable and other liabilities***	₱1,513,106,387	₱1,212,567,704
Due to related parties	1,144,586,297	386,666,691
	₱2,657,692,684	₱1,599,234,395

\*Excludes cash on hand amounting to ₱80,000 as at December 31, 2019 and 2018

\*\*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.0 million and ₱52.0 million as at December 31, 2019 and 2018, respectively.

\*\*\*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱975.8 million and ₱443.3 million as at December 31, 2019 and 2018, respectively.

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

*Investment in Time Deposits.* The estimated fair value of investment in time deposits represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using current market rates to discount cash flows. The carrying amount of investment on time deposits approximates its fair value.

## 28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2019 and 2018 are as follows:

	Note	2019	2018
<b>Current Assets</b>			
Cash and cash equivalents	6	<b>₱407,214,384</b>	₱285,413,332
Financial assets at FVPL	7	<b>772,186,717</b>	196,094,319
Receivables	8	<b>389,687,736</b>	236,463,779
Contract assets	5	<b>3,250,482,689</b>	785,197,944
Real estate for sale	9	<b>5,410,062,969</b>	3,412,713,425
CWT		<b>338,105,363</b>	259,819,891
Other assets*	12	<b>1,279,142,120</b>	901,663,178
		<b>₱11,846,881,978</b>	₱6,077,365,868

\*Excludes non-current portion of deposits, deferred input VAT, and investment in time deposits, amounting to ₱66.4 million and ₱103.9 million as at December 31, 2019 and 2018, respectively.

	Note	2019	2018
<b>Current Liabilities</b>			
Current portion of loans payable	13	<b>₱2,448,042,005</b>	₱417,723,970
Accounts payable and other liabilities	14	<b>2,488,916,877</b>	1,655,848,013
Contract liabilities	5	<b>32,179,674</b>	20,385,280
Due to related parties	23	<b>1,144,586,297</b>	386,666,691
		<b>₱6,113,724,853</b>	₱2,480,623,954

## 29. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and project management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.



Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2019, 2018 and 2017:

2019						
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱3,515,804,028	₱321,918,256	₱263,259,201	₱—	(₱253,124,061)	₱3,847,857,424
Segment expenses	(2,353,343,223)	(124,052,820)	(77,076,988)	(442,454,598)	185,371,230	(2,811,556,399)
Segment profit	1,162,460,805	197,865,436	186,182,213	(442,454,598)	(67,752,831)	1,036,301,025
Net gain on change in fair value of investment properties	—	1,180,724,811	—	—	—	1,180,724,811
Finance cost	—	—	—	(124,839,604)	—	(124,839,604)
Other income - et	178,571	215,546	—	59,409,095	(28,696,533)	31,106,679
Income before income tax	1,162,639,376	1,378,805,793	186,182,213	(507,885,107)	(96,449,364)	2,123,292,911
Provision for income tax						(636,145,034)
Net income						1,487,147,877
Other comprehensive income						(18,377,219)
Total comprehensive income						₱1,468,770,658
Assets	₱12,810,279,552	₱7,741,534,107	₱4,665,714	₱4,008,678,089	(₱5,089,325,470)	₱19,475,831,992
Liabilities	₱4,610,416,963	₱356,511,242	₱4,573,614	₱10,925,010,747	(₱3,896,072,460)	₱12,000,440,106
Other information:						
Personnel costs	₱—	₱—	₱77,076,988	₱114,226,439	₱—	₱191,303,427
Capitalized borrowing cost	159,586,770	26,668,479	—	—	—	186,255,249
Depreciation and amortization	—	—	—	26,722,029	—	26,722,029

2018						
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱992,593,844	₱132,436,268	₱112,014,081	₱—	(₱104,574,107)	₱1,132,470,086
Segment expenses	(708,597,330)	(49,516,118)	(41,225,144)	(309,856,593)	92,785,452	(1,016,409,733)
Segment profit	283,996,514	82,920,150	70,788,937	(309,856,593)	(11,788,655)	116,060,353
Net gain on change in fair value of investment properties	—	172,819,094	—	—	—	172,819,094
Finance cost	—	—	—	(76,708,027)	3,060,739	(73,647,288)
Other income - Net	319,553,431	196,876	—	29,853,561	(10,483,175)	339,120,693
Income before income tax	603,549,945	255,936,120	70,788,937	(356,711,059)	(19,211,091)	554,352,852
Provision for income tax						(165,735,606)
Net income						388,617,246
Other comprehensive income						10,721,104
Total comprehensive income						₱399,338,350
Assets	₱5,802,492,565	₱6,050,968,705	₱2,966,227	₱3,871,825,219	(₱3,391,786,953)	₱12,336,465,763
Liabilities	₱2,214,206,101	₱2,296,723,057	₱2,966,227	₱4,928,501,373	(₱2,364,209,081)	₱7,078,187,677
Other information:						
Gain on settlement of loans payable	₱319,553,431	₱—	₱—	₱—	₱—	₱319,553,431
Personnel costs	—	—	41,225,144	135,422,167	—	176,647,311
Capitalized borrowing cost	68,332,597	104,494,260	—	—	—	172,826,857
Depreciation and amortization	—	—	—	15,449,610	—	15,449,610

	2017					
	Sale of Real Estate	Leasing	Project Management Services	Corporate	Eliminations	Total
Segment revenue	₱433,964,838	₱22,997,690	₱126,376,629	₱—	(₱119,800,563)	₱463,538,594
Segment expenses	(285,383,634)	(7,993,691)	(41,195,144)	(399,204,847)	78,708,693	(655,068,623)
Segment profit	148,581,204	15,003,999	85,181,485	(399,204,847)	(41,091,870)	(191,530,029)
Net gain on change in fair value of investment properties	—	428,390,699	—	—	—	428,390,699
Finance cost	—	—	—	(93,929,151)	13,265,911	(80,663,240)
Other income – Net	—	140,463	—	146,567,067	(79,264,212)	67,443,318
Income before income tax	148,581,204	443,535,161	85,181,485	(346,566,931)	(107,090,171)	223,640,748
Provision for income tax	—	—	—	—	—	(85,240,763)
Net income	—	—	—	—	—	138,399,985
Other comprehensive income	—	—	—	—	—	4,426,366
Total comprehensive income	—	—	—	—	—	₱142,826,351
Assets	₱2,898,465,626	₱6,586,138,745	₱982,148	₱5,153,012,200	(₱3,391,786,953)	₱11,246,811,766
Liabilities	₱804,117,076	₱2,250,448,813	₱922,826	₱5,491,913,307	(₱2,364,209,081)	₱6,183,192,941
Other information:						
Personnel costs	₱—	₱—	₱41,195,144	₱87,866,752	₱—	₱129,061,896
Capitalized borrowing cost	36,653,151	68,169,703	—	—	—	104,822,854
Depreciation and amortization	—	—	—	9,330,955	—	9,330,955

### 30. Events After Reporting Period

#### **Declaration of Cash Dividends**

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	March 3, 2020	March 6, 2020	March 27, 2020	₱17,319,000	₱1.73
Series B preferred shares	February 11, 2020	February 14, 2020	March 6, 2020	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2019.

#### **Issuance of ASEAN Green Bonds**

In January 2020, the SEC approved the shelf registration of the ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The ₱3.0 billion initial tranche of the Bonds shall have a term ending five (5) years from the Issue Date or on Maturity Date, with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date (see Note 1).

#### **Impact of COVID-19**

The country is currently experiencing a pandemic virus (COVID-19) crisis resulting in a slowdown in the Philippine economy because of mandated enhanced community quarantine all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on the Group's operations and financial performance, however, cannot be reasonably determined as at our report date.

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated March 25, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,929 stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8116478

Issued January 6, 2020, Makati City

March 25, 2020  
Makati City, Metro Manila

**INDEPENDENT AUDITORS REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated March 25, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and no material exceptions were noted.

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

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Valid until January 1, 2023

PTR No. 8116478

Issued January 6, 2020, Makati City

March 25, 2020  
Makati City, Metro Manila

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

Ratio	Formula	2019	2018	2017
<b>Current/Liquidity Ratio</b>				
	Current assets	<b>₱11,845,785,847</b>	₱6,077,365,868	₱4,585,260,285
	Divided by: Current liabilities	<b>6,113,724,853</b>	2,480,623,954	2,952,248,591
	Current/Liquidity ratio	<b>1.94:1.00</b>	2.45:1.00	1.55:1.00
<b>Acid Test Ratio</b>				
	Cash and cash equivalents	<b>₱407,214,384</b>	₱285,413,332	₱589,821,509
	Add: Financial assets at FVPL	<b>772,186,717</b>	196,094,319	519,853,358
	Add: Receivables	<b>389,687,736</b>	236,463,779	86,003,743
	Quick assets	<b>1,569,088,837</b>	717,971,430	1,195,678,610
	Divided by: Current liabilities	<b>6,113,724,853</b>	2,480,623,954	2,952,248,591
	Acid Test ratio	<b>0.26:1.00</b>	0.29:1.00	0.41:1.00
<b>Solvency Ratio</b>				
	Net income	<b>₱1,487,147,877</b>	₱388,617,246	₱138,399,985
	Add: Depreciation	<b>26,722,029</b>	15,449,610	9,330,955
	Net income before depreciation	<b>1,513,869,906</b>	404,066,856	147,730,940
	Divided by: Total liabilities	<b>12,000,440,106</b>	7,078,187,677	6,183,192,941
	Solvency ratio	<b>0.13:1.00</b>	0.06:1.00	0.02:1.00
<b>Debt-to-Equity Ratio</b>				
	Total liabilities	<b>₱12,000,440,106</b>	₱7,078,187,677	₱6,183,192,941
	Divided by: Total equity	<b>7,475,391,886</b>	5,258,278,086	5,063,618,825
	Debt-to-Equity ratio	<b>1.61:1.00</b>	1.35:1.00	1.22:1.00
<b>Debt-to-Equity Ratio</b>				
	Interest-bearing liabilities	<b>₱6,925,381,746</b>	₱4,169,976,102	₱2,617,491,406
	Divided by: Total equity	<b>7,475,391,886</b>	5,258,278,086	5,063,618,825
	Debt-to-Equity ratio	<b>0.93:1.00</b>	0.79:1.00	0.52:1.00
<b>Asset-to-Equity Ratio</b>				
	Total assets	<b>₱19,475,831,992</b>	₱12,336,465,763	₱11,246,811,766
	Divided by: Total equity	<b>7,475,391,886</b>	5,258,278,086	5,063,618,825
	Asset-to-Equity ratio	<b>2.61:1.00</b>	2.35:1.00	2.22:1.00
<b>Interest Rate Coverage Ratio</b>				
	Income before income tax	<b>₱2,123,292,911</b>	₱554,352,852	₱223,640,748
	Add: Interest expense	<b>124,339,961</b>	72,872,660	77,918,542
	Pre-tax income before interest	<b>2,247,632,872</b>	627,225,512	301,559,290
	Divided by: Interest expense	<b>124,339,961</b>	72,872,660	77,918,542
	Interest Rate Coverage ratio	<b>18.08:1.00</b>	8.61:1.00	3.87:1.00

