

# 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) 403-6910**

(Company Telephone Number)

## PRELIMINARY

*Month*      *Day*  
(Fiscal Year)

2	0	-	I	S
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(Form Type)

2019

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2	8
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*Month* *Day*  
(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

### Total Amount of Borrowings

1,935

Total No. of Stockholders

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

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**NOTICE  
OF  
ANNUAL STOCKHOLDERS' MEETING**

NOTICE is hereby given that the **2019** annual stockholders' meeting of **ARTHALAND CORPORATION** will be held on **28 June 2019, Friday, 8:30 A.M.**, at **SEDA Hotel, Bonifacio Global City, Taguig City**.

The Agenda for the meeting is as follows:

1. Call to Order
2. Secretary's Proof of Due Notice of the Meeting and Determination of Quorum
3. Approval of Minutes of the Annual Stockholders' Meeting held on 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

Only stockholders of record at the close of business on **03 June 2019** will be entitled to notice of and to vote at this meeting.

WE ARE NOT SOLICITING YOUR PROXY. However, if you cannot personally attend the meeting but would like to be represented thereat, you may accomplish a proxy form and submit the same not later than **21 June 2019 (Friday)** to the Office of the Corporate Secretary, ArthaLand Corporation, 7/F ArthaLand Century Pacific Tower, 5<sup>th</sup> Avenue corner 30<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634. Validation of these proxies will be held the following business day.

Taguig City, Philippines.

  
**RIVA KHRISTINE V. MAALA**  
*Corporate Secretary*

**SECURITIES AND EXCHANGE COMMISSION**

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

1. **PRELIMINARY 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) 403-6910**

Registrant's telephone number, including area code

8. **Not Applicable**

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

9. **28 June 2019, 8:30 A.M., SEDA Hotel, Bonifacio Global City, 5<sup>th</sup> Avenue, Taguig City**

Date, time and place of the meeting of security holders

10. **03 June 2019**

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>

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

Yes [☒]      No [☐]

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

**Philippine Stock Exchange**

**Common Shares and Preferred Shares Series B**

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

## A. GENERAL INFORMATION

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

- a. Date: 28 June 2019 (Friday)  
Time: 8:30 A.M.  
Place: SEDA Hotel, Bonifacio Global City, Taguig City
- 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 06 June 2019.

### ITEM 2. Dissenters' Right of Appraisal

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

For the valid exercise of the appraisal right, **ArthaLand Corporation** adopts the procedure laid down in the 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 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

Class of Shares	No. of Shares (As of 30 April 2019)	Voting Rights
Common	5,318,095,199	One (1) vote per share

Common shares owned by foreigners as of 30 April 2019 amount to 384,766,293 or 7.2350% of the total number of outstanding shares entitled to vote.

- b. All stockholders of record at the close of business on 03 June 2019 will be entitled to notice of and to vote at the Annual Stockholders' Meeting.

c. **Cumulative Voting Rights**

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

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

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

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

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

**(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (As of 30 April 2019)**

<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>
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Common	CPG Holdings, Inc. <sup>1</sup>	Filipino	2,142,619,910 Direct and Indirect	40.289
Common	AO Capital Holdings I, Inc. <sup>2</sup>	Filipino	1,383,730,000 Direct	26.019
Common	Edimax Investment Limited <sup>3</sup>	British	296,460,000 Direct	5.5746

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

**(2) Security Ownership of Management (As of 30 April 2019)**

There are no shares held or acquired beneficially by any one of the directors and executive

<sup>1</sup> Mr. Christopher T. Po is authorized to vote the shares under this account.

<sup>2</sup> Mr. Jaime C. Gonzalez is authorized to vote the shares under this account.

<sup>3</sup> The name/s of the person/s authorized to vote the shares under this account is/are unavailable at the time of filing of this Information Statement.

officers of ArthaLand other than the nominal shares held 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>	1 Direct and Beneficial Owner	Filipino	0.00 %
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>Emmanuel A. Rapadas</b> <i>Independent Director</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 %
None	<b>Riva Khristine V. Maala</b> <i>Corporate Secretary and General Counsel</i>	0	Filipino	N.A.
<b>TOTAL</b>		<b>9 shares</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 29 June 2018, the stockholders elected the following as the members of its Board of Directors for the year 2018-2019 to hold office as such and until their respective successors are duly nominated, elected and qualified:

##### Regular Directors

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

##### Independent Directors

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

During the Organizational Meeting of the Board of Directors held immediately after the said Annual Stockholders' Meeting, the following were elected as officers for the year 2018-2019 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 2018-2019 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	73
Jaime C. Gonzalez	Executive	21 May 2007	73
Jaime Enrique Y. Gonzalez	Non-Executive	24 June 2011	42
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	49
Leonardo Arthur T. Po	Executive	01 August 2016	42
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	51
Emmanuel A. Rapadas	Independent	24 June 2016	59
Hans B. Sicat	Independent	30 June 2017	58
Andres B. Sta. Maria	Independent	24 June 2016	67

**Ernest K. Cuyegkeng**, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven

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

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

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

**Christopher Paulus Nicolas T. Po**, Filipino, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF, and he concurrently serves as Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business trading under the symbol PIZZA, and as Chief



Executive Officer of Century Pacific Group, Inc. (CPG). Prior to joining CPG, he was Managing Director for Guggenheim Partners, a US financial services firm, where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines, and retail. He graduated *summa cum laude* from Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Master degree in Business Administration from the Harvard University Graduate School of Business Administration. Mr. Christopher Po is a member of the board of trustees of WWF-Philippines and the President of the CPG-RSPo Foundation.

**Leonardo Arthur T. Po**, Filipino, is concurrently Executive Vice President<sup>4</sup> and Treasurer of ALCO. He is likewise the Treasurer and Director of Century Pacific Food, Inc. and Shakey's Pizza Asia Ventures, Inc. He graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business development experience in the consumer marketing, finance and operations of fast moving consumer goods, food service, quick-serve restaurants, and real estate development.

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

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

**Hans B. Sicat**, Filipino, has been involved with the global capital market for about three decades, being a trained mathematician and economist. He is currently the Managing Director and Country Manager for ING Bank, N. V., Manila Branch and sits in the boards of the Bankers Association of the Philippines and the Investment House Association of the Philippines. Prior to this, he was the President and CEO of the Philippine Stock Exchange (PSE) which he assumed in 2011. He also served as its Chairman and Independent Director for about eighteen months beforehand. He was President and CEO of the Securities Clearing Corporation of the Philippines, a role he held concurrent with the PSE post. Mr. Sicat finished his coursework for Ph.D. Economics Program at the University of Pennsylvania, Philadelphia, and earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University in Thailand. Mr. Sicat has diverse interests on the private side too, spanning financial services, Knowledge Process Outsourcing and real estate. He is Acting Chairman of LegisPro Corporation; Independent Director of Serica Balanced Fund & Master Fund, and Skycable Corporation. He sits as a Director in List Sotheby's Philippines and is on the Advisory Board of Fintonia Fund, which has an Asian FinTech focus. The Endeavor (Philippines) organization allows Mr. Sicat to interact, select and mentor high impact

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<sup>4</sup> The appointment of Mr. Po was made 28 February 2017.

entrepreneurs, to connect them with global leaders. He is also a Director in the Philippine Map Collectors Society and was active in leadership roles for six years in the Young Presidents Organization, Philippines Chapter, culminating as Chapter Chairman in 2009. For over two decades, he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong & the Philippines.

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

#### Term of Office

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

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

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

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

"To be eligible for nomination or election to the Board of Directors, the candidate must possess all the qualifications and none of the disqualifications enumerated in this By-laws and the Rules of the Corporation's Nomination Committee, and must abide by the nomination process as stated therein.

"An independent director is a director who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director, and includes, among other persons, one who:

- a. is not or has not been an officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election (other than as an independent director of any of the foregoing);
- b. is not a director or officer of the related companies of the Corporation's majority stockholder (other than as an independent director thereof);

- c. is not a majority stockholder of the Corporation, any of its related companies, or of its majority shareholders;
- d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law, of any director, officer or majority shareholder of the Corporation or any of its related companies;
- e. is not acting as nominee or representative of any director or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
- f. is not retained, or within the last two (2) years has not been retained, as a professional adviser, consultant, agent or counsel of the Corporation, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, or has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons, or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and could not materially interfere with or influence the exercise of his judgment;
- g. is not affiliated with or employed by or within the last three (3) years, has not been affiliated with or employed by the Corporation's present or former external auditors or affiliates; and,
- h. complies with all the qualifications required of an independent director and does not possess any of the disqualifications, and has not withheld nor suppressed any information material to his qualification or disqualification as an independent director.

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

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

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

- (i) Conviction by final judgment or order of a competent judicial or administrative body of any crime involving moral turpitude or similar fraudulent acts or transgressions;
- (ii) Convicted or adjudged by final judgment or order by a court or competent administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or BangkoSentral ng Pilipinas, committed within five (5) years prior to the date of election as director;
- (iii) Any person earlier elected as an independent director who becomes an officer, employee or consultant of the Corporation;
- (iv) Judicial declaration of bankruptcy or insolvency; and,
- (v) Final judgment or order of a foreign court or equivalent regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above.

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

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

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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 2019.

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>5</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

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<sup>5</sup> Composed presently of Messrs. Ricardo Gabriel T. Po (Chairman), Hans B. Sicat and Andres B. Sta. Maria.

person or group of persons recommending the nomination of the independent director shall be identified in such report including any relationship with the nominee.

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

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

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

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

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

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

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

The respective Certificate of Independent Directors of Messrs. Rapadas, Sicat and Sta. Maria are hereto attached and made integral parts hereof.

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

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

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

The following are presently ArthaLand's principal corporate officers:

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

**Riva Khristine V. Maala**, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before working in the banking industry for eleven years 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. She remains the Corporate Information Officer of ArthaLand and in addition, performs the responsibilities of its Compliance Officer, having assisted the previous compliance officers engaged on their tasks as such. She oversees the overall compliance of ArthaLand, while the heads of various departments monitor the requisite compliances within the scope of their responsibilities in the organization.

**Term of Office**

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

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

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

d. **Significant Employees**

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

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

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

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

**Oliver L. Chan**, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ALCO, he was the Property Manager of Ayala Property Management Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO.

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

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

Administration from Pepperdine University USA where she also had the opportunity to join the Student Exchange Program in Marseille, France.

**Clarence P. Borromeo**, Filipino, has been the Head of the Information Technology (IT) Department since 2009, and was appointed as ALCO's Data Privacy Officer concurrently on 09 May 2018. Before joining ALCO, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines), and before that, the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut). He started his career in Information Technology as IT Helpdesk Supervisor at Zuellig Interpharma Holdings. Mr. Borromeo finished college at the Ateneo de Manila University with a degree in AB Interdisciplinary Studies. In 2018, he participated in various workshops, summit and conferences on data privacy and cyber security, namely, "Data Privacy Act: A Practical Approach to Compliance" conducted by Pineda Security, CIFI Security Summit 2018 by InnoXcell CIFI, and **Fortinet 361° Security 2018 Cyber Security Conference** by Fortinet Philippines.

**Ma. Angelina B. Magsanoc**, Filipino, the Head of the Marketing Department<sup>6</sup>, has more than 25 years experience working at various positions linked to financial and real estate industries. A greater part of her career in Standard Chartered Bank, Jardine Fleming Exchange Capital Securities, Belle Corporation, Highlands Prime, and Terra Nostra, was dedicated to marketing, business development and finance. Prior to joining ALCO, she held the position of Vice President for Business Development and Marketing of ACM Landholdings, Inc. for four years. Ms. Magsanoc took up A.B. Management Economics from the Ateneo de Manila University and earned masteral units from the Ateneo Graduate School of Business.

**Edgar V. Sabidong**, 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, from Hidalgo, Rizal, Luna, and Amorsolo East and West. Engr Sabidong was elected as the Chairman of the Philippine Green Building Council for 2019. As a member of the Board of Trustees, he also sits in the BERDE PR and Internal Policy Committees. Given its commitment to greening the industry, ALCO gave Engr. Sabidong the task to head and lead all project undertakings and sustainability efforts with his concurrent appointment as the company's Chief Sustainability Officer<sup>7</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.

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<sup>6</sup> Ms. Magsanoc was appointed by the Board as such on 24 October 2008.

<sup>7</sup> Engr. Sabidong was appointed by the Board as such on 20 March 2019.



f. **Involvement in Certain Legal Proceedings**

The above-named directors and corporate/executive officers of ArthaLand have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Also, there is no order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

g. **Certain Relationships and Related Transactions**

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

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 Audit Committee, the Executive Committee, the Nomination Committee, the Risk Management Committee, and the Stock Option and Compensation Committee.

Below are the committee memberships of the Directors of ArthaLand:

Audit Committee	Emmanuel A. Rapadas, <i>Chairman</i> Hans B. Sicat Andres B. Sta. Maria
Executive Committee <sup>8</sup>	Ernest K. Cuyegkeng, <i>Chairman</i>

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<sup>8</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.