Ratio	Formula	2019	2018	2017
<b>Return on Assets Ratio</b>				
	Net income	<b>₱1,487,147,877</b>	₱388,617,246	₱138,399,985
	Divided by: Total assets	<b>19,475,831,992</b>	12,336,465,763	11,246,811,766
	Return on Assets ratio	<b>0.08:1.00</b>	0.03:1.00	0.01:1.00
<b>Return on Equity Ratio</b>				
	Net income	<b>₱1,487,147,877</b>	₱388,617,246	₱138,399,985
	Divided by: Total equity	<b>7,475,391,886</b>	5,258,278,086	5,063,618,825
	Return on Equity ratio	<b>0.20:1.00</b>	0.07:1.00	0.03:1.00
<b>Net Profit Margin</b>				
	Net income	<b>₱1,487,147,877</b>	₱388,617,246	₱138,399,985
	Divided by: Revenues	<b>3,847,857,424</b>	1,132,470,086	463,538,594
	Return on Equity ratio	<b>0.39:1.00</b>	0.34:1.00	0.30:1.00

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

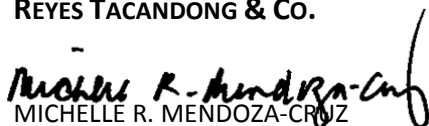
The Stockholders and the Board of Directors  
Arthaland Corporation and Subsidiaries  
7/F Arthaland Century Pacific Tower  
5th Avenue corner 30th Street  
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated March 25, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Schedule of Use of Proceeds
- Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
- Conglomerate Map

These schedules are presented for purposes of complying with the Part II of the Revised SRC Rule 68, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

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PTR No. 8116478

Issued January 6, 2020, Makati City

March 25, 2020  
Makati City, Metro Manila

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED**  
**BY PAR. 6 PART II OF THE REVISED SRC RULE 68**  
**DECEMBER 31, 2019**

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**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2019**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
<b>Cash on Hand</b>	₱80,000	₱80,000	₱—	₱—
<b>Cash in Banks:</b>				
Banco De Oro	220,563,108	220,563,108	—	
Bank of the Philippines	45,171,938	45,171,938	—	
Asia United Bank	21,293,741	21,293,741	—	
Philippine National Bank	20,835,324	20,835,324	—	
UnionBank of the Philippines	20,313,455	20,313,455	—	
Metropolitan Bank and Trust Company	12,563,030	12,563,030	—	
Maybank of the Philippines	3,362,504	3,362,504	—	
Others	274,742	274,742	—	
	344,377,842	344,377,842	—	4,678,550
<b>Short-term Placements:</b>				
Bank of the Philippines	58,141,240	58,141,240	58,141,240	
Bank of Makati	2,121,899	2,121,899	2,121,899	
Banco De Oro	1,351,765	1,351,765	1,351,765	
Metropolitan Bank and Trust Company	929,568	929,568	929,568	
Security Bank	212,070	212,070	212,070	
	62,756,542	62,756,542	62,756,542	8,340,308
<b>Deposits</b>	62,270,945	62,270,945	—	—
<b>Investments in Money Market Fund</b>	772,186,717	772,186,717	772,186,717	—
<b>Investment in Time Deposits</b>	—	—	—	470,498
<b>Amounts Held in Escrow</b>	85,402,876	85,402,876	—	—
	₱1,327,074,922	₱1,327,074,922	₱834,943,259	₱13,489,356

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2019**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance	
				Amounts written off	Current	Not current	Balance at end of year
Due from Related Parties:							
CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—	₱36,052,873
Centrobless Corporation	—	12,856,017	—	—	12,856,017	—	12,856,017
Signature Office Property, Inc.	—	4,932,492	—	—	4,932,492	—	4,932,492
	₱36,052,873	₱17,788,509	₱—	₱—	₱53,841,382	₱—	₱53,841,382

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts Collected	Deductions		Ending Balance	
				Amounts written off	Current	Not current	Balance at end of year
Advances to subsidiaries:							
Bhavya Property Holdings, Inc.	₱—	₱709,020,644	(₱44,000,000)	₱—	₱665,020,644	₱—	₱665,020,644
Cazneau, Inc.	483,822,258	130,054,092	(6,554,092)	—	607,322,258	—	607,322,258
Bhavana Property Holdings, Inc.	—	588,950,000	(54,911,104)	—	534,038,896	—	534,038,896
Cebu Lavana Land Corp.	447,500,000	50,376,362	(2,876,362)	—	495,000,000	—	495,000,000
Savya Land Development Corporation	497,381,392	225,680	(10,107,072)	—	487,500,000	—	487,500,000
Zileya Land Development, Inc.	353,023,444	39,467,045	(3,017,045)	—	389,473,444	—	389,473,444
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	62,304,320	3,606,590	(606,590)	₱—	65,304,320	—	65,304,320
Emera Property Management, Inc.	—	6,425,421	(4,865,266)	—	1,560,155	—	1,560,155
Pradhana Land, Inc.	—	300,000	—	—	300,000	—	300,000
Khastha Holdings, Inc.	—	125,000	—	—	125,000	—	125,000
	₱1,844,031,414	₱1,528,550,834	(₱126,937,531)	₱—	₱3,245,644,717	₱—	₱3,245,644,717
Nontrade receivables from subsidiaries:							
Savya Land Development Corporation	₱—	₱156,636,539	(₱156,636,539)	₱—	₱—	₱—	₱—
Cebu Lavana Land Corp.	133,547,340	91,000,000	(224,547,340)	—	—	—	—
	₱133,547,340	₱247,636,539	(₱381,183,879)	₱—	₱—	₱—	₱—
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱281,158,275	₱1,000,000	₱—	₱—	₱282,158,275	₱—	₱282,158,275
Cebu Lavana Land Corp.	267,122	—	—	—	267,122	—	267,122
	₱281,425,397	₱1,000,000	₱—	₱—	₱282,425,397	₱—	₱282,425,397

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D - LONG-TERM DEBT**  
**DECEMBER 31, 2019**

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	₱2,350,000,000	₱633,000,000	₱1,533,666,000	5.77%	Quarterly	July 31, 2021
Bank 2	2,000,000,000	96,435,051	1,861,017,243	5.81%	Quarterly	July 7, 2025
Bank 3	1,440,000,000	—	1,082,656,498	8.58%	Quarterly	August 29, 2023
Bank 4	500,000,000	500,000,000	—	6.38%	At end of term	February 17, 2020
Bank 5	335,728,189	335,728,189	—	8.00%	At end of term	November 23, 2020
Bank 6	300,000,000	298,154,795	—	5.75%	At end of term	June 15, 2020
Bank 7	250,000,000	250,000,000	—	6.13%	At end of term	January 27, 2020
Bank 8	100,000,000	100,000,000	—	6.25%	At end of term	January 10, 2020
Bank 9	100,000,000	100,000,000	—	5.50%	At end of term	September 25, 2020
Bank 10	50,000,000	50,000,000	—	7.00%	At end of term	April 8, 2020
Various loans from private funders	84,723,970	84,723,970	—	3.50%	Renewable on maturity	January 20, March 1, and June 1, 2020
	₱7,510,452,159	₱2,448,042,005	₱4,477,339,741			

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2019**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance		Balance at end of year
				Amounts written off	Current	Not current		
Due to related parties:								
Help Holdings, Inc.	P—	P632,919,597	P—	P—	P632,919,597	P—		P632,919,597
Rock & Salt B.V.	386,666,691	125,000,009	—	—	511,666,700	—		511,666,700
	P386,666,691	P757,919,606	P—	P—	P1,144,586,297	P—		P1,144,586,297

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2019**

<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related statement of financial position</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by</b>		
				<b>Related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,349,910	9	1,916,745,280
Preferred shares - ₱1.00 par value per share	50,000,000	42,500,000	—	12,500,000	—	30,000,000

**ARTHALAND CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF USE OF PROCEEDS**

**Series B Preferred Shares**

**DECEMBER 31, 2019**

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

<b>Purpose</b>	<b>Per Offer Supplement</b>	<b>Actual Net Proceeds</b>	<b>Actual Disbursement as at 12/31/2019</b>	<b>Balance for Disbursement as at December 31, 2019</b>
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	230.6	101.3
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange project	53.6	53.6	53.6	—
<b>Total</b>	<b>₱1,971.8</b>	<b>₱1,972.9</b>	<b>₱1,871.6</b>	<b>₱101.3</b>

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**ARTHALAND CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF USE OF PROCEEDS**

**Series C Preferred Shares**

**DECEMBER 31, 2019**

The estimated gross proceeds from the offer amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

<b>Purpose</b>	<b>Per Offer Supplement</b>	<b>Actual Net Proceeds</b>	<b>Actual Disbursement as at 12/31/2019</b>	<b>Balance for Disbursement as at December 31, 2019</b>
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
<b>Total</b>	<b>₱984.1</b>	<b>₱985.3</b>	<b>₱985.3</b>	<b>₱—</b>



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

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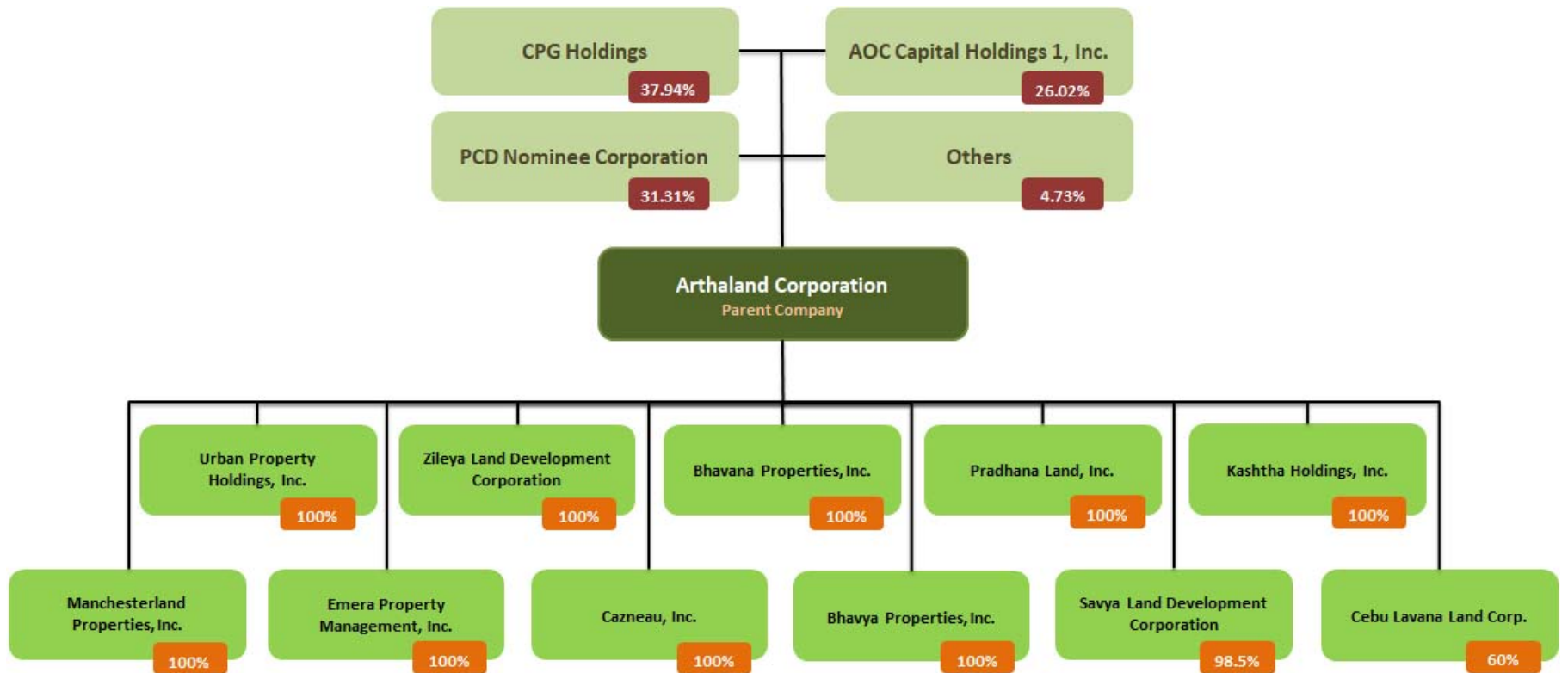
**SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION  
DECEMBER 31, 2019**

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Unappropriated retained earnings, beginning		P1,365,140,988
Adjustments:		
Cumulative gain on change in fair value of investment properties	(749,878,598)	
Unrealized holding loss on financial assets at FVPL	6,759,981	
Accumulated depreciation and amortization of investment properties	(676,671)	(743,795,288)
Unappropriated retained earnings, as adjusted for dividend distribution, beginning		621,345,700
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	787,245,534	
Realized holding gains on financial assets at FVPL	(6,759,981)	780,485,553
Less: Non-actual/unrealized income and loss, net of tax		
Gain on change in fair value of investment properties	(766,454,253)	
Depreciation and amortization of investment properties	(27,980,782)	
Unrealized holding gains on financial assets at FVPL	(778,461)	
Depreciation of fair value of property and equipment	628,994	(794,584,502)
Cash dividends		(239,371,142)
Unappropriated retained earnings, end of the year available for dividend		P367,875,609

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## CONGLOMERATE MAP



**SEC FORM 17-Q (FIRST QUARTER 2020)**

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

**FERDINAND A. CONSTANTINO**

(Contact Person)

**(+632) 403-6910**

(Company Telephone Number)

*Month*      *Day*  
(Fiscal Year)

1	7	-	Q	
---	---	---	---	--

(Form Type)

0	6	Last	Fri
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*Month Day*  
(Annual Meeting)

	N.A.
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(Secondary License Type, If Applicable)

\_\_\_\_\_

Dept. Requiring this Doc.

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Amended Articles
Number/Section

1,955

Total No. of Stockholders

### Total Amount of Borrowings

\_\_\_\_\_

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

**ARTHALAND CORPORATION**  
(Company's Full Name)

7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street  
Bonifacio Global City, Taguig City  
 (Company's Address)

**403-6910**  
(Telephone Number)

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

**June 30**  
(Annual Meeting)

**SEC FORM 17 – Q QUARTERLY REPORT**  
(Form Type)

Amendment Designation (If applicable)

March 31, 2020  
(Period Ended Date)

(Secondary License Type & File Number)

(Cashier)

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LCU

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DTU

**ASO-94-007160**  
(SEC Number)

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Central Receiving Unit

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File Number

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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, 2020

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

***ARTHALAND CORPORATION***

5. Incorporated in Metro Manila, Philippines on August 10, 1994.

6. Industry Classification Code \_\_\_\_\_ (SEC Use Only).

7. Address of registrant's principal office Postal Code

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

***1634***

8. Registrant's Telephone Number : 8403-6910

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Outstanding</u>	<u>Amount of Debt Outstanding</u>
<b>Common Shares</b>	<b>5,318,095,199 (₱0.18 par value)</b>	<b>None</b>
<b>Preferred Shares – Series A</b>	<b>12,500,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series B</b>	<b>20,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series C</b>	<b>10,000,000 (₱1.00 par value)</b>	<b>None</b>
<b>ASEAN Green Bonds</b>	<b>None</b>	<b>₱3,000,000,000</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

**YES [ X ]**

**NO [ ]**

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

12. Indicate by check mark whether the registrant :

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

**YES [ X ]**

**NO [ ]**

(b) has been subject to such filing requirements for the past 90 days.

**YES [ X ]**

**NO [ ]**

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

*See attached.*

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*See attached.*

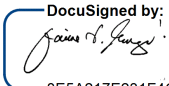
## PART II - OTHER INFORMATION

There are no other information for the period not previously reported in SEC Form 17-C.

## SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **ARTHALAND CORPORATION**

Signature and Title :   
**JAIME C. GONZALEZ**  
President

Signature and Title :   
**FERDINAND A. CONSTANTINO**  
Chief Finance Officer

Date : May 6, 2020

**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. Except as otherwise disclosed separately and mentioned in this Report, there are no other 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, 2020 AND DECEMBER 31, 2019**

		MARCH 31 2020	DECEMBER 31 2019
	Notes	(Unaudited)	(Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	P 2,810,011,529	P 407,214,384
Financial assets at fair value through profit or loss (FVPL)	5	1,420,110,375	772,186,717
Trade and other receivables	6	437,414,608	389,687,736
Contract Assets	7	3,470,813,905	3,250,482,689
Real estate for sale	8	5,933,386,526	5,410,062,969
Investment properties	9	7,284,492,034	7,280,000,267
Property and equipment	10	281,875,809	282,549,715
Creditable withholding taxes		343,163,030	338,105,363
Other assets	11	1,370,433,979	1,345,542,152
		<b>P 23,351,701,795</b>	<b>P 19,475,831,992</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12	P 7,847,569,605	P 6,925,381,746
Bonds payable	12	2,952,807,600	-
Accounts payable and other liabilities	13	2,327,439,909	2,488,916,877
Contract liabilities	7	33,903,787	32,179,674
Due to related parties	14	1,307,169,833	1,144,586,297
Net retirement liability	21	102,216,115	99,880,460
Net deferred tax liabilities		1,319,343,376	1,309,495,052
Total Liabilities		15,890,450,225	12,000,440,106
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	15	999,757,136	999,757,136
Additional paid-in capital	15	3,008,959,878	3,008,959,878
Retained earnings		3,119,581,240	3,161,789,766
Cumulative remeasurement losses on retirement liability - net of tax		(207,724)	(207,724)
Parent Company's shares held by a subsidiary - at cost		(12,500,000)	(12,500,000)
		7,115,590,530	7,157,799,056
Non-controlling interests		345,661,040	317,592,830
Total Equity		7,461,251,570	7,475,391,886
		<b>P 23,351,701,795</b>	<b>P 19,475,831,992</b>

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2020 AND 2019**

	Notes	MARCH 31 2020 (Unaudited)	MARCH 31 2019 (Unaudited)
<b>ASSETS</b>			
Cash and cash equivalents	4	P 2,810,011,529	P 497,707,913
Financial assets at fair value through profit or loss (FVPL)	5	1,420,110,375	291,546,784
Trade and other receivables	6	437,414,608	286,208,723
Contract Assets	7	3,470,813,905	1,130,539,676
Real estate for sale	8	5,933,386,526	3,691,922,262
Investment properties	9	7,284,492,034	6,273,373,603
Property and equipment	10	281,875,809	262,889,982
Net deferred tax assets		-	1,300,898
Creditable withholding taxes		343,163,030	276,424,197
Other assets	11	1,370,433,979	1,056,861,556
		<b>P 23,351,701,795</b>	<b>P 13,768,775,594</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12	P 7,847,569,605	P 4,636,773,723
Bonds payable	12	2,952,807,600	-
Accounts payable and other liabilities	13	2,327,439,909	2,270,569,243
Contract liabilities	7	33,903,787	1,496,690
Due to related parties	14	1,307,169,833	458,050,493
Net retirement liability	21	102,216,115	68,424,653
Net deferred tax liabilities		1,319,343,376	878,298,220
Total Liabilities		<b>15,890,450,225</b>	<b>8,313,613,022</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	15	999,757,136	989,757,136
Additional paid-in capital	15	3,008,959,878	2,031,441,541
Retained earnings		3,119,581,240	2,380,718,703
Cumulative remeasurement gains (losses) on retirement liability - net of tax		(207,724)	18,169,495
Parent Company's shares held by a subsidiary - at cost		(12,500,000)	(12,500,000)
		<b>7,115,590,530</b>	<b>5,407,586,875</b>
Non-controlling interests		345,661,040	47,575,697
Total Equity		<b>7,461,251,570</b>	<b>5,455,162,572</b>
		<b>P 23,351,701,795</b>	<b>P 13,768,775,594</b>

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2020**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2019**

		MARCH 31 2020	DECEMBER 31 2019
	Notes	(Unaudited)	(Audited)
<b>REVENUES</b>	16	<b>P 577,214,772</b>	P 3,847,857,424
<b>COST OF SALES AND SERVICES</b>	17	<b>310,156,160</b>	2,145,739,457
<b>GROSS INCOME</b>		<b>267,058,612</b>	1,702,117,967
<b>OPERATING EXPENSES</b>	18	<b>151,546,072</b>	665,816,942
<b>INCOME FROM OPERATIONS</b>		<b>115,512,540</b>	1,036,301,025
<b>GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES</b>		<b>-</b>	1,180,724,811
<b>FINANCE COSTS</b>	19	<b>(67,301,683)</b>	(124,839,604)
<b>OTHER INCOME - net</b>	20	<b>7,445,569</b>	31,106,679
<b>INCOME BEFORE INCOME TAX</b>		<b>55,656,426</b>	2,123,292,911
<b>INCOME TAX EXPENSE</b>		<b>17,248,742</b>	636,145,034
<b>NET INCOME</b>		<b>38,407,684</b>	1,487,147,877
<b>COMPREHENSIVE LOSS</b>		<b>-</b>	(18,377,219)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 38,407,684</b>	P 1,468,770,658
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		10,339,474	1,187,016,033
Non-controlling interest		28,068,210	300,131,844
		<b>38,407,684</b>	1,487,147,877
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		10,339,474	1,168,638,814
Non-controlling interest		28,068,210	300,131,844
		<b>38,407,684</b>	1,468,770,658
<b>EARNINGS (LOSS) PER SHARE - Basic and Diluted</b>	24	<b>( P 0.0079 )</b>	P 0.1902