Jaime C. Gonzalez, *Vice Chairman*  
Ricardo Gabriel T. Po, *Vice Chairman*  
Jaime Enrique Y. Gonzalez  
Christopher Paulus Nicolas T. Po  
Leonardo Arthur T. Po, and  
Ferdinand A. Constantino

Nomination Committee      Ricardo Gabriel T. Po, *Chairman*  
Hans B. Sicat  
Andres B. Sta. Maria

Risk Management      Hans B. Sicat, *Chairman*  
Committee      Jaime Enrique Y. Gonzalez  
Christopher T. Po  
Andres B. Sta. Maria

Stock Option and      Jaime C. Gonzalez, *Chairman*  
Compensation Committee      Ricardo Gabriel T. Po  
Emmanuel A. Rapadas  
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:

## 2017

	<u>Salary</u> <sup>9</sup>	<u>Bonus</u>	<u>Others</u>
<u>Directors and Executives</u> <sup>10</sup> includes the President <sup>11</sup> and the four highly compensated officers, namely, the Treasurer (Mr. Leonardo Arthur T. Po), then Chief Finance Officer (Mr. Ferdinand A. Constantino), the Head of Project and Business Development (Ms. Ninalyn S. Cordero), and the Head of Technical Services (Mr. Gabriel I. Paulino)	₱49.53M	₱9.18M	None
Officers (As a group unnamed)	₱12.97M	₱1.30M	None

*(This portion is intentionally left blank.)*

<sup>9</sup> Rounded-off.

<sup>10</sup> The compensation of the CEO and the top four highly compensated executive officers for 2017 amounts to ₱37.49M.

<sup>11</sup> Ms. Angela de Villa-Lacson (January-February 2017) and Jaime C. Gonzalez (March-December 2017).

2018

	<u>Salary</u> <sup>12</sup>	<u>Bonus</u>	<u>Others</u>
<u>Directors and Executives</u> <sup>13</sup> includes the President and the four highly compensated officers, namely: a. Mr. Leonardo Arthur T. Po b. Mr. Christopher G. Narciso c. Mr. Gabriel I. Paulino, and d. Ms. Sheryll P. Verano.	₱81.72M	₱19.48M	None
<u>Officers (As a group unnamed)</u> <sup>14</sup>	₱48.69M	₱5.63M	None

2019 (Estimated and Collective)

	<u>Salary</u> <sup>15</sup>	<u>Bonus</u>	<u>Others</u>
<u>Directors and Executives</u>	₱138.20M	None <sup>16</sup>	None
<u>Officers (As a group unnamed)</u>			

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

In the annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 Stock Option Plan of ArthaLand. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ArthaLand's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to subsidiaries or affiliates<sup>17</sup> of ArthaLand.

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

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

<sup>12</sup> Rounded-off.

<sup>13</sup> Includes all Directors and officers with the rank of Vice President and higher. The compensation of ArthaLand's President and the top four highly compensated executives for 2018 amounts to ₱72.70M, inclusive of bonus.

<sup>14</sup> Includes all employees with the rank of Manager up to Senior Assistant Vice President.

<sup>15</sup> Rounded-off.

<sup>16</sup> Whether bonuses will be given in 2019 is uncertain at this time.

<sup>17</sup> ArthaLand must have at least 50% equity holdings of said subsidiary or affiliate.

- (i) Within the first twelve (12) months from Grant Date - up to 33.33%
- (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.

As of the date of this Information Statement, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until the period within which they can do so had expired in October 2012.

On 14 December 2008, the 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-à-vis the result of the achievement of the company'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.

## **ITEM 7. Independent Public Accountant**

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

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

### Information on Independent Accountant

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26/F Citibank Tower 8741 Paseo de Roxas, Makati City 1226
Certifying Partner	:	Ms. Michelle R. Mendoza-Cruz
C.P.A. Reg. No.	:	97380
TIN No.	:	201-892-183-000
PTR No.	:	7334342 issued on 03 January 2019 at Makati City
SEC Accreditation No.	:	Partner – No. 1499-AR-1 Group A (Valid until 17 July 2021)
BIR Accreditation No.	:	08-005144-0s12-2017 (Valid until 08 March 2020)

### Fees and Other Arrangements

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

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

2014	-	₱750,000.00
2015	-	₱750,000.00
2016	-	₱950,000.00
2017	-	₱1,500,000.00
2018	-	₱1,650,000.00

RT&Co rendered services to ArthaLand's subsidiaries with the exception of Cebu Lavana Land Corporation<sup>18</sup>, which is not wholly-owned, and its audit fees are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cazneau Inc.	₱180,000.00	₱120,000.00	₱100,000.00
Emera Property Management, Inc.	₱150,000.00	₱140,000.00	₱110,000.00
Manchesterland Properties, Inc.	₱330,000.00	₱300,000.00	₱270,000.00
Savya Land Development Corporation	₱180,000.00	₱110,000.00	- 0 -
Urban Property Holdings, Inc.	₱120,000.00	₱110,000.00	₱90,000.00
Zileya Land Development Corporation	₱120,000.00	₱100,000.00	₱80,000.00

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 for non-audit work in the amount of ₱1.50MM in relation to the public offering of ArthaLand's Preferred Shares Series B.

The foregoing fees are all exclusive of VAT.

## ITEM 8. Compensation Plans

As reflected in Item 6b above, ArthaLand made available to its qualified employees in 2009 a stock option plan wherein they can enjoy the benefits of ownership of ArthaLand and thereby increase their concern for its long-term progress and well-being, induce their continued service and stimulate their efforts towards the continued success thereof. However, none of these qualified 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 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 company'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.

To date, none of these qualified employees has exercised their option rights.

<sup>18</sup> The external auditor of Cebu Lavana Land Corporation is Isla Lipana & Co., a PwC member firm. Its fees for 2018, 2017 and 2016 amount to ₱500,000.00, ₱430,000.00 and ₱300,000.00, respectively, all of which are net of VAT. RT&Co was the external auditor of CLLC in 2015 and its fees amounted to ₱90,000.00, net of VAT.

## C. ISSUANCE AND EXCHANGE OF SECURITIES

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

## D. OTHER MATTERS

### ITEM 15. Action With Respect to Reports

Management will present during the Annual Stockholders' Meeting the financial reports of ArthaLand as of 31 December 2018 and its quarterly report as of the first quarter of 2019. 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 29 June 2018 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 30 June 2017
4. Notation of Management Report
5. Ratification of Acts of the Board of Directors and Management During the Previous Year
6. Approval of Amendment of Articles of Incorporation – Change of Principal Office
7. Election of Directors (including Independent Directors)
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

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

### ITEM 16. Matters Not Required To Be Submitted

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

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

The stockholders will not be asked during the Annual Stockholders' Meeting to approve any amendment of the Articles of Incorporation or By-laws of ArthaLand.

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

The appointment of RT&Co as External Auditor of ArthaLand for 2019 will be taken up at the Annual Stockholders' Meeting.

## **ITEM 19. Voting Procedures – Voting for Corporate Actions**

### **a. Voting for Corporate Actions**

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

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

- (1) Section 4, Article II of the By-laws provides that at “all stockholders' meetings, every stockholder shall be entitled to one (1) vote for each share of voting stock standing in his name on the proper books of the Corporation at the time of closing thereof for the purpose of the meeting.”
- (2) No nominations from the floor during the stockholders' meeting shall be allowed or recognized.
- (3) For the purpose of electing directors, the system of cumulative voting shall be followed as provided under Section 4, Article II of the By-laws, to wit:

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

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

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

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

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement is true, complete and correct. This is signed in **Taguig City** on **15 May 2019**.

**ARTHALAND CORPORATION**

By:

**RIVA KHRISTINE V. MAALA**

*Corporate Secretary and General Counsel*

SUBSCRIBED AND SWORN to before me this **15<sup>th</sup>** day of **May 2019** at **Taguig City, Philippines**, affiant exhibiting to me her **Passport Number EC5989640** issued on **14 November 2015** by the Department of Foreign Affairs-NCR East, Philippines.

Doc. No. 332  
Page No. 69  
Book No. 13  
Series of 2019.

**GAUDENCIO A. BARBOZA JR.**  
**NOTARY PUBLIC**  
**UNTIL DEC. 31, 2020**  
PTR NO. A-4252429 / 1-3-19 TAGUIG CITY  
IBP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)  
**ROLL NO. 41969**  
**MCLE COMP. V No. 0021481**  
**MAY 2, 2016**

**Attachments:** **Management Report**  
**Audited Financial Statements for 2018 (including Statement of Management Responsibility)**  
**SEC Form 17-Q (First Quarter 2019), and**  
**Certificates of Independent Directors**  
**- Emmanuel A. Rapadas, Hans B. Sicat and Andres B. Sta. Maria.**

**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**

# MANAGEMENT REPORT

## BUSINESS AND GENERAL INFORMATION

### a. Business Development

**ARTHALAND CORPORATION (or “ArthaLand”, for brevity)** 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 was previously at the 8<sup>th</sup> Floor Picadilly Star Building, 4<sup>th</sup> Avenue corner 27<sup>th</sup> Street, Bonifacio Global City, Taguig City. On 15 November 2018, ArthaLand moved to 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.

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

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

### b. Business/Projects

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

In the last 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

<sup>1</sup> ArthaLand was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the Securities and Exchange Commission approved anew the change of the corporate name to ArthaLand Corporation.

<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.

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** - The Arya Residences in Bonifacio Global City is the first and only residential building in the country to receive 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** – The ArthaLand Century Pacific Tower (ACPT), a premium grade office development 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 has received both LEED Platinum rating and BERDE 5-star certification, the highest and most prestigious categories in green building rating standards.

**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 pre-certified for LEED and is expected to earn BERDE certification as well. 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 and phase 1 topping off is expected within Q2 2019. Turnover to buyers is targeted for 2021.

**Savya Financial Center** – This 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 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** – ArthaLand has started operations of a 400 bed student dormitory within its eight-hectare property in Biñan City, Laguna adjacent to the De La Salle University Science and Technology campus. Soon to be launched also in the same master planned community will be a 100-unit 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 Corporation and Savya Land Development Corporation.

- i. **Cazneau Inc.** was incorporated on 31 July 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property. In September 2016, Cazneau acquired an 8.1-hectare property in Biñan, Laguna.
- ii. **Cebu Lavana Land Corporation (CLLC)** was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle ArthaLand used to acquire two parcels of adjacent land in Cebu City, Philippines, and develop the same into an office building to be known as Cebu Exchange. In January 2016, Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands and managed by Arch Capital Management Company Limited, subscribed to 40% of CLLC's shares of stock.
- iii. **Emera Property Management, Inc.** was incorporated on 31 July 2008<sup>3</sup>. It was originally established to engage in the realty development business but now serves as the property management arm of ArthaLand.
- iv. **Manchesterland Properties, Inc. (MPI)** was incorporated on 27 March 2008 and is presently the registered owner of the commercial units in The Plaza at Arya Residences and some non-appurtenant parking slots therein.
- v. **Savya Land Development Corporation** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle ArthaLand used to acquire Lots 9 and 10 in Arca South located in Barangay West Bicutan, Taguig City. In October 2018, Savya applied with the Securities and Exchange Commission (SEC) to merge with Arcosouth Development, Inc. ("Arcosouth"), with Savya as the surviving entity. Arcosouth is the registered owner of the lot adjacent to Savya's property. The objective of the merger is to jointly develop the three lots into an office building to be known as Savya Financial Center.
- vi. **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.
- vii. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. It is the investment vehicle used by ArthaLand in the acquisition of certain condominium units in 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, except as otherwise disclosed above, these subsidiaries are, for the period covered by this

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

Report, neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets.

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

#### **1. Termination of Trust Account**

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

In an Order dated 08 May 2017, ArthaLand was ordered to file the necessary complaint and for PDIC to submit its Answer in order that there is a separate docket and hearing of the same and thereby enable the court to have a full and complete resolution of the issues presented by 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 by the City of Tagaytay covering UPHI's 33-hectare property. Trial is still on-going with the lone individual defendant, Rosalinda Reyes, presenting her evidence.

#### **3. Expropriation**

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

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

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

- a. A buyer<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

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

sale and forfeit in its favor all payments made xxx.” A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made by filing a complaint before the Housing and Land Use Regulatory Board (HLURB) on May 2017, as well attorney’s and appearance fees.

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

- b. Another buyer<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.

Both parties having submitted their respective Position Papers, the complaint is now submitted for decision.

## **5. Labor**

- a. In an Order dated on 03 July 2017, the Department of Labor and Employment (DOLE) found ArthaLand non-compliant with certain labor standards per Rules 1020, 1030, 1040, 1050 and 1065. Records, however, show that ArthaLand is in fact compliant. A Memorandum of Appeal was filed in October 2017 because serious errors in the finding of facts were committed by DOLE which, if not corrected, would cause grave or irreparable damage or injury to ArthaLand. Among the reliefs sought are the recall of the Order for Compliance and a finding that ArthaLand is fully compliant with labor laws and occupational health and safety standards. As of the date of this Report, there is no resolution to the Appeal.
- b. In an Order dated 29 November 2017, the DOLE found that ArthaLand did not comply and failed to effect corrective actions on noted deficiencies per Rules 1050, 1060 and 1065 within the period prescribed by the Labor Laws Compliance Officer. A Memorandum of Appeal was filed in February 2018 seeking, among others, the recall of the Order for Compliance and a finding that ArthaLand is fully compliant. ArthaLand did institute corrective measures and in fact completed the noted deficiencies prior to the issuance of the Order for Compliance. As of the date of this Report, there is no resolution of the Appeal.

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.