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019**

	Notes	MARCH 31 2020 (Unaudited)	MARCH 31 2019 (Unaudited)
REVENUES	16	P 577,214,772	P 466,347,163
COST OF SALES AND SERVICES	17	310,156,160	278,813,210
GROSS INCOME		267,058,612	187,533,953
OPERATING EXPENSES	18	151,546,072	108,395,969
INCOME FROM OPERATIONS		115,512,540	79,137,984
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		-	288,795,152
FINANCE COSTS	19	(67,301,683)	(7,338,941)
OTHER INCOME - net	20	7,445,569	4,236,267
INCOME BEFORE INCOME TAX		55,656,426	364,830,462
INCOME TAX EXPENSE		17,248,742	132,716,976
NET INCOME		38,407,684	232,113,486
COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		P 38,407,684	P 232,113,486
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		10,339,474	201,802,828
Non-controlling interest		28,068,210	30,310,658
		38,407,684	232,113,486
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		10,339,474	201,802,828
Non-controlling interest		28,068,210	30,310,658
		38,407,684	232,113,486
EARNINGS (LOSS) PER SHARE - Basic and Diluted	24	( P 0.0079 )	P 0.0313

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019**

	Note	MARCH 31 2020 (Unaudited)	MARCH 31 2019 (Unaudited)
<b>CAPITAL STOCK</b>			
Common - P0.18 par value			
Issued and outstanding	15	P 957,257,136	P 957,257,136
Preferred - P1.00 par value			
Balance at beginning of period		42,500,000	32,500,000
Issued and subscribed	15	-	-
		42,500,000	32,500,000
Balance at end of period		999,757,136	989,757,136
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning and end of period		3,008,959,878	2,031,441,541
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		3,161,789,766	2,214,144,875
Net income for the period		10,339,474	201,802,828
Dividends declared during the period	15	(52,548,000)	(35,229,000)
Balance at end of period		3,119,581,240	2,380,718,703
<b>ACCUMULATED UNREALIZED ACTUARIAL GAINS</b>			
Balance at beginning and end of period		(207,724)	18,169,495
<b>PARENT COMPANY'S PREFERRED SHARES</b>			
HELD BY A SUBSIDIARY - at cost		(12,500,000)	(12,500,000)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>			
OF THE PARENT COMPANY		7,115,590,530	5,407,586,875
<b>NON-CONTROLLING INTERESTS</b>			
Balance at beginning of period		317,592,830	17,265,039
Net income for the period		28,068,210	30,310,658
Balance at end of period		345,661,040	47,575,697
<b>TOTAL EQUITY</b>		<b>P 7,461,251,570</b>	<b>P 5,455,162,572</b>

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019**

		MARCH 31 2020	MARCH 31 2019
	Notes	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P 55,656,426	P 364,830,462
Adjustments for:			
Interest expense	19	67,117,719	7,215,764
Depreciation and amortization	18	11,341,401	5,048,663
Gain on change in FV of investment properties		-	(288,795,152)
Retirement expense	21	2,335,655	2,335,655
Realized holding gains	20	(3,335,824)	(3,701,708)
Unrealized holding (gains) loss	20	(3,073,258)	118,723
Unrealized forex loss	20	-	75,915
Interest income	20	(231,952)	(69,740)
Operating income before working capital changes		129,810,167	87,058,582
Decrease (increase) in:			
Trade and other receivables		(47,726,872)	456,724,007
Contract assets		(220,331,216)	(345,341,732)
Real estate for sale		(523,323,557)	(279,208,837)
Other assets		(24,891,827)	(557,732,695)
Increase (decrease) in:			
Contract liabilities		1,724,113	(18,888,590)
Accounts payable and other liabilities		(161,476,968)	614,721,230
Net cash used in operations		(846,216,160)	(42,668,035)
Interest paid		(123,980,185)	2,094,857
Interest received		231,952	69,740
Income tax paid		(12,458,085)	(35,348,822)
Net cash used in operating activities		(982,422,478)	(75,852,260)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of Financial assets at FVPL - net		(641,514,576)	(133,135,738)
Additions to Property and equipment - net		(10,667,495)	(30,485,690)
Increase in Investment properties		(4,491,767)	(83,063,876)
Net cash used in investing activities		(656,673,838)	(246,685,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from:			
Loans and Bonds Payable		4,434,334,000	460,487,000
Due to related parties		162,583,536	71,383,802
Payment of loans payable		(502,476,075)	(3,000,000)
Payment of dividends		(52,548,000)	(35,229,000)
Net cash generated from financing activities		4,041,893,461	493,641,802
<b>NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		-	(75,915)
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>2,402,797,145</b>	<b>171,028,323</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>407,214,384</b>	<b>326,679,590</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>P 2,810,011,529</b>	<b>P 497,707,913</b>

*See accompanying Notes to Consolidated Financial Statements.*

# ARTHALAND CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### Corporate Information

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

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

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

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

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

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

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

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

#### Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2020	2019	2018
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Savya Land Development Corporation (SLDC)	Philippines	98%	98%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	100%	100%	-
Bhavya Properties, Inc. (Bhavya)	Philippines	100%	100%	-

Pradhana Land, Inc. (Pradhana)*	Philippines	<b>100%</b>	100%	-
Kashtha Holdings, Inc. (KHI)*	Philippines	<b>100%</b>	100%	-

*\*Incorporated in 2019 and have not yet commenced any development as at March 31,2020*

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

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya, PLI and KHI.

## **Major Projects**

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

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

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

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

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

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



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

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

In August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company (the “JV Company”) to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% equity interest of ALCO in SLDC, thereby making the JV Company the direct 50% stockholder in SLDC, and (ii) acquire by assignment the shareholder’s advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the JV Company. As at March 31, 2020, KHI has not yet acquired the shares of ALCO in SLDC and the advances by ALCO to SLDC.

### **Approval of the Interim Consolidated Financial Statements**

The interim consolidated financial statements of the Group as at and for the three (3) months ended March 31, 2020 were approved and authorized for issue by the Board of Directors (BOD) on May 6, 2020.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation**

The interim consolidated financial statements as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019 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, 2019.

### **Measurement Bases**

The interim consolidated financial statements are presented in Philippine Peso, the Group’s functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value consideration received in exchange for incurring liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- Note 3 - Significant Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties
- Note 25 - Fair Value Measurement

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services

to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

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

Effective for annual periods beginning on or after January 1, 2019:

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

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

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

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

The Group does not have non-cancellable lease commitments as at January 1, 2020. Moreover, the Group opted not to apply the requirements to recognize ROU and finance liability for leases with terms of one (1) year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at March 31, 2020. Accordingly, PFRS 16 has no significant impact on the Group’s consolidated financial statements.

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

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.
- Annual Improvements to PFRS 2015 to 2017 Cycle:
  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.
  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.
- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments clarify that an entity treats as part of its general borrowings any specific borrowings made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

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

#### **Amended PFRS But Effectivity is Deferred**

Relevant amended PFRS which have not been applied in preparing the consolidated financial statements as at March 31, 2020 are summarized below:

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- SEC Memorandum Circular No. 14 Series of 2018, *Philippine Interpretations Committee (PIC) Q&A No. 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

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

### **Basis of Consolidation**

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

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

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

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

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

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

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

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

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

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

As at March 31, 2020 and December 31, 2019, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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

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

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

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

As at March 31, 2020 and December 31, 2019, the Group classified its investments in money market fund under this category (see Note 5).

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

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

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

As at March 31, 2020 and December 31, 2019, the Group's cash and cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), contract assets, amounts held in escrow, deposits and investment in time deposits are classified under this category (see Notes 4, 5, 7, and 11).

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

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

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

As at March 31, 2020 and December 31, 2019, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due to related parties are classified under this category (see Notes 12, 13 and 14).

### **Reclassification**

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

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

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

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

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

### **Impairment of Financial Assets at Amortized Cost**

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

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

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

### **Derecognition of Financial Assets and Liabilities**

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the



financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

#### **Offsetting of Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

#### **Classification of Assets and Liabilities between Current and Noncurrent**

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements.

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

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or

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

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

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

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

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

### **Cost to Obtain a Contract with a Customer**

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

### **Contract Balances**

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

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

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

### **Debt Issue Costs**

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

### **Real Estate for Sale**

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

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

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

### **Borrowing Costs**

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

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

### **Creditable Withholding Taxes (CWT)**

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

### **Investment Properties**

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

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

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

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected

from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

### **Property and Equipment**

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

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

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

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

### **Other Assets**

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

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

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

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

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

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

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

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

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

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

### **Impairment of Nonfinancial Assets**

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

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

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a

change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

#### **Payable to Buyers**

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

#### **Advance Rent**

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

#### **Capital Stock**

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

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

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

#### **Additional Paid-in Capital**

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

#### **Retained Earnings**

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

#### **Other Comprehensive Income (OCI)**

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

#### **Parent Company's Shares Held by a Subsidiary**

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

#### **Non-controlling Interests**

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately

disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

### **Basic and Diluted Earnings Per Share (EPS)**

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

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

### **Revenue Recognition**

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

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

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

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

#### **A. Revenue from Contract with Customers**

*Revenue from Real Estate Sales.* Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under

pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

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

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

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

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

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

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

## B. Revenue from Other Sources

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

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

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

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

### **Cost and Expenses Recognition**

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

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

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

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

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

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

### **Leases**

#### a. Accounting Policies prior to January 1, 2019

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



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

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- iv. there is a substantial change to the asset.

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

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

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

b. Accounting Policies beginning January 1, 2019

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

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

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

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

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

### **Employee Benefits**

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

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

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

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

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

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

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

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

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

### **Foreign Currency - Denominated Transactions**

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

### **Income Taxes**

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

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

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

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

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

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

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

#### **Related Party Transactions and Relationships**

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

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

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

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

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

#### **Provisions and Contingencies**

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

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

#### **Events After the Reporting Period**

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

### **3. SIGNIFICANT 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 asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### **Judgments**

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

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

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

*Determining Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at March 31, 2020 and December 31, 2019, it has the ability to exercise control over these investees.

*Recognizing Property of Arcosouth under Real Estate for Sale.* In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent Company shall nominate the

Chairman of SLDC's BOD and the stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC. Management assessed that the Group has control over the property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at March 31, 2020 and December 31, 2019.

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

*Determining Lease Commitments - Group as Lessor.* The Group 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.

*Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee.* The Group has entered into lease agreements as a lessee for its office space until October 2018. The Group has

determined that the significant risks and rewards of ownership of these sites are not transferred to the Group under operating lease arrangements. Accordingly, these leases were accounted for as operating lease.

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

#### **Accounting Estimates and Assumptions**

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

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

*Estimating Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No provision for impairment loss on nonfinancial assets was recognized in 2020 and 2019.

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

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

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

#### 4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 2020	December 2019	March 2019
Cash on hand	80,000	80,000	80,000
Cash in bank	1,576,320,508	344,377,842	235,305,465
Cash equivalents	1,233,611,021	62,756,542	262,322,448
	<b>2,810,011,529</b>	<b>407,214,384</b>	<b>497,707,913</b>

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

#### 5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱1,420.1 million and ₱772.2 million as at March 31, 2020 and December 31, 2019, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains (loss) amounting to ₱3.07 million and ₱0.12 million for the three months ended March 31, 2020 and 2019, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on



sale of financial assets at FVPL amounted to ₱3.34 million and ₱3.70 million for the three months ended March 31, 2020 and 2019, respectively (see Note 20).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

## 6. TRADE AND OTHER RECEIVABLES

This account consists of:

	March 2020	December 2019	March 2019
Trade receivables from:			
Sale of real estate	185,986,357	167,966,505	78,544,360
Leasing	60,756,319	45,036,252	33,236,394
Accrued rent receivables	96,478,991	99,004,111	80,108,710
Advances to employees	13,763,026	7,971,657	5,610,685
Other receivables	80,798,207	70,077,503	89,076,866
	437,782,900	390,056,028	286,577,015
Allowance for impairment losses	(368,292)	(368,292)	(368,292)
	437,414,608	389,687,736	286,208,723

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

	March 2020	December 2019	March 2019
Current	437,046,316	389,319,444	285,840,431
Past due			
Within 6 months	-	-	-
7 months to 1 year	-	-	-
More than 1 year	368,292	368,292	368,292
	437,414,608	389,687,736	286,208,723

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

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

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

Others mainly include accrued project management fees which will be billed and collected within 30 days and other charges and advances which are noninterest-bearing and collectible on demand.

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, 2020, and December 31, 2019, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

## 7. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	<b>March 2020</b>	December 2019	March 2019
Contract assets	<b>3,470,813,905</b>	3,250,482,689	1,130,539,676
Contract liabilities	<b>33,903,787</b>	32,179,674	1,496,690
Net contract assets (liabilities)	<b>3,436,910,118</b>	3,218,303,015	1,129,042,986

Contract assets pertain to receivables from the sale of office units of Cebu Exchange and Savya Financial Center representing the excess of cumulative revenues from real estate sales over total collections received from the buyers as at March 31, 2020 and December 31, 2019. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally over five (5) years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange and Savya Financial Center at the inception of the contracts in which the related revenue is not yet recognized as at March 31, 2020 and December 31, 2019.

## 8. REAL ESTATE FOR SALE

This account consists of:

	<b>March 2020</b>	December 2019	March 2019
Raw land	<b>2,392,320,781</b>	914,882,768	1,656,023,008
Assets under construction	<b>2,514,363,277</b>	3,510,260,784	1,695,328,044
Condominium units for development	<b>1,026,702,468</b>	984,919,417	340,571,210
	<b>5,933,386,526</b>	5,410,062,969	3,691,922,262

### Raw Land

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

In 2019, the Group purchased from a local bank a parcel of land with a total area of 2,245 sqm, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, for P673.5 million, excluding other directly attributable costs. This will be developed to a residential building with condominium units for sale.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating P22.5 million and P216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD.

### Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at March 31, 2020, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

### Condominium Units for Development

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

## 9. INVESTMENT PROPERTIES

This account consists of:

	March 2020	December 2019	March 2019
ACPT	<b>4,680,465,950</b>	4,676,027,308	3,804,378,449
Arya Residences:			
Commercial units	<b>1,194,379,000</b>	1,194,379,000	1,194,379,000
Parking slots	<b>184,984,000</b>	184,984,000	184,984,000
Raw Land:			
UPHI's property	<b>603,819,006</b>	603,819,003	577,277,508
Parent company's Batangas and Tagaytay property	<b>147,761,484</b>	147,761,771	141,898,400
Cazneau's property	<b>291,875,908</b>	291,822,499	211,713,162
Courtyard Hall	<b>181,206,686</b>	181,206,686	158,743,084
	<b>7,284,492,034</b>	7,280,000,267	6,273,373,603

### **ACPT**

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

In 2018, the Parent Company transferred its office to ACPT (see Note 1). Accordingly, investment properties with a carrying amount of ₱176.9 million, ₱131.9 million original cost, was reclassified to "Property and equipment" (see Note 10).

### **Arya Residences' Commercial Units and Parking Slots**

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations.

In 2018, the Parent Company and MPI sold parking slots with carrying amount of P28.8 million (P17.8 million cost) for a total consideration of P20.5 million.

### **Raw Land and Courtyard Hall**

UPHI's raw land, with fair value amounting to ₱603.8 million as at March 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2019 and 2018, the Group transferred portion of land and Courtyard Hall of Cazneau from "Real estate for sale" account to "Investment properties" account aggregating ₱22.5 million and ₱216.9 million, respectively, because of the change in the intended use of the property as approved by the BOD (see Note 8).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱147.8 million as at March 31, 2020 and December 31, 2019.

### **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	March 2020	December 2019
ACPT	Discounted cash flow approach (DCF)	Rental rate for an office unit per square meter (sq.m.)	<b>P1,500</b>	P1,500
		Rental rate per parking slot	<b>P6,500</b>	P6,500
		Discount rate	<b>8.25%</b>	8.25%
		Vacancy rate	<b>5-10%</b>	5-10%
		Calculated no. of net leasable area (total sq. m.)	<b>18,059</b>	18,059
Arya Residences: Commercial units	Discounted cash flow approach	Rental rate per square meter (sq.m.)	<b>P3,000</b>	P3,000
		Rent escalation rate per annum (p.a.)	<b>7%</b>	7%
		Discount rate	<b>8.74%</b>	8.74%
		Vacancy rate	<b>2%</b>	2%
Parking slots	Discounted cash flow approach	Rental rate per slot	<b>P6,500</b>	P6,500
		Rent escalation rate p.a.	<b>7%</b>	7%
		Discount rate	<b>8.74%</b>	8.74%
		Vacancy rate	<b>2%</b>	2%
Raw Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	<b>P1,800</b>	P1,800
Cazneau's Laguna Properties	Market data approach	Price per sq. m.	<b>P11,200</b>	P11,200
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	<b>P1,339</b>	P1,339
Courtyard Hall	Depreciated replacement method	Estimated replacement cost	<b>P143,117,000</b>	P143,117,000
		Remaining economic life	<b>38 years</b>	38 years

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

### 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.

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

### Market Data Approach

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

### Depreciated Replacement Cost Method

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

## 10. PROPERTY AND EQUIPMENT

The balances and movements of this account consist of:

	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
Balance at beginning of year	236,920,371	66,718,966	57,040,879	15,255,826	78,500	376,014,542
Additions	7,585,243	1,814,286	294,629	973,337	-	10,667,495
Disposals	-	(3,983,900)	-	-	-	(3,983,900)
Reclassification	-	-	-	-	-	-
Balance at end of year	244,505,614	64,549,352	57,335,508	16,229,163	78,500	382,698,137
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	7,367,916	27,813,327	43,469,345	14,785,891	28,348	93,464,827
Depreciation and amortization	3,270,037	5,294,792	1,939,131	830,899	6,542	11,341,401
Disposals	-	(3,983,900)	-	-	-	(3,983,900)
Balance at end of year	10,637,953	29,124,219	45,408,476	15,616,790	34,890	100,822,328
<b>Carrying Amount</b>	<b>233,867,661</b>	<b>35,425,132</b>	<b>11,927,032</b>	<b>612,373</b>	<b>43,610</b>	<b>281,875,809</b>

December 2019							
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of year	26,917,349	54,833,018	49,932,812	8,790,764	78,500	177,062,444	317,614,887
Additions	32,940,578	25,290,412	7,160,880	6,465,062	-	-	71,856,932
Disposals	-	(13,404,464)	(52,813)	-	-	-	(13,457,277)
Reclassification	177,062,444	-	-	-	-	(177,062,444)	-
Balance at end of year	236,920,371	66,718,966	57,040,879	15,255,826	78,500	-	376,014,542
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	4,256,821	28,199,886	39,820,930	7,882,114	2,181	-	80,161,932
Depreciation and amortization	3,111,095	13,017,905	3,663,085	6,903,777	26,167	-	26,722,029
Disposals	-	(13,404,464)	(14,670)	-	-	-	(13,419,134)
Balance at end of year	7,367,916	27,813,327	43,469,345	14,785,891	28,348	-	93,464,827
<b>Carrying Amount</b>	<b>229,552,455</b>	<b>38,905,639</b>	<b>13,571,534</b>	<b>469,935</b>	<b>50,152</b>	<b>-</b>	<b>282,549,715</b>

March 2019							
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of year	26,917,349	54,833,018	49,932,812	8,790,764	78,500	177,062,444	317,614,887
Additions	20,460,140	3,895,536	2,705,185	3,424,830	-	-	30,485,690
Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Balance at end of year	47,377,489	58,728,554	52,637,997	12,215,594	78,500	177,062,444	348,100,577
<b>Accumulated Depreciation and Amortization</b>							
Balance at beginning of year	4,256,821	28,199,886	39,820,930	7,882,114	2,181	-	80,161,932
Depreciation and amortization	-	3,117,952	482,863	1,441,306	6,542	0	5,048,663
Disposals	-	-	-	-	-	-	-
Balance at end of year	4,256,821	31,317,838	40,303,793	9,323,420	8,723	0	85,210,595
<b>Carrying Amount</b>	<b>43,120,668</b>	<b>27,410,716</b>	<b>12,334,203</b>	<b>2,892,174</b>	<b>69,777</b>	<b>177,062,444</b>	<b>262,889,982</b>

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

## 11. OTHER ASSETS

This account consists of:

	March 2020	December 2019	March 2019
Advances for project development	549,048,563	630,789,051	460,860,277

	<b>March 2020</b>	December 2019	March 2019
Input VAT	<b>461,028,835</b>	401,576,866	281,173,242
Prepayments	<b>203,706,455</b>	159,853,520	88,322,552
Amounts held in escrow	<b>82,713,044</b>	85,402,876	56,514,398
Deposits	<b>67,623,334</b>	62,270,945	89,384,673
Deferred input VAT	<b>4,793,941</b>	4,129,087	58,054,607
Materials and supplies	<b>1,519,807</b>	1,519,807	1,519,807
Investment in time deposits	-	-	21,032,000
	<b>1,370,433,979</b>	1,345,542,152	1,056,861,556

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.

Prepayments consist of rent, taxes, insurance and other expenses which are amortized over a year, and of prepaid commissions, amortized over the lease term for leasing and based on percentage of completion for selling.

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 ₱1,930.9 million and ₱1,957.5 million as at March 31, 2020 and December 31, 2019, respectively. The outstanding loan balance of MTL amounted to ₱1,082.8 million as at March 31, 2020 and ₱1,082.7 million as at December 31, 2019 (see Note 12).

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

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

Investment in time deposits pertains to US Dollar-denominated time deposits with terms of two (2) years and fixed interest rates ranging from 1.75% to 2.50% per annum (p.a.). These time deposits are subject to a holding period of six (6) months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates.