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

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

**e. Industry Risk**

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

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

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

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

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

**f. Sources and availability of raw materials**

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

**g. Advances to Related Parties**

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

Intercompany transactions between and among ArthaLand, its subsidiaries and related companies are discussed in the Audited Financial Statements attached to the Information Statement.

**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”, “Cebu Exchange” (through CLLC), “Savya Financial Center” (through Savya Land Development Corporation), and “Sevina Park”(through Cazneau, Inc.). 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 2018, ArthaLand has a total of 98 personnel, 43 of whom are in management and 55 are non-managers<sup>6</sup>. As of the same period, ArthaLand also engaged 58 sales agents.

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

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

**l. Working Capital**

In general, ArthaLand finances its projects through internally generated funds, loans from banks and sometimes, support from its major shareholders, such as the non-interest bearing loans obtained 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.

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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.

<sup>7</sup> The loan amounting to ₱1,650,643,779.00 was paid through *dacion* of various office units and parking slots in ACPT.

<sup>8</sup> This loan amounting to ₱207,051,912.00 was paid through *dacion* of the office units at the 28/F of ACPT and ten (10) parking slots therein.

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

## MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### 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>	721,795,236	-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>	11,246,811,766	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>	6,183,192,941	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>	5,063,618,825	4%
<b>Total Liabilities And Equity</b>	<b>₱12,336,465,763</b>	11,246,811,766	10%

ArthaLand's total resources as of 31 December 2018 amounting to ₱12.33 billion is 10% higher than the 31 December 2017 level of ₱11.25 billion due to the following:

*55% Decrease in Cash and Cash Equivalents*

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

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

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

*299% Increase in Trade and Other Receivables*

The increase was accounted for by the receivables from the ACPT leasing operations and downpayments made to contractors for the construction of the real estate projects of ArthaLand and its subsidiaries and affiliates (the “Group”).

*100% Increase in Contract Assets*

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

*29% Increase in Real Estate for Sale*

The increase was due to property acquisition in Mid-land Mansions Condominium in Makati City, the consolidated cost of Lot 11 of Arcosouth in Taguig City, and additional construction costs for the Laguna and Cebu projects, net of sold remaining units in Arya Residences and Cebu Exchange office units.

*9% Decrease in Investment Properties*

The decrease was mainly due to the settlement of loans through *dacion en pago* of certain ACPT floors and reclassification of ArthaLand’s corporate office to Property and Equipment account.

*497% Increase in Property and Equipment*

The increase was due to the reclassification from investment properties of the ACPT floor used as ArthaLand’s new principal office as mentioned above.

*74% Decrease in Deferred Tax Assets*

The decrease was due to realization of net income in CLLC.

*136% Increase in Accounts Payable and Other Liabilities*

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

*83% Decrease in Contract Liabilities*

The decrease pertains to downpayments received that were subsequently recognized as revenues from real estate sales, as mentioned under contract assets.

*35% Increase in Due to a Related Party*

This pertains to additional advances made by stockholders for the Cebu project.

*30% Increase in Retirement Liability*

The increase was due to the new retirement plan which changed the benefits payable, resulting in the recognition of past service cost.

*6% Increase in Retained Earnings*

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

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

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

*146% Increase in Non-Controlling Interests*

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

**FINANCIAL POSITION**

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

	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>	<u>Change</u>
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	<b>(37,926,744)</b>	(414,731)	-9045%
Total Equity	<b>5,063,618,825</b>	5,109,587,034	-1%
Total Liabilities And Equity	<b>₱11,246,811,766</b>	10,061,642,831	12%

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

*27% Decrease in Cash and Cash Equivalents*

The decrease was due to normal operating and project related disbursements including final payment of Cebu property.

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

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

*38% Decrease in Trade and Other Receivables*

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

*54% Increase in Real Estate for Sale*

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

*42% Increase in Investment Properties*

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

*98% Increase in Property and Equipment*

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

*301% Increase in Deferred Tax Assets*

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

*167% Increase in Other Assets*

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

*37% Increase in Loans Payable*

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

*8% Decrease in Accounts Payable and Other Liabilities*

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

*15% Increase in Due to a Related Party*

This pertains to additional advances made by shareholders for CLLC.

*7% Increase in Retirement Liability*

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

*17% Increase in Net Deferred Tax Liabilities*

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

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

The difference represents year-end adjustments on cumulative re-measurement gains on ArthaLand's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

*9045% Decrease in Non-Controlling Interests*

Significant decrease in non-controlling interest was attributed to pre-income losses incurred in CLLC.

## FINANCIAL POSITION

31 December 2016 vs. 31 December 2015

	<b><u>31 Dec 2016</u></b>	<b><u>31 Dec 2015</u> <i>As Restated</i></b>	<b><u>Change</u></b>
Cash and cash equivalents	990,742,203	604,613,767	64%
Financial assets at fair value through profit or loss (FVPL)	2,050,075,279	732,635,225	180%
Trade and other receivables	301,089,586	1,831,115,193	-84%
Real estate for sale	1,722,192,699	1,558,711,101	10%
Creditable withholding taxes (CWT)	243,216,792	214,119,974	14%
Investment properties	4,534,143,705	2,005,226,322	126%
Property and equipment	20,071,668	17,202,058	17%
Deferred tax assets	15,282,811	32,010	47644%
Other assets	184,828,088	190,629,078	-3%
<b>Total Assets</b>	<b>10,061,642,831</b>	<b>7,154,284,728</b>	<b>41%</b>
Loans payable	3,111,038,703	3,091,768,912	1%
Accounts payable and other liabilities	899,207,291	1,377,927,383	-35%
Due to a related party	249,789,836	-	100%
Retirement liability	47,244,365	40,801,518	16%
Net deferred tax liabilities	644,775,602	352,484,029	83%
<b>Total Liabilities</b>	<b>4,952,055,797</b>	<b>4,862,981,842</b>	<b>2%</b>
Capital stock	989,757,136	957,257,136	3%
Additional paid-in capital	2,031,441,541	75,000,000	2609%
Retained earnings	2,098,281,063	1,258,055,239	67%
Cumulative re-measurement gains on retirement liability – net of tax	3,022,025	990,511	205%
Parent Company's shares held by a subsidiary	(12,500,000)	-	100%
Total equity attributable to the Parent Company	5,110,001,765	2,291,302,886	123%
Non-controlling interest	(414,731)	-	100%
Total Equity	5,109,587,034	2,291,302,886	123%
<b>Total Liabilities And Equity</b>	<b>10,061,642,831</b>	<b>7,154,284,728</b>	<b>41%</b>

ArthaLand's total resources as of 31 December 2016 was at P10.06 billion, or about 41% higher than the 31 December 2015 level of P7.15 billion due to the following:

### *64% Increase in Cash and Cash Equivalents*

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

### *180% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)*

The significant increase is mainly brought about by proceeds from the Parent Company's P2.0 billion Series B Preferred shares issuance in December 2016, which are invested in money market placements pending actual use.

*84% Decrease in Trade and Other Receivables*

The decrease can be largely attributed to the 2015 trade receivable balances which had matured and were collected in 2016 as well as the application of previous advances to contractors against their 2016 progress billings.

*10% Increase in Real Estate for Sale*

The increase is basically accounted for by the additional investments made and paid by ArthaLand during the year for its other ongoing projects.

*14% Increase in Creditable Withholding Taxes*

The additional creditable withholding taxes were attributable to the collections of receivables both from prior and current years' sales of Arya Residences units.

*126% Increase in Investment Properties*

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

*17% Increase in Property and Equipment*

The increase is basically due to the acquisition of new office machinery, furniture and fixtures, and transportation equipment.

*47644% Increase in Deferred Tax Assets*

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

*35% Decrease in Accounts Payable and Other Liabilities*

The decrease is accounted for by payments made to the different contractors and suppliers of the Group, among others.

*100% Increase in Due to a Related Party*

The increase is due to the advances made by a shareholder to CLLC as previously mentioned in the discussion for Cash and Cash equivalent.

*16% Increase in Retirement Liability*

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

*83% Increase in Net Deferred Tax Liabilities*

The increment is attributable to this year's gain on change in fair value of investment properties.

*2609% Increase in Additional paid-in capital*

This is largely accounted for by the additional or over par payments made by subscribers to the Series B Preferred shares issuance last December 2016.

*67% Increase in Retained Earnings*

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

*205% Increase in Cumulative remeasurement gains (losses) on retirement liability*

The difference represents year-end adjustments on cumulative re-measurement gains on ArthaLand's retirement liability in compliance with the requirement under PAS 19 using the latest actuarial valuation report.

*100% Increase in Parent Company's Shares Held by a Subsidiary*

This represents a subsidiary's subscription to the Series A Preferred shares issued by the Parent company in 2016.

*100% Increase in Non-controlling Interest*

This represents the 40% share of a third party shareholder in CLLC's net equity for 2016.

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**RESULTS OF OPERATIONS**

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

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec 2017</u></b>	<b><u>Change</u></b>
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 was mainly attributable to revenue recognized from the sale of Cebu Exchange office units.

*86% Increase in Cost of Sales and Services*

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

*19% Increase in Administrative Expenses*

The increase was mainly due to recognition of past service costs as mentioned under Retirement Liability.

*49% Increase in Selling and Marketing Expenses*

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



*9% Decrease in Finance Costs*

The decrease was largely accounted for by the settlement on November 2017 of an interest bearing loan under the Parent company.

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

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

*403% Increase in Other Income – Net*

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

*94% Increase in Income Tax Expense*

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

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

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

## RESULTS OF OPERATIONS

### 31 December 2017 vs. 31 December 2016

	<u>31 Dec 2017</u>	<u>31 Dec 2016</u>	<u>Change</u>
Revenues	<b>₱463,538,594</b>	451,075,061	3%
Cost of sales and services	<b>328,509,674</b>	393,674,538	-17%
Gross income	<b>135,028,920</b>	57,400,523	135%
Administrative expenses	<b>278,065,313</b>	298,360,928	-7%
Selling and marketing expenses	<b>48,493,636</b>	66,767,530	-27%
Operating expenses	<b>326,558,949</b>	365,128,458	-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 was due to the decrease in revenues from sales of the few remaining units in Tower 2.

*7% Decrease in Administrative Expenses*

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

*27% Decrease in Selling and Marketing Expenses*

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

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

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

*54% Decrease in Other Income – Net*

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

*76% Decrease in Income Tax Expense*

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

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

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

## RESULTS OF OPERATIONS

### 31 December 2016 vs. 31 December 2015

	<b>31 Dec 2016</b>	<b>31 Dec 2015 As Restated</b>	<b>Change</b>
Revenues	<b>451,075,061</b>	1,587,578,861	-72%
Cost of sales and services	<b>393,674,538</b>	1,043,700,643	-62%
Gross income	<b>57,400,523</b>	543,878,218	-89%
Administrative expenses	<b>298,360,928</b>	244,806,979	22%
Selling and marketing expenses	<b>66,767,530</b>	69,323,793	-4%
Operating expenses	<b>365,128,458</b>	314,130,772	16%
Income (loss) from operations	<b>(307,727,935)</b>	229,747,446	-234%
Gain on change in fair value of investment properties	<b>1,417,865,206</b>	33,495,000	4133%
Finance costs	<b>(80,348,345)</b>	(40,566,579)	98%
Other income - Net	<b>147,643,198</b>	122,372,763	21%
Income before income tax	<b>1,177,432,124</b>	345,048,630	241%
Income tax expense	<b>355,015,749</b>	98,017,162	262%
Net income	<b>822,416,375</b>	247,031,468	233%
Other comprehensive income			
Change in actuarial gain - Net of tax	<b>2,031,514</b>	1,048,252	94%
Total comprehensive income	<b>824,447,889</b>	248,079,720	232%

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

### *72% Decrease in Revenue*

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

### *62% Decrease in Cost of Sales and Services*

The decrease in cost of sales is directly related to the decrease in revenues mentioned in the foregoing.

### *22% Increase in Administrative Expenses*

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

### *4133% Increase in Gain on Change in Fair Value of Investment Properties*

The significant increase is due to the Group's adoption of fair value model of accounting for investment properties which also resulted in the restatement of prior years' reports.

### *98% Increase in Finance Costs*

The increase is due to amortization of "Day 1" gain on loan discounting.

### *21% Increase in Other Income – Net*

The increase is largely accounted for by income from forfeited collections.