## **12. LOANS AND BONDS PAYABLE**

### **Loans Payable**

This account consists of:

	<b>March 2020</b>	December 2019	March 2019
Local creditor banks	<b>7,762,845,635</b>	6,840,657,776	4,552,049,753
Private funders	<b>84,723,970</b>	84,723,970	84,723,970
	<b>7,847,569,605</b>	6,925,381,746	4,636,773,723

#### Local creditor banks

Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and carries interest rates ranging from 5.50% to 8.00% per annum (p.a.) in 2020 and 5.12% to 7.15% p.a. in 2019.

In 2015, the Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by 21 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements.
- Parent Company is required to maintain the following debt to equity ratio:

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

The outstanding loan balance under OLSA amounted to ₱1,930.9 million and ₱1,957.5 million as at March 31, 2020 and December 31, 2019, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio is as follows:

	March 2020	December 2019	March 2019
Total interest-bearing liabilities	<b>6,955,879,930</b>	3,290,331,059	2,453,792,633
Total equity	<b>5,851,040,790</b>	5,921,524,670	4,618,738,863
	<b>1.19:1.00</b>	0.56:1.00	0.53:1.00

The Parent Company is compliant with the required debt to equity ratio as at March 31, 2020, December 31, 2019, and March 31, 2019.

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

The outstanding balance of this loan amounted to ₱2,326.0 million and ₱2,166.7 million as at March 31, 2020 and December 31, 2019, respectively.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders.

The outstanding balance of this loan amounted to ₱1,082.8 million and ₱1,082.7 million as at March 31, 2020 and December 31, 2019, respectively.

In February 2020, the Parent Company entered into a Term Loan Agreement for a credit line of ₱1.0 billion with a local bank, for the purpose of funding of eligible Green projects.

The outstanding balance of this loan as at March 31, 2020 amounted to ₱987.5 million, net of debt issuance costs.

In the Agreement, the Company is required to maintain the following financial ratios based on the audited consolidated financial statements, with testing to be done on an annual basis, for as long as the Loan remain outstanding:

- Debt-to-Equity Ratio of not more than 2:1; and
- Current Ratio of not less than 1.5:1.

The Company is compliant with the required debt-to-equity and current ratios as at March 31, 2020.

#### 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 2020 and 2019.

#### **Bonds Payable**

Details of this account is as follows:

	<b>March 2020</b>
Balance at beginning of the year	<b>3,000,000,000</b>
Less: unamortized debt issue cost	<b>47,192,400</b>
	<b>2,952,807,600</b>

In January 2020, the SEC approved the shelf registration of ALCO's ₱6.0 billion fixed-rate ASEAN Green Bonds. The initial tranche of the Bonds shall have a term ending five (5) years from the issue date of February 6, 2020 (the "Issue Date"), or on February 6, 2025 (the "Maturity Date"), with a fixed interest rate of 6.3517% per annum and an early redemption option on the 3rd and 4th anniversary of the Issue Date. Issued on the same month was the initial tranche of the ASEAN Green Bonds amounting to ₱2.0 billion, with an oversubscription of ₱1.0 billion, which was exercised in full. The Company plans to use this to finance the acquisition and development of eligible Green projects.

### **13. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

This account consists of:

	<b>March 2020</b>	<b>December 2019</b>	<b>March 2019</b>
Accounts payable	533,147,474	758,865,215	519,027,016
Deferred output VAT	730,973,665	743,384,411	445,195,975
Retention payable	427,899,827	405,458,152	343,749,279
Accrued expenses	281,197,858	236,582,106	223,039,892
Security deposits	117,466,181	101,494,140	100,261,738
Payable to buyers	115,375,155	113,447,252	5,934,562
Advance rent	74,386,325	73,093,100	57,657,854
Income tax payable	22,595,974	24,378,558	19,451,852
Withholding taxes payable	15,522,121	21,507,169	9,026,503
Dividends payable	5,627,691	5,943,585	37,785,591
Due to Arcosouth's stockholders	-	-	495,919,597
Others	3,247,638	4,763,189	13,519,384
	<b>2,327,439,909</b>	<b>2,488,916,877</b>	<b>2,270,569,243</b>

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

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.



Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and Courtyard Hall which may be applied to unsettled balances or refunded at the end of the lease term.

Payable to buyers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is noninterest-bearing and payable on demand.

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

## 14. RELATED PARTY TRANSACTIONS

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

### Advances to and from Subsidiaries

The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

### Advances to Officers and Employees

The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

### Advances for Project Development

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. for its real estate projects. All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum and payable on demand and in cash.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of the SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

The table summarizes the transactions with related parties for Advances for Project Development:

	Nature of Relationship	Nature of Transaction	Amount of Transactions		Outstanding Balance	
			March 2020	December 2019	March 2020	December 2019
Due to Related Parties						
Help Holdings, Inc.	Non-controlling interest	Advances for project development	162,583,536	632,919,597	795,503,133	632,919,597
Rock & Salt B.V.	Non-controlling interest	Advances for project development	-	125,000,009	511,666,700	511,666,700
					1,307,169,833	1,144,586,297

### Management Fees

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### Key Management Personnel

The compensation of key management personnel are as follows:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Salaries and other employee benefits	22,481,000	83,779,871	26,519,550
Retirement benefits expense	-	15,727,562	-
	<b>22,481,000</b>	<b>99,507,433</b>	<b>26,519,550</b>

## **15. EQUITY**

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

	<b>March 2020</b>		December 2019		March 2019	
	<b>Preferred</b>	<b>Common</b>	Preferred	Common	Preferred	Common
Authorized	<b>50,000,000</b>	<b>16,368,095,199</b>	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	<b>₱1.00</b>	<b>₱0.18</b>	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	<b>42,500,000</b>	<b>5,318,095,199</b>	42,500,000	5,318,095,199	32,500,000	5,318,095,199

### Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	<b>March 2020</b>		December 2019		March 2019	
	<b>Number of shares</b>	<b>Amount</b>	Number of shares	Amount	Number of shares	Amount
<b>Issued and outstanding</b>						
Balance at beginning of year	<b>42,500,000</b>	<b>₱42,500,000</b>	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	-	-	10,000,000	10,000,000	-	-
Balance at end of year	<b>42,500,000</b>	<b>42,500,000</b>	42,500,000	42,500,000	32,500,000	32,500,000
<b>Parent Company's shares held by a subsidiary</b>	<b>(12,500,000)</b>	<b>(12,500,000)</b>	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	<b>30,000,000</b>	<b>₱30,000,000</b>	30,000,000	₱30,000,000	20,000,000	₱20,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A" preferred shares) to MPI and 30.0 million preferred shares (the "Series B" and "Series C" preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

In 2019, the Parent Company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series C preferred shares to the public amounted to ₱14.2 million consisting of ₱1.7 million which was charged to profit or loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

## **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	Share	Dividend per Share
January 29, 2020	March 6, 2020	March 27, 2020	₱17,319,000	Series C preferred shares	₱1.73
January 29, 2020	February 14, 2020	March 6, 2020	35,229,000	Series B preferred shares	1.76
			<b>₱ 52,548,000</b>		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	₱17,319,000	Series C preferred shares	₱1.73
October 23, 2019	November 15, 2019	December 6, 2019	35,229,000	Series B preferred shares	1.76
August 7, 2019	September 6, 2019	September 27, 2019	17,319,000	Series C preferred shares	1.73
August 7, 2019	August 22, 2019	September 6, 2019	35,229,000	Series B preferred shares	1.76
June 21, 2019	July 8, 2019	July 31, 2019	63,817,142	Common shares	0.012
May 8, 2019	May 22, 2019	June 6, 2019	35,229,000	Series B preferred shares	1.76
February 21, 2019	March 1, 2019	March 6, 2019	35,229,000	Series B preferred shares	1.76
			<b>₱239,371,142</b>		

## **Use of Proceeds**

### **Series B**

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements			Balance for Disbursement
			As of 12/31/19	For Q1 2020	As of 03/31/20	
Cebu Exchange Project	53.6	53.6	53.6		53.6	0.0
Binan Laguna Project	331.9	331.9	230.6	29.3	259.9	72.0
Makati CBD Residential Project	371.6	371.6	371.6		371.6	0.0
Partial Repayment of Loans	330.0	330.0	330.0		330.0	0.0
South of Metro Manila Project	822.4	822.4	822.4		822.4	0.0
General Corporate Purposes	62.3	63.4	63.4		63.4	0.0
<b>TOTAL</b>	<b>1,971.8</b>	<b>1,972.9</b>	<b>1,871.6</b>	<b>29.3</b>	<b>1,900.9</b>	<b>72.0</b>

### **Series C**

The estimated gross proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million. All proceeds were fully utilized as of December 31, 2019.

The following table shows the breakdown of the use of the proceeds:

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
Cebu Residential Project	300.0	300.0	300.0	—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
<b>Total</b>	<b>984.1</b>	<b>985.3</b>	<b>985.3</b>	<b>—</b>

## 16. REVENUES

The account consists of:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Real estate sales of:			
Cebu Exchange	<b>403,599,555</b>	2,870,054,489	392,573,028
Savya Financial Center	<b>81,749,551</b>	645,749,539	-
Leasing revenue	<b>89,156,620</b>	321,918,256	71,934,012
Project Management fees	<b>2,709,046</b>	10,135,140	1,840,123
	<b>577,214,772</b>	3,847,857,424	466,347,163

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

## 17. COST OF SALES AND SERVICES

The account consists of:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Cost of real estate sales	<b>275,576,888</b>	2,037,976,792	256,998,135
Cost of leasing operations	<b>33,197,848</b>	100,539,773	11,420,724
Cost of services	<b>1,381,424</b>	7,222,892	10,394,351
	<b>310,156,160</b>	2,145,739,457	278,813,210

## 18. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Commissions	49,380,540	131,899,678	12,279,953
Personnel costs	39,505,870	191,303,427	32,766,928
Advertising	18,768,655	124,110,551	24,782,258
Depreciation and amortization	11,341,401	26,722,029	5,048,663
Management and professional fees	8,323,627	64,516,070	9,310,483
Transportation and travel	6,179,225	24,498,653	3,575,813
Taxes and licenses	5,479,710	30,047,582	7,324,563
Communication and office expenses	5,338,619	29,116,455	5,147,417
Insurance	3,855,002	15,788,365	3,737,218
Utilities	1,160,575	5,002,052	1,822,013
Repairs and maintenance	875,659	12,799,877	560,611

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Rent	471,457	1,659,167	373,531
Representation	303,082	1,377,793	173,702
Others	562,650	6,975,243	1,492,816
	<b>151,546,072</b>	<b>665,816,942</b>	<b>108,395,969</b>

## 19. FINANCE COSTS

Finance costs relate to the following:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Interest expense	<b>67,117,719</b>	124,339,961	7,215,764
Bank charges	<b>183,964</b>	499,643	123,177
	<b>67,301,683</b>	<b>124,839,604</b>	<b>7,338,941</b>

## 20. OTHER INCOME – NET

This account consists of:

	<b>March 2020</b> <b>(Three Months)</b>	December 2019 (Twelve Months)	March 2019 (Three Months)
Realized gain on disposals of financial assets at FVPL	<b>3,335,824</b>	16,784,004	3,701,708
Unrealized holding gains (loss) on financial assets at FVPL	<b>3,073,258</b>	(617,582)	118,723
Unrealized foreign exchange gains/(losses)	-	(605,121)	75,915
Interest income	<b>231,952</b>	13,489,356	69,740
Gain (loss) on disposal of property and equipment	-	322,744	-
Forfeited collections	-	178,571	-
Others	<b>804,535</b>	1,554,707	270,181
	<b>7,445,569</b>	<b>31,106,679</b>	<b>4,236,267</b>

## 21. RETIREMENT LIABILITY

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost for the year.