### *262% Increase in Income Tax Expense*

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

### *94% Increase in Change in Actuarial Gain – Net of tax*

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

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## FINANCIAL RATIO

	December 2018	December 2017	December 2016
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>2.45:1</b>	<b>1.55:1</b>	3.08:1
Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	<b>0.06:1</b>	<b>0.02:1</b>	0.17:1
Debt-to-equity Ratio (Total debt to total equity)	<b>1.35:1</b>	<b>1.22:1</b>	0.97:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	<b>0.79:1</b>	<b>0.52:1</b>	0.31:1
Asset-to-equity Ratio (Total assets over total equity)	<b>2.35:1</b>	<b>2.22:1</b>	1.97:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	<b>8.61:1</b>	<b>3.87:1</b>	15.80:1

Profitability Ratio (Net income over total equity)	<b>0.07:1</b>	<b>0.03:1</b>	0.16:1
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There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

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

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

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

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

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## FINANCIAL POSITION

### March 2019 vs March 2018

	<b>31 MARCH 2019</b>	31 MARCH 2018	% Change
Cash and cash equivalents	<b>₱ 497,707,913</b>	₱ 406,667,941	22%
Financial assets at fair value through profit or loss (FVPL)	<b>291,546,784</b>	388,305,721	-25%
Trade and other receivables	<b>747,069,000</b>	161,137,615	364%
Contract assets	<b>1,130,539,676</b>	-	100%
Real estate for sale	<b>3,691,922,262</b>	2,635,693,612	40%
Investment properties	<b>6,273,373,603</b>	6,728,623,596	-7%
Property and equipment	<b>262,889,982</b>	47,035,083	459%
Net deferred tax assets	<b>1,300,898</b>	82,522,989	-98%
Creditable withholding tax	<b>276,424,197</b>	258,325,639	7%
Other assets	<b>596,001,279</b>	776,801,061	-23%
<b>Total Assets</b>	<b>13,768,775,594</b>	11,485,113,257	20%
Loans payable	<b>4,636,773,723</b>	4,448,883,586	4%
Accounts payable and other liabilities	<b>2,270,569,243</b>	882,505,222	157%
Contract liabilities	<b>1,496,690</b>	-	100%
Due to a related party	<b>458,050,493</b>	286,666,691	60%
Retirement liability	<b>68,424,653</b>	50,668,546	35%
Net deferred tax liabilities	<b>878,298,220</b>	790,241,350	11%
<b>Total Liabilities</b>	<b>8,313,613,022</b>	6,458,965,395	29%
Equity attributable to equity holders of the Parent Company			
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%

	<b>31 MARCH 2019</b>	31 MARCH 2018	% Change
Retained earnings	<b>2,380,718,703</b>	2,060,504,142	16%
Cumulative remeasurement 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%
	<b>5,407,586,875</b>	5,076,651,210	7%
Non-controlling interests	<b>47,575,697</b>	(50,503,348)	194%
<b>Total Equity</b>	<b>5,455,162,572</b>	5,026,147,862	9%
<b>Total Liabilities and Equity</b>	<b>₱ 13,768,775,594</b>	₱ 11,485,113,257	20%

ArthaLand's total resources as of 31 March 2019 increased by 20% to ₱13.8 billion from 31 March 2018 level of ₱11.5 billion due to the following:

*22% Increase in Cash and Cash Equivalents*

The increase was accounted for by inflows from sales collections and loan proceeds, net of outflows from operational and construction related expenses.

*25% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)*

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

*364% Increase in Trade and Other Receivables*

The increase was accounted for by the sales of Cebu Exchange offices, receivables from the ACPT leasing operations and downpayments made to contractors for the ongoing construction of the Group's real estate projects.

*100% Increase in Contract Assets*

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

*40% Increase in Real Estate for Sale*

The increase was due to the additional construction costs for ongoing projects particularly Cebu Exchange, Savya Financial Center, and Sevina Park.

*7% Decrease in Investment Properties*

The decrease was mainly due to the settlement of loans through *dacion en pago* of certain ACPT floors and reclassification of ArthaLand's corporate office to Property and Equipment account.

*459% Increase in Property and Equipment*

The increase was due to the reclassification from investment properties of the ACPT floor used as ArthaLand's principal office as mentioned above.

*98% Decrease in Net Deferred Tax Assets*

The decrease was due to realization of net income in CLLC.

*7% Increase in Creditable Withholding Tax*

The increase was brought about by the collection of additional sales attributable to the Cebu Exchange project.

*23% Decrease in Other Assets*

The decrease was attributed to the cost of condominium transferred to Real estate for sale upon completion of sale contract.

*157% Increase in Accounts Payable and Other Liabilities*

The increase was attributable to payables to contractors / suppliers for ongoing projects and VAT payables.

*100% Increase in Contract liabilities*

This pertains to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as of end of the period.

*60% Increase in Due to a Related Party*

This pertains to additional advances made by a shareholder for the Cebu project.

*35% Increase in Retirement Liability*

The increase was due to the new amended retirement plan in December 2018 which changed the benefits payable resulting in the recognition of past service cost.

*11% 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.

*16% Increase in Retained Earnings*

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

*144% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax*

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

*194% Increase in Non-Controlling Interests*

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

## FINANCIAL RATIOS

### March 2019 vs March 2018

	31 MARCH 2019	31 MARCH 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.59:1	1.56:1	2%
Solvency Ratio (Net income before depreciation over total liabilities)	0.029:1	0:1	81317%
Debt-to-equity Ratio (Total liability over total equity)	1.52:1	1.29:1	18%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.85:1	0.55:1	55%
Asset-to-equity Ratio (Total assets over total equity)	2.52:1	2.29:1	10%
Interest Rate Coverage Ratio	51.56:1	1.76:1	2830%

	31 MARCH 2019	31 MARCH 2018	% Change
(Pretax income before Interest over interest expense)			
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.037:1	0.002:1	1699%

**FINANCIAL POSITION**  
**March 2019 vs December 2018**

	31 MARCH 2019	DECEMBER 2018	% Change
Cash and cash equivalents	<b>₱ 497,707,913</b>	₱ 326,679,590	52%
Financial assets at fair value through profit or loss (FVPL)	<b>291,546,784</b>	154,828,061	88%
Trade and other receivables	<b>747,069,000</b>	742,932,730	1%
Contract Assets	<b>1,130,539,676</b>	785,197,944	44%
Real estate for sale	<b>3,691,922,262</b>	3,412,713,425	8%
Investment properties	<b>6,273,373,603</b>	5,901,514,575	6%
Property and equipment	<b>262,889,982</b>	237,452,955	11%
Net deferred tax assets	<b>1,300,898</b>	16,197,731	-92%
Creditable withholding tax	<b>276,424,197</b>	259,819,891	6%
Other Assets	<b>596,001,279</b>	499,128,861	19%
<b>Total Assets</b>	<b>13,768,775,594</b>	12,336,465,763	12%
Liabilities			
Loans payable	<b>4,636,773,723</b>	4,169,976,102	11%
Accounts payable and other liabilities	<b>2,270,569,243</b>	1,655,848,013	37%
Contract liabilities	<b>1,496,690</b>	20,385,280	-93%
Due to related party	<b>458,050,493</b>	386,666,691	18%
Retirement liability	<b>68,424,653</b>	66,088,998	4%
Net deferred tax liabilities	<b>878,298,220</b>	779,222,593	13%
<b>Total Liabilities</b>	<b>8,313,613,022</b>	7,078,187,677	17%
Equity attributable to equity holders of the Parent Company			
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>2,380,718,703</b>	2,214,144,875	8%
Cumulative remeasurement gains on retirement liability - net of tax	<b>18,169,495</b>	18,169,495	0%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>5,407,586,875</b>	5,241,013,047	3%
Non-controlling interests	<b>47,575,697</b>	17,265,039	176%
<b>Total Equity</b>	<b>5,455,162,572</b>	5,258,278,086	4%
<b>Total Liabilities and Equity</b>	<b>₱ 13,768,775,594</b>	₱ 12,336,465,763	12%

ArthaLand's total resources increased by 12% from ₱12.3 billion in December 31, 2018 to ₱13.8 billion as of 31 March 2019, due to the following:

*52% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from loan proceeds and sales collections, net of outflows from operational and construction related disbursements.

*88% Increase in Financial assets at fair value through profit or loss*

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

*44% Increase in Contract Assets*

The increase was due to the additional revenue recognized from the sale of Cebu Exchange offices.

*8% Increase in Real Estate for Sale*

The increase was due to additional construction costs for Cebu Exchange, Savva Financial Center and Sevina Park.

*6% Increase in Investment Properties*

The increase was due to the fair value gain of ACPT property which was completed in 2019.

*11% Increase in Property and Equipment*

The increase was largely due to the additional building improvements for the new corporate office in ACPT.

*92% Decrease in Net Deferred Tax Assets*

The decrease was due to the net income in CLLC recognized for the period.

*6% Increase in Creditable Withholding Tax*

The increase was brought about by the collection of additional sales attributable to the Cebu Exchange project.

*19% Increase in Other Assets*

The increase was largely accounted for by input VAT from payments made to various contractors and suppliers.

*11% Increase in Loans Payable*

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

*37% Increase in Accounts Payable and Other Liabilities*

The increase was attributable to payables to contractors/suppliers for ongoing projects and VAT payables.

*93% Decrease in Contract Liabilities*

The decrease pertains to downpayments received that were subsequently recognized as revenues from sale of Cebu Exchange offices.

*18% Increase in Due to a Related Party*

This pertains to additional advances made by a shareholder for the Cebu project.

*13% Increase in Net Deferred Tax Liabilities*

The increase was mainly due to gain on change in fair value of investment properties.



*8% Increase in Retained Earnings*

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

*176% Increase in Non-Controlling Interests*

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

**FINANCIAL RATIOS**

**March 2019 vs December 2018**

	<b>31 MARCH 2019</b>	31 DECEMBER 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>1.59:1</b>	2.45:1	-35%
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.029:1</b>	0.06:1	-52%
Debt-to-equity Ratio (Total liability over total equity)	<b>1.52:1</b>	1.35:1	13%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	<b>0.85:1</b>	0.79:1	8%
Asset-to-equity Ratio (Total assets over total equity)	<b>2.52:1</b>	2.29:1	7%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>51.56:1</b>	8.61:1	499%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	<b>0.037:1</b>	0.074:1	-50%

**RESULTS OF OPERATIONS**

**March 2019 vs March 2018**

	<b>31 MARCH 2019</b>	31 MARCH 2018	% Change
Revenues	<b>₱ 466,347,163</b>	₱ 106,831,351	337%
Cost of sales and services	<b>278,813,210</b>	62,185,605	348%
GROSS INCOME	<b>187,533,953</b>	44,645,746	320%
OPERATING EXPENSES			
Administrative expenses	<b>71,333,758</b>	54,631,422	31%
Selling and marketing expenses	<b>37,062,211</b>	13,813,443	168%
	<b>108,395,969</b>	68,444,865	58%
OPERATING INCOME (LOSS)	<b>79,137,984</b>	(23,799,119)	433%

	31 MARCH 2019	31 MARCH 2018	% Change
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	7,338,941	22,302,880	-67%
Gain on change in FV of investment properties	(288,795,152)	(57,660,679)	401%
Other income – net	(4,236,267)	(5,299,695)	-20%
INCOME BEFORE INCOME TAX	364,830,462	16,858,375	2064%
TAX EXPENSE	132,716,976	19,100,338	595%
NET INCOME (LOSS)	₱ 232,113,486	(2,241,963)	-10453%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand	201,802,828	10,334,641	1853%
Non-controlling interest	30,310,658	(12,576,604)	341%
	₱ 232,113,486	(2,241,963)	-10453%

ArthaLand reported a ₱232.1 million net income in the first quarter of 2019 as against ₱2.2 million net loss recognized over the same period in 2018.

*337% Increase in Revenues*

The increase was mainly attributable to revenue recognized from the sale of Cebu Exchange offices and leasing revenue from ACPT and Courtyard Hall.

*348% Increase in Cost of Sales and Services*

The increase in cost of sales was directly related to the increase in revenues from the sales of Cebu Exchange offices.

*31% Increase in Administrative Expenses*

The increase was due to higher personnel costs, depreciation and travel expenses.

*168% Increase in Selling and Marketing Expenses*

The increase was mainly due to commissions from sales of Cebu Exchange offices as well as marketing related expenses for Cebu Exchange, Savva Financial Center and Sevina Park.

*67% Decrease in Finance Costs*

The decrease was due to capitalization of borrowing costs from loans payable and advances from shareholders in 2019.

*401% Increase in Gain on Change in FV of Investment Properties*

The increase is due to appraisal gain for the ACPT property which was completed in 2019.

*20% Decrease in Other Income - Net*

The decrease is due to the reduced level of interest earning placements in the first quarter of 2019 as compared with the same period last year.

*595% Increase in Tax Expense*

The increase was mainly due to the higher fair value gain of investment properties.

**RESULTS OF OPERATIONS**  
**March 2019 vs December 2018**

	<b>31 March 2019</b>	<b>31 DECEMBER 2018</b>	<b>% Change</b>
Revenues	<b>₱ 466,347,163</b>	<b>₱ 1,132,470,086</b>	<b>-59%</b>
Cost of sales and services	<b>278,813,210</b>	<b>618,799,239</b>	<b>-55%</b>
GROSS INCOME	<b>187,533,953</b>	<b>513,670,847</b>	<b>-63%</b>
OPERATING EXPENSES			
Administrative expenses	<b>71,333,758</b>	<b>325,187,083</b>	<b>-78%</b>
Selling and marketing expenses	<b>37,062,211</b>	<b>72,423,411</b>	<b>-49%</b>
	<b>108,395,969</b>	<b>397,610,494</b>	<b>-73%</b>
OPERATING INCOME	<b>79,137,984</b>	<b>116,060,353</b>	<b>-32%</b>
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	<b>7,338,941</b>	<b>73,647,288</b>	<b>-90%</b>
Gain on change in FV of investment properties	<b>(288,795,152)</b>	<b>(172,819,094)</b>	<b>67%</b>
Other income – net	<b>(4,236,267)</b>	<b>(339,120,693)</b>	<b>-99%</b>
INCOME BEFORE INCOME TAX	<b>364,830,462</b>	<b>554,352,852</b>	<b>-34%</b>
TAX EXPENSE	<b>132,716,976</b>	<b>165,735,606</b>	<b>-20%</b>
NET INCOME	<b>₱ 232,113,486</b>	<b>₱ 388,617,246</b>	<b>-40%</b>
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand	<b>201,802,828</b>	<b>333,479,516</b>	<b>-39%</b>
Non-controlling interest	<b>30,310,658</b>	<b>55,137,730</b>	<b>45%</b>
	<b>₱ 232,113,486</b>	<b>₱ 388,617,246</b>	<b>-40%</b>

ArthaLand posted a consolidated net income of ₱232.1 million in the first quarter of 2019 as compared to the 2018 full year net income of ₱388.6 million.

**a. Market Information**

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

The following are the highlights of quarterly trading:

	<b>2018</b>			<b>2017</b>			<b>2016</b>		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.86	0.84	0.86	1.28	1.24	1.24	0.25	0.23	0.23
2	0.77	0.76	0.76	1.22	1.12	1.17	0.295	0.29	0.29
3	0.68	0.68	0.65	1.06	1.03	1.04	0.275	0.265	0.265
4	0.98	0.84	0.96	0.90	0.87	0.90	0.43	0.40	0.40

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

Quarter	2018			2017			2016		
	High	Low	Close	High	Low	Close	High	Low	Close
1	107.00	107.00	107.00	107.50	102.50	107.50	- 0 -	- 0 -	- 0 -
2	- 0 -	- 0 -	- 0 -	105.50	105.50	105.50	- 0 -	- 0 -	- 0 -
3	101.50	101.50	101.50	106.50	106.50	106.50	- 0 -	- 0 -	- 0 -
4	- 0 -	- 0 -	- 0 -	108.00	108.00	108.00	103.00	102.60	102.60

The closing market price of ArthaLand as of 30 April 2019 is ₱0.77 while ALCPB closed at ₱97.00.

#### b. Security Holders

The total shares issued and outstanding are as follows:

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

As of 31 December 2018, the number of shareholders of record is as follows:

Common	-	1,955
Preferred Series A	-	1
Preferred Series B	-	12.

As of 30 April 2019, the number of shareholders of record is as follows:

Common	-	1,952
Preferred Series A	-	1
Preferred Series B	-	12.

The public ownership percentage as of 31 March 2019 is 25.8641%.

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

ArthaLand's top 20 stockholders of Common shares as of 31 December 2018 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,276,331,682	24.000
4. Edimax Investment Limited	296,460,000	5.575
5. Elite Holdings, Inc.	119,809,996	2.253
6. PCD Nominee Corporation – Non-Filipino	91,428,268	1.719
7. Tina Keng	25,000,000	0.470
8. EQL Properties, Inc.	14,671,125	0.276

9. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
10. RBL Fishing Corporation	4,350,000	0.082
11. Veronica D. Reyes	3,799,272	0.071
12. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
13. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
14. Anito Tan and/or Lita Tan	2,027,049	0.038
15. Lourdes D. Dizon	1,740,000	0.033
16. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
17. Dante Garcia Santos	1,631,250	0.031
18. Luciano H. Tan	1,505,950	0.028
19. Samuel Uy	1,087,500	0.020
20. Datacom Systems Corp.	1,004,394	0.019
<b>TOTAL</b>	<b>5,253,821,445</b>	<b>98.791</b>

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

ArthaLand's top stockholders of Preferred shares Series B as of 31 December 2018 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. PCD Nominee Corporation – Filipino	19,612,310	98.062
2. PCD Nominee Corporation – Non-Filipino	148,590	0.743
3. Dominic G. Hing	114,000	0.570
4. Antonio T. Chua	35,100	0.176
5. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
6. Chiong Ping Go Ching and/or Chiong Bio Go Ching	29,000	0.145
7. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
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 20 stockholders of Common shares as of 31 March 2019 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. CPG Holdings, Inc.	1,942,619,910	36.528
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,280,501,032	24.078
4. Edimax Investment Limited	296,460,000	5.575
5. Elite Holdings, Inc.	119,809,996	2.253
6. PCD Nominee Corporation – Non-Filipino	87,524,268	1.646
7. CPG Holdings, Inc.	75,000,000	1.410
8. Tina Keng	25,000,000	0.470
9. EQL Properties, Inc.	14,671,125	0.276
10. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
11. RBL Fishing Corporation	4,350,000	0.082
12. Veronica D. Reyes	3,799,272	0.071
13. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
14. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
15. Anito Tan and/or Lita Tan	2,027,049	0.038
16. Lourdes D. Dizon	1,740,000	0.033

17. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
18. Dante Garcia Santos	1,631,250	0.031
19. Luciano H. Tan	1,505,950	0.028
20. Samuel Uy	1,087,500	0.020
<b>TOTAL</b>	<b>5,253,082,401</b>	<b>98.777</b>

The top stockholders of Preferred shares Series B as of 31 March 2019 are as follows:

<b>Name of Shareholders</b>	<b>No. of Shares</b>	<b>%</b>
1. PCD Nominee Corporation – Filipino	19,571,310	97.857
2. PCD Nominee Corporation – Non-Filipino	189,590	0.948
3. Dominic G. Hing	114,000	0.570
4. Antonio T. Chua	35,100	0.176
5. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
6. Chiong Ping Go Ching and/or Chiong Bio Go Ching	29,000	0.145
7. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
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>

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

**c. Dividends**

ArthaLand declared cash dividends to Common stockholders, as follows:

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

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

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
08 February 2017	24 February 2017	06 March 2017	₱1.76145/Series B share
10 May 2017	25 May 2017	06 June 2017	₱1.76145/Series B share
09 August 2017	23 August 2017	06 September 2017	₱1.76145/Series B share
26 October 2017	24 November 2017	06 December 2017	₱1.76145/Series B share
10 January 2018	09 February 2018	06 March 2018	₱1.76145/Series B share
09 May 2018	23 May 2018	06 June 2018	₱1.76145/Series B share
01 August 2018	16 August 2018	06 September 2018	₱1.76145/Series B share
24 October 2018	12 November 2018	06 December 2018	₱1.76145/Series B share
21 February 2019	01 March 2019	06 March 2019	₱1.76145/Series B share
08 May 2019	22 May 2019	06 June 2019	₱1.76145/Series B share

No dividends were declared in 2016.

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

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

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

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

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

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

<b>ANNUAL CORPORATE GOVERNANCE REPORT</b>
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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.

*- Nothing follows. -*

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<sup>9</sup> ArthaLand submitted a revised Manual of Corporate Governance on 31 May 2017.

# **AUDITED FINANCIAL STATEMENTS FOR 2018**



# COVER SHEET

for  
**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

SEC Registration Number

**A S 9 4 0 0 7 1 6 0**

## COMPANY NAME

**ARTHALAND CORPORATION AND SUBSIDIARIES**

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

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

Form Type

**A A C F S**

Department requiring the report

**C R M D**

Secondary License Type, If Applicable

**N / A**

## COMPANY INFORMATION

Company's Email Address

**-**

Company's Telephone Number/s

**(02) 403-6910**

Mobile Number

**-**

No. of Stockholders

**1,955**

Annual Meeting (Month / Day)

**Last Friday of June**

Fiscal Year (Month / Day)

**December 31**

## CONTACT PERSON INFORMATION

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

Name of Contact Person

**Ferdinand A. Constantino**

Email Address

**faconstantino@arthaland.com**

Telephone Number/s

**(02) 403-6910**

Mobile Number

**-**

## CONTACT PERSON'S ADDRESS

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

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

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

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

The Management of **ARTHALAND CORPORATION** (the “Parent Company”) and its **Subsidiaries** (collectively, the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2018, 2017 and 2016** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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


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

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

Signed this **20<sup>th</sup>** day of **March 2019**, **Taguig City, Philippines**.



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



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



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

## OATH

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY


) SS.

I certify that on this 20<sup>th</sup> day of **March 2019**, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date/Place of Issue</u>
Ernest K. Cuyegkeng	Passport No. EC3327271	31 January 2015/Manila
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	Passport No. EC5969532	13 November 2015/NCR South

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

Doc No. 226  
Page No. 47;  
Book No. 2;  
Series of 2019.

  
**GAUDENCIO A. BARBOZA JR.**  
NOTARY PUBLIC  
UNTIL DEC. 31, 2020  
PTR NO. A-4252429 / 1-3-19 TAGUIG CITY  
IBP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)  
ROLI. NO. 41969  
MCLE COMP. V No. 0021481  
MAY 2, 2016  
APP No.32(2019-2020)

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Arthaland Corporation and Subsidiaries

### *Opinion*

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis of Opinion*

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

### *Key Audit Matters*

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



### **Fair Value Measurement**

The Group's investment properties amounted to ₱5,901.5 million as at December 31, 2018.

We focused our audit on the determination of the fair value of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value. Moreover, fair value measurement is significant to our audit as the investment properties account for 47.8% of the Group's total assets as at December 31, 2018 (see Notes 3 and 10 to the consolidated financial statements).

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

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

For the year ended December 31, 2018, the Group recognized revenue of ₱845.0 million from real estate sales using the percentage of completion (POC) method.

We focused our audit on revenue recognition as significant judgment is required when estimating POC, total project costs and the estimated costs to complete the real estate project that are used to determine POC at the end of the reporting period. In our view, this is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2018 is material to the consolidated financial statements (see Notes 3 and 16 to the consolidated financial statements).

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

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.





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

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

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

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

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

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

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

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

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

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



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

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

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

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



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

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

March 20, 2019

Makati City, Metro Manila



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

		<b>December 31</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	<b>₱326,679,590</b>	<b>₱721,795,236</b>
Financial assets at fair value through profit or loss (FVPL)	7	<b>154,828,061</b>	<b>387,879,631</b>
Receivables	8	<b>742,932,730</b>	<b>186,274,230</b>
Contract assets	5	<b>785,197,944</b>	<b>-</b>
Real estate for sale	9	<b>3,412,713,425</b>	<b>2,646,731,618</b>
Creditable withholding taxes		<b>259,819,891</b>	<b>253,188,078</b>
Investment properties	10	<b>5,901,514,575</b>	<b>6,457,315,253</b>
Property and equipment	11	<b>237,452,955</b>	<b>39,743,166</b>
Net deferred tax asset	22	<b>16,197,731</b>	<b>61,212,233</b>
Other assets	12	<b>499,128,861</b>	<b>492,672,321</b>
		<b>₱12,336,465,763</b>	<b>₱11,246,811,766</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	13	<b>₱4,169,976,102</b>	<b>₱4,268,892,416</b>
Accounts payable and other liabilities	14	<b>1,655,848,013</b>	<b>702,744,459</b>
Contract liabilities	5	<b>20,385,280</b>	<b>121,712,461</b>
Due to a related party	23	<b>386,666,691</b>	<b>286,666,691</b>
Net retirement liability	20	<b>66,088,998</b>	<b>50,668,546</b>
Net deferred tax liabilities	22	<b>779,222,593</b>	<b>752,508,368</b>
Total Liabilities		<b>7,078,187,677</b>	<b>6,183,192,941</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	15	<b>989,757,136</b>	<b>989,757,136</b>
Additional paid-in capital		<b>2,031,441,541</b>	<b>2,031,441,541</b>
Retained earnings		<b>2,214,144,875</b>	<b>2,085,398,501</b>
Cumulative remeasurement gains on net retirement liability - net of tax	20	<b>18,169,495</b>	<b>7,448,391</b>
Parent Company's preferred shares held by a subsidiary	15	<b>(12,500,000)</b>	<b>(12,500,000)</b>
		<b>5,241,013,047</b>	<b>5,101,545,569</b>
<b>Non-controlling Interests</b>	4	<b>17,265,039</b>	<b>(37,926,744)</b>
Total Equity		<b>5,258,278,086</b>	<b>5,063,618,825</b>
		<b>₱12,336,465,763</b>	<b>₱11,246,811,766</b>

See accompanying Notes to Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2018	2017	2016
<b>REVENUES</b>	16			
Real estate sales		<b>₱992,593,844</b>	₱433,964,838	₱439,160,673
Leasing operations		<b>132,436,268</b>	22,997,690	8,103,925
Project management fees		<b>7,439,974</b>	6,576,066	3,810,463
		<b>1,132,470,086</b>	463,538,594	451,075,061
<b>COST OF SALES AND SERVICES</b>				
Cost of real estate sales	9	<b>599,734,444</b>	320,515,983	389,043,136
Cost of leasing operations	10	<b>15,260,471</b>	7,993,692	4,631,402
Cost of services		<b>3,804,324</b>	4,315,726	2,638,279
		<b>618,799,239</b>	332,825,401	396,312,817
<b>GROSS INCOME</b>		<b>513,670,847</b>	130,713,193	54,762,244
<b>OPERATING EXPENSES</b>	17	<b>397,610,494</b>	322,243,222	362,490,179
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>116,060,353</b>	(191,530,029)	(307,727,935)
<b>NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES</b>	10	<b>172,819,094</b>	428,390,699	1,417,865,206
<b>FINANCE COSTS</b>	18	<b>(73,647,288)</b>	(80,663,240)	(80,348,345)
<b>OTHER INCOME - Net</b>	19	<b>339,120,693</b>	67,443,318	147,643,198
<b>INCOME BEFORE INCOME TAX</b>		<b>554,352,852</b>	223,640,748	1,177,432,124
<b>PROVISION FOR INCOME TAX</b>	22	<b>165,735,606</b>	85,240,763	355,015,749
<b>NET INCOME</b>		<b>388,617,246</b>	138,399,985	822,416,375
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains on net retirement liability	20	<b>15,315,863</b>	6,323,380	2,902,163
Income tax expense relating to item that will not be reclassified	22	<b>(4,594,759)</b>	(1,897,014)	(870,649)
		<b>10,721,104</b>	4,426,366	2,031,514
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱399,338,350</b>	₱142,826,351	₱824,447,889