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

	<b>March 2020</b>	December 2019	March 2019
Balance at beginning of period	<b>99,880,460</b>	66,088,998	66,088,998
Retirement expense:			
Current service cost	<b>2,335,655</b>	18,130,347	2,335,655
Interest cost	-	4,411,614	-
Past service cost	-	-	-
Remeasurement loss (gain)	-	26,253,170	-
Contribution to retirement plan assets	-	(15,003,669)	-
Balance at end of period	<b>102,216,115</b>	99,880,460	68,424,653

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), contract assets, amounts held in escrow, deposits, investment in time deposits, loans and bonds payable and, accounts payable and other liabilities (except statutory payables, payable to buyers and advance rent) and due to related parties.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

### Credit Risk

The Group's exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables, contract assets and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

### *Trade Receivables and Contract Assets*

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at March 31, 2020 and December 31, 2019, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

#### *Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

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

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

#### *Financial Assets at FVPL*

The Group is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

#### **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 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 and bonds payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

### **Impact of COVID-19**

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

## **23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<b>March 2020</b>	December 2019	March 2019
Total liabilities	<b>15,890,450,225</b>	12,000,440,106	8,313,613,022
Total equity	<b>7,461,251,570</b>	7,475,391,886	5,455,162,572
Debt-to-equity ratio	<b>2.13:1</b>	1.61:1	1.52:1

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## **24. EARNINGS (LOSS) PER SHARE**

Basic and diluted earnings (loss) per share are computed as follows:

	<b>March 2020</b>	December 2019	March 2019
Net income attributable to equity holders of the Parent Company	<b>10,339,474</b>	1,187,016,033	201,802,828
Less: Dividends declared to Series B and Series C Preferred Shares	<b>(52,548,000)</b>	(175,554,000)	(35,229,000)
	<b>(42,208,526)</b>	1,011,462,033	166,573,828
Divided by weighted average number of outstanding common shares	<b>5,318,095,199</b>	5,318,095,199	5,318,095,199
	<b>(0.0079)</b>	0.1902	0.0313

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three periods presented.



## 25. 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:

March 2020				
Fair Value				
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	1,420,110,375	1,420,110,375	–	–
Investment properties	7,284,492,034		781,628,027	6,502,864,007
Financial assets at amortized cost -				
Deposits	67,623,334	–	–	67,623,334
	8,772,225,743	1,420,110,375	781,628,027	6,570,487,341
Liability for which fair value is disclosed -				
Loans and Bonds payable	10,800,377,205	–	–	10,715,653,235

December 2019				
Fair Value				
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	772,186,717	772,186,717	–	–
Investment properties	7,280,000,267	–	781,628,027	6,498,372,240
Financial assets at amortized cost -				
Deposits	62,270,945	–	–	62,400,650
	8,114,457,929	772,186,717	781,628,027	6,560,772,890
Liability for which fair value is disclosed -				
Loans and Bonds payable	6,925,381,746	–	–	7,248,318,862

March 2019				
Fair Value				
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value -				
Financial assets at FVPL	291,546,784	291,546,784	–	–
Investment properties	6,273,373,603	–	689,974,781	5,583,398,822
Financial assets at amortized cost -				
Deposits	89,384,673	–	–	89,384,673
	6,654,305,060	291,546,784	689,974,781	5,672,783,495
Liability for which fair value is disclosed -				
Loans and Bonds payable	4,636,773,723	–	–	4,552,049,753

## 26. FINANCIAL RATIOS

	MARCH 2020	DECEMBER 2019	MARCH 2019
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.53:1	2.94:1	1.69:1
Solvency Ratio (Net income before depreciation over total liabilities)	0.003:1	0.126:1	0.029:1
Debt-to-equity Ratio (Total liability over total equity)	2.13:1	1.61:1	1.52:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	1.45:1	0.93:1	0.85:1
Asset-to-equity Ratio (Total assets over total equity)	3.13:1	2.61:1	2.52:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.83:1	18.08:1	51.56:1
Profitability Ratio (Net income over total equity)	0.005:1	0.199:1	0.043:1

December 2019 ratio is based on full year income while March 2020 and March 2019 ratios are based on three-month income.

### Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FINANCIAL POSITION

March 2020 vs March 2019

	MAR 31, 2020	MAR 31, 2019	% Change
Cash and cash equivalents	P 2,810,011,529	P 497,707,913	465%
Financial assets at fair value through profit or loss (FVPL)	1,420,110,375	291,546,784	387%
Trade and other receivables	437,414,608	286,208,723	53%
Contract assets	3,470,813,905	1,130,539,676	207%
Real estate for sale	5,933,386,526	3,691,922,262	61%
Investment properties	7,284,492,034	6,273,373,603	16%
Property and equipment	281,875,809	262,889,982	7%
Net deferred tax assets	-	1,300,898	-100%
Creditable withholding tax	343,163,030	276,424,197	24%
Other assets	1,370,433,979	1,056,861,556	30%
<b>Total Assets</b>	<b>23,351,701,795</b>	<b>13,768,775,594</b>	<b>70%</b>
Loans and Bonds payable	7,847,569,605	4,636,773,723	69%
Bonds Payable	2,952,807,600	-	100%
Accounts payable and other liabilities	2,327,439,909	2,270,569,243	3%
Contract liabilities	33,903,787	1,496,690	2165%
Due to related parties	1,307,169,833	458,050,493	185%
Retirement liability	102,216,115	68,424,653	49%
Net deferred tax liabilities	1,319,343,376	878,298,220	50%
<b>Total Liabilities</b>	<b>15,890,450,225</b>	<b>8,313,613,022</b>	<b>91%</b>

	<b>MAR 31, 2020</b>	MAR 31, 2019	% Change
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>999,757,136</b>	989,757,136	1%
Additional paid-in capital	<b>3,008,959,878</b>	2,031,441,541	48%
Retained earnings	<b>3,119,581,240</b>	2,380,718,703	31%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	<b>(207,724)</b>	18,169,495	-101%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>7,115,590,530</b>	5,407,586,875	32%
Non-controlling interests	<b>345,661,040</b>	47,575,697	627%
<b>Total Equity</b>	<b>7,461,251,570</b>	5,455,162,572	37%
<b>Total Liabilities and Equity</b>	<b>P 23,351,701,795</b>	P 13,768,775,594	70%

The Company's total resources as of March 31, 2020 increased by 70% to ₱23.4 billion from March 31, 2019 level of ₱13.8 billion due to the following:

*465% Increase in Cash and Cash Equivalents*

The increase was accounted for by inflows from issuance of ASEAN Green bonds, loan proceeds and sales collections, net of outflows from payments of loans and operational and construction related expenses.

*387% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The increase was due to investments in money market placements of the additional cash from ASEAN Green Bonds and loan proceeds.

*53% Increase in Trade and Other Receivables*

The increase was largely due to the revenues recognized from the sale of CebEx offices, Savya offices starting last quarter of 2019, and receivables from ACPT tenants.

*207% Increase in Contract Assets*

The increase pertains to the above revenue recognition from CebEx and Savya offices, in which there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

*61% Increase in Real Estate for Sale*

The increase was mainly due to the acquisition of various properties for development and additional construction costs incurred for ongoing projects.

*16% Increase in Investment Properties*

The increase was mainly attributable to the appraisal gain of ACPT and other investment properties for the year 2019.

*7% Increase in Property and Equipment*

The increase was due to the completion of fit-out costs of the new corporate office in ACPT and acquisition of additional transportation and office equipment.

*100% Decrease in Net Deferred Tax Assets*

The decrease was due to realization of net income in CLLC resulting to the full utilization of its NOLCO.

*24% Increase in Creditable Withholding Tax*

This represents the increase in taxes withheld on the additional collections from buyers of CebEx and Savya offices.

*30% Increase in Other Assets*

The increase was mainly due to Input VAT payments and prepaid commissions related to the pre-selling activities of CebEx and Savya offices and Sevina Park Villas.

*69% Increase in Loans Payable*

The increase was largely due to the availment of term loan to finance eligible Green projects and additional drawdowns from bank loan facilities, availed to partly fund the Company's working capital and project financing requirements.

*100% Increase in Bonds Payable*

This pertains to the ASEAN Green Bonds, net of debt issuance costs, issued in the first quarter of 2020 to be used in the acquisition and development of eligible Green projects.

*2165% Increase in Contract liabilities*

The increase pertains to collections received from buyers of CebEx and Savya offices in which the related revenue is not yet recognized.

*185% Increase in Due to Related Parties*

This pertains to advances made by shareholders of CLLC and SLDC.

*49% Increase in Retirement Liability*

The increase was due to the additional retirement expense recognized for the period and remeasurement loss recognized, net of contributions, in December 2019.

*50% 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 recognized in 2019.

*48% Increase in Additional Paid-in Capital*

This was due to the excess of the proceeds over par value of the Preferred shares – Series C that was issued in the second quarter of 2019, net of stock issuance costs.

*31% Increase in Retained Earnings*

The increase was due to net income for the period, net of dividends declared.

*101% Decrease in Cumulative Remeasurement Gains (Losses) on Retirement Liability - Net of Tax*

The decrease was due to cumulative remeasurement losses recognized in December 2019, as mentioned under Retirement Liability.

*627% Increase in Non-Controlling Interests*

The increase was mainly due to CLLC's net income recognized for the period.

## FINANCIAL RATIOS

March 2020 vs March 2019

	MAR 31, 2020	MAR 31, 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>2.53:1</b>	1.69:1	50%
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.003:1</b>	0.029:1	-90%
Debt-to-equity Ratio (Total liability over total equity)	<b>2.13:1</b>	1.52:1	40%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	<b>1.45:1</b>	0.85:1	71%
Asset-to-equity Ratio (Total assets over total equity)	<b>3.13:1</b>	2.52:1	24%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>1.83:1</b>	51.56:1	-96%
Profitability Ratio (Net income over total equity)	<b>0.005:1</b>	0.043:1	-88%

## FINANCIAL POSITION

March 2020 vs December 2019

	MAR 31, 2020	DEC 31, 2019	% Change
Cash and cash equivalents	<b>P 2,810,011,529</b>	P 407,214,384	590%
Financial assets at fair value through profit or loss (FVPL)	<b>1,420,110,375</b>	772,186,717	84%
Trade and other receivables	<b>437,414,608</b>	389,687,736	12%
Contract Assets	<b>3,470,813,905</b>	3,250,482,689	7%
Real estate for sale	<b>5,933,386,526</b>	5,410,062,969	10%
Investment properties	<b>7,284,492,034</b>	7,280,000,267	0%
Property and equipment	<b>281,875,809</b>	282,549,715	0%
Creditable withholding tax	<b>343,163,030</b>	338,105,363	1%
Other Assets	<b>1,370,433,979</b>	1,345,542,152	2%
<b>Total Assets</b>	<b>23,351,701,795</b>	19,475,831,992	20%
Liabilities			
Loans payable	<b>7,847,569,605</b>	6,925,381,746	13%
Bonds payable	<b>2,952,807,600</b>	-	100%
Accounts payable and other liabilities	<b>2,327,439,909</b>	2,488,916,877	-6%
Contract liabilities	<b>33,903,787</b>	32,179,674	5%
Due to related parties	<b>1,307,169,833</b>	1,144,586,297	14%
Retirement liability	<b>102,216,115</b>	99,880,460	2%
Net deferred tax liabilities	<b>1,319,343,376</b>	1,309,495,052	1%
<b>Total Liabilities</b>	<b>15,890,450,225</b>	12,000,440,106	32%
Equity attributable to equity holders of the Parent Company			
Capital stock	<b>999,757,136</b>	999,757,136	0%
Additional paid-in capital	<b>3,008,959,878</b>	3,008,959,878	0%
Retained earnings	<b>3,119,581,240</b>	3,161,789,766	-1%

	<b>MAR 31, 2020</b>	<b>DEC 31, 2019</b>	<b>% Change</b>
Cumulative remeasurement gains (losses) on retirement liability - net of tax	<b>(207,724)</b>	(207,724)	0%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>7,115,590,530</b>	7,157,799,056	-1%
Non-controlling interests	<b>345,661,040</b>	317,592,830	9%
<b>Total Equity</b>	<b>7,461,251,570</b>	7,475,391,886	0%
<b>Total Liabilities and Equity</b>	<b>P 23,351,701,795</b>	P 19,475,831,992	20%

The Company's total resources increased by 20% from ₱19.5 billion in December 31, 2019 to ₱23.4 billion as of March 31, 2020, due to the following:

*590% Increase in Cash and Cash Equivalents*

The increase was accounted for by inflows from issuance of ASEAN Green bonds and loan proceeds, net of outflows from payments of loans and operational and construction related expenses.

*84% Increase in Financial assets at fair value through profit or loss*

The increase was due to investments in money market placements of the additional cash from ASEAN Green Bonds and loan proceeds.

*12% Increase in Trade and Other Receivables*

The increase was due to the revenue recognition from the sale of CebEx and Savya offices and additional receivables from ACPT tenants.

*7% Increase in Contract Assets*

The increase pertains to the above revenue recognition from CebEx and Savya offices, in which there was an excess of cumulative revenues from real estate sales over total collections received from the buyers.

*10% Increase in Real Estate for Sale*

The increase was due to the additional construction costs incurred during the period for ongoing projects.

*13% Increase in Loans Payable*

The increase was largely due to the availment of term loan in February 2020 to finance eligible Green projects.

*100% Increase in Bonds Payable*

This pertains to the issuance of ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible Green projects.

*6% Decrease in Accounts Payable and Other Liabilities*

The net decrease was largely due to payments made to contractors/ suppliers for ongoing projects.

*5% Increase in Contract Liabilities*

The increase pertains to collections received from buyers of CebEx and Savya offices in which the related revenue is not yet recognized.

*14% Increase in Due to Related Parties*

This pertains to additional advances made by a stockholder of SLDC.

*9% Increase in Non-Controlling Interests*

The increase was mainly due to CLLC's net income recognized for the period.

## FINANCIAL RATIOS

March 2020 vs December 2019

	MAR 31, 2020	DEC 31, 2019	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.53:1	1.94:1	30%
Solvency Ratio (Net income before depreciation over total liabilities)	0.003:1	0.126:1	-98%
Debt-to-equity Ratio (Total liability over total equity)	2.13:1	1.61:1	32%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	1.45:1	0.93:1	56%
Asset-to-equity Ratio (Total assets over total equity)	3.13:1	2.61:1	20%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	1.83:1	18.08:1	-90%
Profitability Ratio (Net income over total equity)	0.005:1	0.199:1	-97%

## RESULTS OF OPERATIONS

March 2020 vs March 2019

	MAR 31, 2020	MAR 31, 2019	% Change
Revenues	<b>P 577,214,772</b>	P 466,347,163	24%
Cost of sales and services	<b>310,156,160</b>	278,813,210	11%
GROSS INCOME	<b>267,058,612</b>	187,533,953	42%
Administrative expenses	<b>83,396,877</b>	71,333,758	17%
Selling and marketing expenses	<b>68,149,195</b>	37,062,211	84%
OPERATING EXPENSES	<b>151,546,072</b>	108,395,969	40%
OPERATING INCOME	<b>115,512,540</b>	79,137,984	-46%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	<b>(67,301,683)</b>	(7,338,941)	817%
Gain on change in FV of investment properties	-	288,795,152	-100%
Other income – net	<b>7,445,569</b>	4,236,267	76%
INCOME BEFORE INCOME TAX	<b>55,656,426</b>	364,830,462	-85%
TAX EXPENSE	<b>17,248,742</b>	132,716,976	-87%
NET INCOME	<b>P 38,407,684</b>	P 232,113,486	-83%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>10,339,474</b>	201,802,828	-95%
Non-controlling interest	<b>28,068,210</b>	30,310,658	7%
	<b>P 38,407,684</b>	P 232,113,486	-83%

The company reported a P38.4 million net income in the first quarter of 2020 as against P232.1 million net income recognized over the same period in 2019, reflecting the impact of COVID-19, placing the

entire Luzon and subsequently Cebu City in Visayas, under Enhanced Community Quarantine (ECQ) in the first quarter of 2020, thereby halting construction activities, limiting economic and travel activities of workers, suppliers, and other stakeholders, and affecting sales reservations and bookings.

*24% Increase in Revenues*

The increase was attributable to the application of percentage of completion method for revenue recognition on sale of offices from CebEx, first time revenue recognition from Savya offices starting last quarter of 2019, and leasing revenue from ACPT tenants. Only 1 unit was booked under Savya in the first quarter of 2020, due to the impact of COVID-19 and ECQ in Luzon and Cebu.

*11% Increase in Cost of Sales and Services*

The increase in cost of sales and services was related to the above revenue recognition.

*17% Increase in Administrative Expenses*

The increase was due to personnel related costs and depreciation expenses.

*84% Increase in Selling and Marketing Expenses*

The increase was mainly due to amortized commissions from sales of CebEx and Savya offices.

*817% Increase in Finance Costs*

The increase was mainly due to the interest from the ACPT OLSA loans which were no longer capitalized since the building was already completed in 2019, and interests from ASEAN Green Bonds, term loan and other working capital loans.

*100% Decrease in Gain on Change in FV of Investment Properties*

No appraisal gain from investment properties was recognized for the period.

*76% Increase in Other Income - Net*

The increase was attributable to earnings on the additional placements made from the Q1 2020 proceeds of the ASEAN Green Bonds and various loans.

*87% Decrease in Tax Expense*

The decrease was mainly due to tax related to gain on change in fair value of investment properties recognized in prior period.

## **RESULTS OF OPERATIONS**

March 2020 vs December 2019

	<b>MAR 31, 2020</b>	DEC 31, 2019	% Change
Revenues	<b>P 577,214,772</b>	P 3,847,857,424	-85%
Cost of sales and services	<b>310,156,160</b>	2,145,739,457	-86%
GROSS INCOME	<b>267,058,612</b>	1,702,117,967	-84%
OPERATING EXPENSES			
Administrative expenses	<b>83,396,877</b>	409,806,713	-80%
Selling and marketing expenses	<b>68,149,195</b>	256,010,229	-73%
	<b>151,546,072</b>	665,816,942	-77%
OPERATING INCOME	<b>115,512,540</b>	1,036,301,025	-89%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	<b>(67,301,683)</b>	(124,839,604)	-46%
Gain on change in FV of investment properties	-	1,180,724,811	-100%
Other income – net	<b>7,445,569</b>	31,106,679	-76%



	<b>MAR 31, 2020</b>	DEC 31, 2019	% Change
INCOME BEFORE INCOME TAX	<b>55,656,426</b>	2,123,292,911	-97%
TAX EXPENSE	<b>17,248,742</b>	636,145,034	-97%
<b>NET INCOME</b>	<b>P 38,407,684</b>	P 1,487,147,877	-97%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>10,339,474</b>	1,187,016,033	-99%
Non-controlling interest	<b>28,068,210</b>	300,131,844	91%
	<b>P 38,407,684</b>	P 1,487,147,877	-97%

The Company posted a consolidated net income of ₱38.4 million in the first quarter of 2020 as compared with the 2019 full year net income of ₱1,487.1 million, reflecting the impact of COVID-19 pandemic and ECQ in both Luzon and Cebu, as previously discussed.

## CERTIFICATION

I, **RIVA KHRISTINE V. MAALA**, of legal age, with office address at the 7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City, subscribing under oath, do hereby certify, as follows:

1. I am the incumbent and duly elected Corporate Secretary and General Counsel of **ARTHALAND CORPORATION (the "Corporation")**, a corporation organized and existing under Philippine laws, with **SEC Registration No. ASO-94-007160** and principal office address at the **7/F Arthaland Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City**.

2. On **04 June 2020**, the Corporation submitted to the Securities and Exchange Commission (SEC) through electronic mail a **Notice of Annual Stockholders' Meeting, a Definitive Information Statement (SEC Form 20-IS) dated 01 June 2020, and a letter response dated 04 June 2020**, as well as a certification of the undersigned stating that these documents are true and correct, in compliance with various SEC guidelines<sup>1</sup>.

3. The Corporation hereby submits the attached hard copies of the and I confirm that it is one and the same Notice submitted through electronic mail as abovementioned documents.

4. I am executing this Certification to attest to the truth of the foregoing in compliance with the SEC guidelines and for whatever legal purpose this may serve.

IN WITNESS WHEREOF, I hereby affix my signature this **08 June 2020** at Taguig City.



**RIVA KHRISTINE V. MAALA**  
*Corporate Secretary*

<sup>1</sup> SEC Advisory and Notice issued respectively on 18 March 2020 and 30 March 2020 for the alternative filing of reports and/or documents through electronic mail and the subsequent filing of the **hardcopy thereof**.

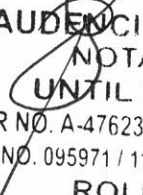
## OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 8<sup>th</sup> day of **June 2020**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Riva Khristine V. Maala** (i) whom I identified through her **Passport Number P4663090B** issued on **03 February 2020** by the Department of Foreign Affairs-NCR East, Philippines, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that she voluntarily affixed her signature on the instrument for the purpose stated therein, and (iii) who declared to me that she executed this instrument as her free and voluntary act and deed and that she has authority to sign on behalf of her principal.

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

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Book No. 13  
Series of 2020.



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