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱333,479,516</b>	₱191,850,580	₱840,225,824
Non-controlling interests	4	<b>55,137,730</b>	(53,450,595)	(17,809,449)
		<b>₱388,617,246</b>	₱138,399,985	₱822,416,375
<b>TOTAL COMPREHENSIVE INCOME</b>				
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		<b>₱344,200,620</b>	₱196,276,946	₱842,257,338
Non-controlling interests	4	<b>55,137,730</b>	(53,450,595)	(17,809,449)
		<b>₱399,338,350</b>	₱142,826,351	₱824,447,889
<b>EARNINGS PER SHARE - Basic and diluted</b>	25	<b>₱0.0362</b>	₱0.0096	₱0.1514

See accompanying Notes to Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2018	2017	2016
<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		<b>32,500,000</b>	32,500,000	32,500,000
		<b>989,757,136</b>	989,757,136	989,757,136
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		<b>2,031,441,541</b>	2,031,441,541	75,000,000
Issuance of preferred shares	15	—	—	1,980,000,000
Stock issuance costs	15	—	—	(23,558,459)
Balance at end of year		<b>2,031,441,541</b>	2,031,441,541	2,031,441,541
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		<b>2,085,398,501</b>	2,098,281,063	1,258,055,239
Net income for the year		<b>333,479,516</b>	191,850,580	840,225,824
Dividends declared during the year	15	<b>(204,733,142)</b>	(204,733,142)	—
Balance at end of year		<b>2,214,144,875</b>	2,085,398,501	2,098,281,063
<b>CUMULATIVE REMEASUREMENT GAINS ON NET RETIREMENT LIABILITY - Net of tax</b>	20			
Balance at beginning of year		<b>7,448,391</b>	3,022,025	990,511
Remeasurement gains on retirement liability		<b>15,315,863</b>	6,323,380	2,902,163
Income tax expense relating to other comprehensive income for the year		<b>(4,594,759)</b>	(1,897,014)	(870,649)
Balance at end of year		<b>18,169,495</b>	7,448,391	3,022,025
<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>5,241,013,047</b>	5,101,545,569	5,110,001,765
<b>NON-CONTROLLING INTERESTS</b>	4			
Balance at beginning of year		<b>(37,926,744)</b>	(414,731)	—
Share in net income (loss) during the year		<b>55,137,730</b>	(53,450,595)	(17,809,449)
Effect of consolidation of Arcosouth Development Inc. (Arcosouth)	3	<b>54,053</b>	—	—
Subscription to a subsidiary		—	15,938,582	17,394,718
Balance at end of year		<b>17,265,039</b>	(37,926,744)	(414,731)
		<b>₱5,258,278,086</b>	₱5,063,618,825	₱5,109,587,034

See accompanying Notes to Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱554,352,852</b>	₱223,640,748	₱1,177,432,124
Adjustments for:				
Gain on settlement of loans payable	13	<b>(319,553,431)</b>	–	–
Net gain on change in fair value of investment properties	10	<b>(172,819,094)</b>	(428,390,699)	(1,417,865,206)
Interest expense	13	<b>72,872,660</b>	77,918,542	79,540,215
Retirement expense	20	<b>35,736,315</b>	9,747,561	9,345,010
Depreciation and amortization	11	<b>15,449,610</b>	9,330,955	8,214,176
Realized gain on disposals of financial assets at FVPL	7	<b>(14,190,431)</b>	(37,576,414)	(17,310,183)
Loss on disposal of investment properties	10	<b>8,334,033</b>	–	–
Unrealized holding (gains) loss on financial assets at FVPL	7	<b>6,385,529</b>	(1,874,352)	(5,856,676)
Interest income	6	<b>(6,088,906)</b>	(14,245,251)	(10,692,204)
Amortization of initial direct leasing costs	10	<b>1,126,823</b>	249,952	–
Foreign exchange gains	19	<b>(906,754)</b>	(83,998)	(600,156)
“Day 1” gain on loan discounting	13	–	(2,907,783)	(80,883,656)
Loss (gain) on sale of property and equipment	11	–	475,131	(185,888)
Operating income (loss) before working capital changes		<b>180,699,206</b>	(163,715,608)	(258,862,444)
Decrease (increase) in:				
Receivables		<b>(556,576,406)</b>	115,652,434	1,530,025,607
Contract assets		<b>(785,197,944)</b>	–	–
Real estate for sale		<b>(423,556,692)</b>	(888,977,768)	(179,886,377)
Other assets		<b>(6,456,540)</b>	(307,844,233)	5,800,990
Increase (decrease) in:				
Accounts payable and other liabilities		<b>240,318,176</b>	19,945,138	(460,884,204)
Contract liabilities		<b>(101,327,181)</b>	(100,425,968)	(21,286,493)
Net cash generated from (used for) operations		<b>(1,452,097,381)</b>	(1,325,366,005)	614,907,079
Interest paid		<b>(174,354,580)</b>	(118,691,181)	(81,791,916)
Income taxes paid		<b>(103,536,471)</b>	(35,305,720)	(107,942,444)
Interest received		<b>6,006,812</b>	13,408,173	10,692,204
Contribution to retirement plan assets	20	<b>(5,000,000)</b>	–	–
Net cash provided by (used in) operating activities		<b>(₱1,728,981,620)</b>	(₱1,465,954,733)	₱435,864,923

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of:				
Financial assets at FVPL		<b>₱1,507,648,191</b>	₱2,611,246,414	₱3,475,401,873
Investment properties		<b>20,462,000</b>	–	6,630,000
Property and equipment		<b>623,878</b>	1,173,957	2,101,160
Additions to:				
Financial assets at FVPL	7	<b>(1,266,791,719)</b>	(909,600,000)	(4,769,675,068)
Investment properties	10	<b>(486,818,962)</b>	(1,422,318,493)	(1,043,245,128)
Property and equipment	11	<b>(36,917,708)</b>	(30,651,541)	(12,999,058)
Net cash provided by (used in) investing activities		<b>(261,794,320)</b>	249,850,337	(2,341,786,221)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net proceeds from:				
Loans payable	13	<b>1,846,036,912</b>	2,050,662,463	2,386,606,892
Due to a related party	23	<b>100,000,000</b>	36,876,855	249,789,836
Issuance of preferred shares		–	–	1,976,441,541
Payment of dividends	15	<b>(204,273,545)</b>	(204,884,469)	–
Payments of loans payable	13	<b>(152,000,000)</b>	(951,520,000)	(2,338,783,409)
Subscription of non-controlling interest		–	15,938,582	17,394,718
Net cash provided by financing activities		<b>1,589,763,367</b>	947,073,431	2,291,449,578
<b>EFFECT OF CONSOLIDATION OF</b>				
<b>ARCOSOUTH</b>		<b>4,990,173</b>	–	–
<b>NET EFFECT OF EXCHANGE RATE CHANGES</b>				
<b>TO CASH AND CASH EQUIVALENTS</b>		<b>906,754</b>	83,998	600,156
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>(395,115,646)</b>	(268,946,967)	386,128,436
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT BEGINNING OF YEAR</b>		<b>721,795,236</b>	990,742,203	604,613,767
<b>CASH AND CASH EQUIVALENTS AT</b>				
<b>END OF YEAR</b>	6	<b>₱326,679,590</b>	₱721,795,236	₱990,742,203

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>				
	6			
Cash on hand		<b>₱80,000</b>	₱35,000	₱30,000
Cash in banks		<b>46,526,688</b>	70,690,170	34,869,125
Cash equivalents		<b>280,072,902</b>	651,070,066	955,843,078
		<b>₱326,679,590</b>	₱721,795,236	₱990,742,203
<b>NONCASH FINANCIAL INFORMATION:</b>				
Settlement of loans payable through dacion en pago	13	<b>₱1,847,539,634</b>	₱—	₱—
Recognition of property of Arcosouth	3	<b>490,983,477</b>	—	—
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	<b>216,890,959</b>	1,092,000	45,019,935
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	<b>176,865,569</b>	—	—
Capitalized borrowing costs	13	<b>172,826,857</b>	104,822,854	54,581,665
Acquisition of real estate for sale asset on account		—	—	314,332,750

See accompanying Notes to Consolidated Financial Statements.

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

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 15).

The new registered office and principal place of business of the Parent Company is 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City, Philippines, upon SEC's approval of the amendment of its Articles of Incorporation on September 4, 2018.

**Composition of the Group**

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

Subsidiary	Place of Incorporation	Effective % of Ownership	
		2018	2017
Cazneau, Inc. (Cazneau)	Philippines	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%
Savya Land Development Corporation (SLDC)	Philippines	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company, and Cazneau and MPI which are engaged in leasing of properties.

In 2017, the Parent Company subscribed to 100% shares of SLDC. SLDC was registered with the SEC on February 10, 2017 to engage primarily in real estate development.



### **Major Projects**

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

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building that will be developed in Barangay Lahug, Cebu City. Cebu Exchange has been pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 110,000 square meters (sqm), Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall is a campus-type or dormitory-type residential community, which is expected to be completed in 2019 (see Note 10). This project will be catering to start-ups, incubators, students, faculty population and starter families within the area. The entire project is expected to be completed in 2023.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,900 sqm which will be developed in Arca South, Taguig City. The project is expected to be completed in 2021.

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

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the BOD on March 20, 2019.

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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 (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### **Measurement Bases**

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

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVPL and investment properties, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value consideration received in exchange for incurring liability.

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

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

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

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

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

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

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

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

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has applied the requirements of PFRS 9 retrospectively.

The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

*Classification and Measurement.* Based on the Group's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as of January 1, 2018, the Group has concluded that all of its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets:

		Classification under PFRS 9	
	Classification under PAS 39	Financial assets at amortized cost	Financial assets at FVPL
Cash and cash equivalents	Loans and receivables	₱721,795,236	₱—
Financial assets at FVPL	Held for trading	—	387,879,631
Receivables*	Loans and receivables	65,029,531	—
Deposits	Loans and receivables	66,444,390	—
Amounts held in escrow	Loans and receivables	20,096,757	—
Investment in time deposits	Loans and receivables	19,972,000	—
		₱893,337,914	₱387,879,631

\*Excludes advances for project development and accrued rent under straight-line basis of accounting aggregating ₱121.2 million as at December 31, 2017.

There are no changes in classification and measurement for the Group's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group's financial instruments.

*Impairment.* The new impairment requirements do not result to additional provision for impairment with respect to trade receivables from sale of real estate because the credit exposure arising from these financial assets was mitigated by the Group's policy that title should transfer only upon full payment by the buyer and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime ECL.

While cash in banks and cash equivalents, deposits, amounts held in escrow and investment in time deposits are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result in significant ECL. In performing the assessment, the Group considered the available liquid assets of the related parties.

*Hedging.* The Group does not have transactions that will require the use of hedge accounting.

There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaced PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

The following are the related literature issued subsequent to the adoption of PFRS 15:

- Philippine Interpretations Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.
- SEC Memorandum Circular No. 14, Series of 2018, *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

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

Upon adoption of PFRS 15, the Group recognized contract assets amounting to ₱785.2 million and nil as at December 31, 2018 and 2017, respectively, representing consideration earned but is conditional upon successful completion of the related real estate project (see Note 5). Contract assets are measured as the excess of cumulative revenues from real estate sales over total collections received from buyers.

The Group also recognized contract liabilities amounting to ₱20.4 million and ₱121.7 million as at December 31, 2018 and 2017, respectively, representing consideration received but is conditional upon performance of the Group's obligations under its real estate contracts (see Note 5). Contract liabilities are measured as the excess of total collections received from buyers over cumulative revenues from real estate sales.

Had the Group opted to adopt in full the guidance provided in PIC Q&A 2018-12, there would have been a decrease in revenue from real estate sales because of lower POC rate. Moreover, the Group may have to recognize interest expense (income) if the buyers' payments are higher (lower) than the POC rate.

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the amendments to PFRS 40 and Philippine Interpretation IFRIC 22 did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

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

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. However, the Group's non-cancellable operating lease, in which the Group acted as a lessee, has ceased in 2018 (see Note 21). Thus, the Group does not have to recognize right-of-use asset (ROU) and a corresponding liability in respect of this lease. Moreover, the Group will opt not to apply the requirements to recognize ROU and finance liability for leases with terms of one year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at December 31, 2018. Accordingly, PFRS 16 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

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

### **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 fair value through other comprehensive income (FVOCI) depending on the level of influence retained.

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

### **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, 2018, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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



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

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

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

The Group classified its investment in money market fund under this category (see Note 7). The Group does not have financial liabilities at FVPL.

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

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

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

As at December 31, 2018 and 2017, the Group’s cash and cash equivalents, receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), deposits, amounts held in escrow and investment in time deposits are classified under this category (see Notes 6, 8, and 12).

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

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

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

As at December 31, 2018 and 2017, the Group's loans payable, accounts payable and other liabilities (excluding statutory liabilities, advance rent and payable to buyers) and due to a related party are classified under this category (see Notes 13, 14 and 23).

### **Reclassification**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

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

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

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

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

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

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

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

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

The Group presents current and noncurrent asset, and current and noncurrent liabilities in the notes to consolidated financial statements.

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

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

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

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

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

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

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

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

#### **Contract Balances**

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

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

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

#### **Debt Issue Costs**

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

### **Real Estate for Sale**

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

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

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

### **Borrowing Costs**

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

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

### **Investment Properties**

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

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

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

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

### **Property and Equipment**

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

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

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

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

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

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

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

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

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

#### **Other Assets**

Other assets include value-added tax (VAT), prepayments, deposits, amounts held in escrow, investment in time deposits and materials and supplies.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

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

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

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

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

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

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

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

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

#### **Impairment of Nonfinancial Assets**

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



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

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

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

#### **Advance Rent**

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

#### **Payable to Buyers**

Payable to buyers consist of amounts received by the Group from its tenants as reservation fee for lease of ACPT and Arya Residences. These are recorded at face amount in the consolidated statements of financial position. Reservation fees for the lease of ACPT will be applied as security deposits upon execution of the lease contracts.

#### **Capital Stock**

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

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

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

#### **Additional Paid-in Capital**

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

**Retained Earnings**

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

**Other Comprehensive Income**

Other component of equity comprises items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains on net retirement liability.

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

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

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

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

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

**Revenue Recognition**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Cost and Expenses Recognition**

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

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

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

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

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

### **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

*Group as a Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as income in the period they are earned.

*Group as a Lessee.* Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

### **Employee Benefits**

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

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

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in the effect of the asset ceiling (excluding net interest on retirement liability on asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

### **Income Taxes**

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

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

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

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

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

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

### **Related Party Transactions**

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

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

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

### **Segment Reporting**

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

### **Provisions and Contingencies**

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

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

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

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

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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 assets and liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **Judgments**

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

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

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

*Determining Control or Joint Control over an Investee Company.* Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2018 and 2017, it has the ability to exercise control over these investees.

*Recognizing Property of Arcosouth Development Inc. (Arcosouth) under Real Estate for Sale.* In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent Company shall nominate the Chairman of SLDC's BOD and the Stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC.

The merger of SLDC and Arcosouth were approved on September 19, 2018 by the BOD and the stockholders of SLDC. The approval of the Merger is pending with the SEC. However, SLDC started to develop Savya Financial Center on the Property (see Note 1).

Management assessed that the Group has control over the property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the planned merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at December 31, 2018.

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

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

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



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

Revenue from real estate sales of Cebu Exchange amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Revenue from real estate sales of Arya Residences amounted to ₱147.6 million in 2018, ₱434.0 million in 2017 and ₱439.2 million in 2016 (see Note 16). Cost of real estate sales amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016 (see Note 9).

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

Real estate for sale amounted to ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, respectively (see Note 9). Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10). Property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

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

Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

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

Revenue from leasing operations recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21).

*Determining Lease Commitment - Group as Lessee.* The Group entered into a property lease as a lessee for its office space until October 2018. The Group has determined that the risks and benefits of ownership related to the leased property is retained by the lessor. Accordingly, the lease is accounted for as operating lease.

Rent expense amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 21).

### **Estimates and Assumptions**

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

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

Revenue from real estate sales of Cebu Exchange amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Cost of real estate sales amounted to ₱553.2 million in 2018.

*Estimating Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The Group estimates expected future cash flows yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10 to the consolidated financial statements.

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

Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

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

No provision for inventory obsolescence was recognized in 2018, 2017 and 2016. The carrying amount of real estate for sale amounted to ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, respectively (see Note 9).

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

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

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

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

No provision for ECL was recognized in 2018, 2017 and 2016. The Group's trade receivables and contract assets aggregated ₱897.2 million and ₱6.8 million as at December 31, 2018 and 2017, respectively (see Note 8).

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

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

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

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

No provision for ECL was recognized in 2018, 2017 and 2016. The Group's cash and cash equivalents, due from related parties, receivable from non-affiliated entity, advances to employees, interest receivable, other receivables, deposits, amounts held in escrow and investment in time deposits aggregated ₱536.3 million and ₱886.9 million as at December 31, 2018 and 2017, respectively (see Notes 6, 8 and 12).

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

There were no changes in the estimated useful lives of property and equipment during 2018, 2017 and 2016. The carrying amount of property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

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

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

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

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

No provision for impairment loss on nonfinancial assets was recognized in 2018, 2017 and 2016.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2018	2017
Advances for project development*	8	<b>₱506,468,951</b>	₱100,270,487
Accrued rent receivable*	8	<b>51,961,813</b>	20,974,212
CWT		<b>259,819,891</b>	253,188,078
Property and equipment	11	<b>237,452,955</b>	39,743,166
Other assets**	12	<b>362,343,290</b>	386,159,174

\*presented under "receivables" account.

\*\*excluding deposits, amounts held for escrow and investment in time deposits aggregating ₱136.8 million and ₱106.5 million as at December 31, 2018 and 2017, respectively.

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

Net retirement liability amounted to ₱66.1 million and ₱50.7 million as at December 31, 2018 and 2017 (see Note 20).

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

The carrying amount of recognized deferred tax assets amounted to ₱94.5 million and ₱85.7 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱3.7 million and ₱3.6 million as at December 31, 2018 and 2017, respectively, as management assessed that these may not be realized in the future (see Note 22).

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

#### 4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱17.3 million in 2018 and (₱37.9 million) in 2017 mainly pertain to the 40% non-controlling interests in CLLC. The net income (loss) of CLLC allocated to non-controlling interests amounting to ₱55.1 million in 2018, (₱53.5 million) in 2017 and (₱17.8 million) in 2016 is distributed based on the Parent Company's profit sharing agreement of 50:50 with Rock & Salt B.V.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the year ended December 31, 2018, 2017 and 2016 follows:

	2018	2017	2016
Current assets	<b>₱2,865,334,534</b>	₱1,398,361,844	₱1,100,970,490
Noncurrent assets	<b>40,704,383</b>	76,414,030	15,289,199
Current liabilities	<b>(1,568,748,542)</b>	(885,380,958)	(308,354,807)
Noncurrent liability	<b>(1,287,620,000)</b>	(650,000,000)	(810,290,234)
Net asset (liability)	<b>₱49,670,375</b>	(₱60,605,084)	(₱2,385,352)

	2018	2017	2016
Revenue	<b>₱844,954,725</b>	₱—	₱—
Expenses	<b>(693,371,617)</b>	(166,614,114)	(39,459,857)
Income (loss) before income tax	<b>151,583,108</b>	(166,614,114)	(39,459,857)
Other income – net	<b>5,007,751</b>	1,669,588	672,059
(Provision for) benefit from income tax	<b>(46,315,400)</b>	49,563,596	11,648,638
Net income (loss)	<b>110,275,459</b>	(115,380,930)	(27,139,160)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	<b>₱110,275,459</b>	(₱115,380,930)	(₱27,139,160)

	2018	2017	2016
Cash flows from (used in):			
Operating activities	<b>(P946,673,203)</b>	(P394,817,385)	(P317,959,540)
Investing activities	<b>(15,266,432)</b>	(15,381,620)	(6,389)
Financing activities	<b>862,479,332</b>	440,502,235	438,855,097
Net increase (decrease) in cash	<b>(99,460,303)</b>	30,303,230	120,889,168
Cash at beginning of year	<b>151,430,527</b>	121,127,297	238,129
Cash at end of year	<b>P51,970,224</b>	P151,430,527	P121,127,297

## 5. Contract Assets and Contract Liabilities

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

	2018	2017
Contract assets	<b>P785,197,944</b>	P-
Contract liabilities	<b>20,385,280</b>	121,712,461
Net contract assets (liabilities)	<b>P764,812,664</b>	(P121,712,461)

Contract assets pertain to receivables from the sale of office units of Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers as at December 31, 2018. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers which is normally over five (5) years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as at December 31, 2018. The decrease in contract liabilities of P101.3 million pertains to downpayments received as at January 1, 2018 that were subsequently recognized as revenues from real estate sales in 2018.

## 6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	<b>P80,000</b>	P35,000
Cash in banks	<b>46,526,688</b>	70,690,170
Cash equivalents	<b>280,072,902</b>	651,070,066
	<b>P326,679,590</b>	P721,795,236

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

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

	Note	2018	2017	2016
Short-term placements		<b>₱4,898,195</b>	₱11,459,532	₱9,350,701
Cash in banks		<b>1,070,232</b>	2,503,854	453,878
Investment in time deposits	12	<b>120,479</b>	281,865	887,625
		<b>₱6,088,906</b>	₱14,245,251	₱10,692,204

## 7. Financial Assets at FVPL

Movements in this account are as follows:

	Note	2018	2017
Balance at beginning of year		<b>₱387,879,631</b>	₱2,050,075,279
Additions		<b>1,266,791,719</b>	909,600,000
Disposals		<b>(1,493,457,760)</b>	(2,573,670,000)
Unrealized holding gains (loss)	19	<b>(6,385,529)</b>	1,874,352
Balance at end of year		<b>₱154,828,061</b>	₱387,879,631

Realized gain on disposal of financial assets at FVPL amounted to ₱14.2 million in 2018, ₱37.6 million in 2017 and ₱17.3 million in 2016 (see Note 19).

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

## 8. Receivables

This account consists of:

	Note	2018	2017
Trade receivables from:			
Sale of real estate		<b>₱81,631,132</b>	₱6,835,201
Leasing	21	<b>30,385,699</b>	—
Advances for project development		<b>506,468,951</b>	100,270,487
Accrued rent receivable	21	<b>51,961,813</b>	20,974,212
Due from related parties	23	<b>36,052,873</b>	36,052,873
Receivable from non-affiliated entity		<b>9,587,986</b>	—
Advances to employees		<b>5,067,899</b>	7,925,948
Interest receivable		<b>2,117,945</b>	2,035,851
Other receivables		<b>20,026,724</b>	12,547,950
		<b>743,301,022</b>	186,642,522
Allowance for impairment loss		<b>(368,292)</b>	(368,292)
		<b>₱742,932,730</b>	₱186,274,230

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

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

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

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

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

Interest receivable includes accrual of interest from the Group's short-term placements.

Other receivables mainly include accrued project management fees which will be billed and collected within 30 days.

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## 9. Real Estate for Sale

This account consists of:

	2018	2017
Raw land	<b>₱1,656,023,008</b>	₱1,190,949,014
Assets under construction	<b>1,350,399,000</b>	1,275,413,889
Condominium units for development	<b>336,548,323</b>	77,470,002
Pre-construction costs (Savya)	<b>69,743,094</b>	—
Condominium units for sale	—	102,898,713
	<b>₱3,412,713,425</b>	₱2,646,731,618



Movements of this account follow:

	Note	2018	2017	2016
Balance at beginning of year		<b>₱2,646,731,618</b>	₱1,722,192,699	₱1,558,711,101
Construction costs incurred		<b>764,212,815</b>	196,891,625	246,924,124
Cost of real estate sold		<b>(599,734,444)</b>	(320,515,983)	(389,043,136)
Effect of consolidation of Arcosouth		<b>490,983,477</b>	—	—
Purchase of condominium units for development		<b>259,078,321</b>	69,797,363	7,672,639
Transfers to investment properties	10	<b>(216,890,959)</b>	(1,092,000)	(45,019,935)
Capitalized borrowing costs	13	<b>68,332,597</b>	36,653,151	28,615,156
Purchase of raw land		—	942,804,763	314,332,750
Balance at end of year		<b>₱3,412,713,425</b>	₱2,646,731,618	₱1,722,192,699

Real estate inventories recognized as cost of real estate sold amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016.

#### **Raw Land**

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. Raw land also includes the property of Arcosouth located in Arca South, Taguig City, on which SLDC launched the development of Savya Financial Center (see Notes 1 and 3). This property has a carrying amount of ₱491.0 million as at December 31, 2018.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations (see Note 1). Accordingly, raw land and Courtyard Hall were recognized as investment properties at their fair values amounting to ₱211.7 million and ₱152.8 million, respectively (see Note 10).

In 2018, SLDC entered into a Medium-Term Loan (MTL) with a credit line of ₱1,440.0 million with a local bank to partially finance the acquisition and development of its land in Arca South, Taguig City. The MTL with outstanding balance amounting to ₱684.9 million as at December 31, 2018 is secured by the same property amounting to ₱942.8 million as at December 31, 2018 (see Note 13).

#### **Assets under Construction**

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2018, this account includes the land and development costs of Cebu Exchange and Cazneau's project in Laguna (see Note 1).

In 2017, CLLC entered into an Omnibus Loan and Security Agreement (OLSA) with a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. The outstanding balance of the loan amounting to ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively, is secured by parcels of land, together with any improvements thereon, located in Cebu City, aggregating ₱931.8 million as at December 31, 2018 and 2017 (see Note 13).

### **Condominium Units for Development**

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

### **Condominium Units for Sale**

Condominium units for sale pertain to unsold and completed units of Arya Residences in 2017. Condominium units with carrying amount of ₱102.9 million as at December 31, 2017 are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding balance of nil and ₱100.0 million as at December 31, 2018 and 2017, respectively (see Note 13). These condominium units were already sold in 2018.

### **Borrowing Cost**

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

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

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## **10. Investment Properties**

Investment properties consist of:

	2018	2017
ACPT	<b>₱3,438,420,267</b>	₱4,579,238,370
Arya Residences:		
Commercial units	<b>1,194,379,000</b>	1,110,864,000
Parking slots	<b>184,984,000</b>	206,653,883
Raw land:		
UPHI's Laguna and Tagaytay properties	<b>577,277,508</b>	464,476,979
Cazneau's Laguna properties	<b>211,713,162</b>	–
Parent Company's Batangas and Tagaytay properties	<b>141,898,400</b>	96,082,021
Courtyard Hall	<b>152,842,238</b>	–
	<b>₱5,901,514,575</b>	₱6,457,315,253

Movements of this account follow:

	Note	2018	2017	2016
Balance at the beginning of year		<b>₱3,984,127,753</b>	₱2,502,376,038	₱1,391,323,861
Settlement of loans payable	13	<b>(1,330,035,528)</b>	—	—
Construction costs incurred		<b>474,788,616</b>	1,412,490,012	1,046,695,733
Transfers from real estate for sale	9	<b>216,890,959</b>	1,092,000	45,019,935
Transfer to property and equipment	11	<b>(131,937,452)</b>	—	—
Capitalized borrowing costs	13	<b>104,494,260</b>	68,169,703	25,966,509
Disposals		<b>(17,822,000)</b>	—	(6,630,000)
		<b>3,300,506,608</b>	3,984,127,753	2,502,376,038
Cumulative gain on change in fair value		<b>2,577,075,310</b>	2,460,158,366	2,031,767,366
		<b>5,877,581,918</b>	6,444,286,119	4,534,143,404
Unamortized initial direct leasing costs		<b>23,932,657</b>	13,029,134	—
Balance at end of year		<b>₱5,901,514,575</b>	₱6,457,315,253	₱4,534,143,404

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

	2018	2017	2016
Balance at beginning of year	<b>₱2,460,158,366</b>	₱2,031,767,667	₱613,902,460
Net gain on change in fair value during the year	<b>172,819,094</b>	428,390,699	1,417,865,206
Transfer to property and equipment	<b>(44,928,117)</b>	—	—
Disposals	<b>(10,974,033)</b>	—	—
Balance at end of year	<b>₱2,577,075,310</b>	₱2,460,158,366	₱2,031,767,666

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

	2018	2017
Balance at beginning of year	<b>₱13,029,134</b>	₱—
Additions	<b>12,030,346</b>	13,279,086
Amortization	<b>(1,126,823)</b>	(249,952)
Balance at end of year	<b>₱23,932,657</b>	₱13,029,134

#### **ACPT**

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

In 2018, the Parent Company transferred its office to ACPT (see Note 1). Accordingly, investment properties with a carrying amount of ₱176.9 million, ₱131.9 million original cost, was reclassified to “Property and equipment” (see Note 11).

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

ACPT is used as collateral for loans payable under OLSA with outstanding balance amounting to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively (see Note 13).

#### **Arya Residences' Commercial Units and Parking Slots**

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations. These were used as collateral for loans payable with outstanding balance amounting ₱230.0 million and ₱280.0 million as at December 31, 2018 and 2017, respectively (see Note 13).

In 2018, the Parent Company and MPI sold parking slots with carrying amount of ₱28.8 million (₱17.8 million cost) for a total consideration of ₱20.5 million. This resulted to loss sale of investment properties amounting to ₱8.3 million (see Note 19).

#### **Raw Land and Courtyard Hall**

UPHI's raw land, with fair value amounting to ₱577.3 million and ₱464.5 million as at December 31, 2018 and 2017, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2018 and 2017, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations. Accordingly, raw land and Courtyard Hall were recognized as investment properties at fair value amounting to ₱211.7 million and ₱152.8 million, respectively, as at December 31, 2018 (see Note 9).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱141.9 million and ₱96.1 million as at December 31, 2018 and 2017, respectively.

#### **Leasing Operations**

The Group recognized revenue from leasing operations amounting to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21) and incurred direct cost of leasing amounting to ₱15.3 million in 2018, ₱8.0 million in 2017 and ₱4.6 million in 2016.

### **Fair Value Measurement**

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

Class of Property	Valuation Technique	Significant Inputs	Range	
			2018	2017
ACPT	Land development approach	Discount rate	8.74%	8.70%
		Rental rate for an office unit per square meter (per sq.m.)	₱1,350	₱1,250
		Rental rates for parking per sq. m.	₱6,000	₱5,500
		Calculated no. of net leasable area (total sq. m.)	20,923	27,809
		Vacancy rate	5% - 10%	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow (DCF) approach	Rental rate per sq.m.	₱3,000	₱2,360
		Rent escalation rate per annum (p.a.)	7%	5%
		Discount rate	8.74%	6.17%
		Vacancy rate	2%	2%
Parking slots	DCF approach	Rental rate per slot	₱6,500	₱5,500
		Rent escalation rate p.a.	7%	5%
		Discount rate	8.74%	6.17%
		Vacancy rate	2%	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	₱1,740	₱1,400
		Value adjustments	0% - 30%	5% - 65%
Cazneau's Laguna properties	Market data approach	Price per sq. m.	₱10,200	—
		Value adjustments	0% - 5%	—
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	₱1,300	₱800
		Value adjustments	5% - 15%	25% - 40%

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

### **Land Development Approach**

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

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.
- Establishment of total rental income from lease of office and commercial units based on the current rental rates in similar office building within the immediate vicinity.
- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.

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

#### **Discounted Cash Flow Approach**

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

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

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

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

#### **Market Data Approach**

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

The inputs to fair valuation are as follows:

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

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

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

2018				
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	Note			
Balance at beginning of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253
Settlement of loans payable	13	—	(1,330,035,528)	(1,330,035,528)
Construction costs incurred		—	474,788,616	474,788,616
Net gain on change in fair value		306,281,350	(133,462,256)	172,819,094
Capitalized borrowing costs	13	—	104,494,260	104,494,260
Transfers	9	(176,865,569)	216,890,959	40,025,390
Disposals		—	(28,796,033)	(28,796,033)
Initial direct leasing costs		—	10,903,523	10,903,523
Balance at end of year		₱689,974,781	₱5,211,539,794	₱5,901,514,575

2017				
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	Note			
Balance at beginning of year		₱482,099,300	₱4,052,044,405	₱4,534,143,705
Construction costs incurred		—	1,412,490,012	1,412,490,012
Gain on change in fair value		78,459,700	349,930,999	428,390,699
Capitalized borrowing costs	13	—	68,169,703	68,169,703
Initial direct leasing costs		—	13,029,134	13,029,134
Transfers	9	—	1,092,000	1,092,000
Balance at end of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253

There are no transfers between the levels of fair value hierarchy in 2018 and 2017.

## 11. Property and Equipment

The balances and movements of this account consist of:

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

		2017						
	Note	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Building and Building Improvements	Construction in Progress	Total
<b>Cost</b>								
Balance at beginning of year		₱48,363,334	₱40,558,056	₱38,547,542	₱7,578,512	₱–	₱–	₱135,047,444
Additions		26,786	10,521,326	5,061,501	497,346	1,321,706	13,222,876	30,651,541
Disposals		–	(8,726,441)	(105,935)	–	–	–	(8,832,376)
Balance at end of year		48,390,120	42,352,941	43,503,108	8,075,858	1,321,706	13,222,876	156,866,609
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year		48,205,758	22,409,695	36,829,770	7,530,553	–	–	114,975,776
Depreciation and amortization	17	146,943	7,868,904	1,198,053	117,055	–	–	9,330,955
Disposals		–	(7,081,835)	(101,453)	–	–	–	(7,183,288)
Balance at end of year		48,352,701	23,196,764	37,926,370	7,647,608	–	–	117,123,443
<b>Carrying Amount</b>		<b>₱37,419</b>	<b>₱19,156,177</b>	<b>₱5,576,738</b>	<b>₱428,250</b>	<b>₱1,321,706</b>	<b>₱13,222,876</b>	<b>₱39,743,166</b>

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

As at December 31, 2018 and 2017, fully depreciated property and equipment that are still being used by the Group amounted to ₱12.5 million and ₱10.5 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱0.6 million, ₱1.6 million and ₱1.9 million in 2018, 2017 and 2016, respectively, resulting in gain (loss) on disposal of nil in 2018, (₱0.5 million) in 2017 and ₱0.2 million in 2016 (see Note 19).



## 12. Other Assets

This account consists of:

	2018	2017
Input VAT	<b>₱242,016,373</b>	₱305,361,184
Prepaid:		
Commissions	<b>46,414,871</b>	21,030,625
Taxes	<b>34,694,439</b>	34,459,735
Debt issuance cost	<b>5,625,000</b>	—
Insurance	<b>3,046,177</b>	1,871,805
Rent	<b>2,356,510</b>	3,932,957
Others	<b>3,006,652</b>	1,118,622
Deposits	<b>59,239,173</b>	66,444,390
Amounts held in escrow	<b>56,514,398</b>	20,096,757
Deferred input VAT	<b>23,663,461</b>	16,864,439
Investment in time deposits	<b>21,032,000</b>	19,972,000
Materials and supplies	<b>1,519,807</b>	1,519,807
	<b>₱499,128,861</b>	₱492,672,321

Prepaid commissions pertain to the commission costs incurred to obtain a contract with customer. Amortization of prepaid commissions amounted to ₱16.4 million in 2018 (see Note 17).

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

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

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

	2018	2017
MTL	<b>₱30,136,500</b>	₱—
OLSA	<b>26,377,898</b>	20,096,757
	<b>₱56,514,398</b>	₱20,096,757

The outstanding loan balance under OLSA amounted to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively. The outstanding loan balance of MTL amounted to ₱684.9 million as at December 31, 2018 (see Note 13).

Investment in time deposits pertains to US Dollar-denominated time deposits with terms of two (2) years and fixed interest rates ranging from 1.75% to 2.50% per annum (p.a.). These time deposits are subject to a holding period of six (6) months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time deposits amounted to ₱0.1 million in 2018, ₱0.3 million in 2017 and ₱0.9 million in 2016 (see Note 6).

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

### 13. Loans Payable

This account consists of:

	2018	2017
Local bank loans	<b>₱4,082,252,132</b>	₱2,527,767,436
Private funders	<b>87,723,970</b>	1,741,124,980
	<b>₱4,169,976,102</b>	₱4,268,892,416

Movements of this account follow:

	2018	2017
Balance at beginning of year	<b>₱4,355,741,750</b>	₱3,256,599,287
Dacion en pago	<b>(1,857,695,691)</b>	–
Availments	<b>1,851,211,912</b>	2,050,662,463
Payments	<b>(152,000,000)</b>	(951,520,000)
Balance at end of year	<b>4,197,257,971</b>	4,355,741,750
Unamortized debt issue cost	<b>(27,281,869)</b>	(25,606,565)
Unamortized “Day 1” gain	–	(61,242,769)
	<b>4,169,976,102</b>	4,268,892,416
Less current portion of loans payable	<b>417,723,970</b>	1,841,124,980
Long term portion of loans payable	<b>₱3,752,252,132</b>	₱2,427,767,436

Movements in “Day 1” gain are as follow:

	Note	2018	2017
Balance at beginning of year		<b>₱61,242,769</b>	₱116,503,414
Amortization		<b>(51,086,712)</b>	(58,168,428)
Dacion en pago		<b>(10,156,057)</b>	–
Additions	19	–	2,907,783
Balance at end of year		<b>₱–</b>	₱61,242,769

Movements in debt issue cost are as follows:

	2018	2017
Balance at beginning of year	<b>₱25,606,565</b>	₱29,057,170
Additions	<b>5,175,000</b>	–
Amortization	<b>(3,499,696)</b>	(3,450,605)
Balance at end of year	<b>₱27,281,869</b>	₱25,606,565

Future repayment of the principal is as follows:

	2018	2017
Within one year	<b>₱417,723,970</b>	₱1,841,124,980
After one year but not more than three years	<b>60,375,000</b>	280,000,000
More than three years	<b>3,719,159,001</b>	2,234,616,770
	<b>₱4,197,257,971</b>	<b>₱4,355,741,750</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 3.5% to 7.15% p.a. in 2018 and 3.0% to 5.81% p.a. in 2017.

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

Purpose	Security	Effective interest rate (p.a.)	2018	2017
Construction of ACPT	Payable on a quarterly basis starting 4 <sup>th</sup> quarter of 2019; secured by ACPT with carrying amount of ₱3,438.4 million and ₱4,579.2 million as at December 31, 2018 and 2017, respectively (see Note 10), and an escrow account amounting to ₱26.4 million and ₱20.1 million as at December 31, 2018 and 2017, respectively (see Note 12).	5.81%	<b>₱1,779,758,041</b>	₱1,497,767,436
Construction of Cebu Exchange	Payable on a quarterly basis after two (2) years from the date of initial drawdown until July 2021; secured by a land, together with improvements, amounting to ₱931.8 million as at December 31, 2018 and 2017 (see Note 9).	5.77%	<b>1,287,620,000</b>	650,000,000
Acquisition of land	Payable on a quarterly basis within three (3) years from the date of initial drawdown until August 29, 2023; secured by raw land of SLDC with carrying amount of ₱942.8 million as at December 31, 2018 (see Note 9) and an escrow account amounting to ₱30.1 million as at December 31, 2018 (see Note 12).	7.15%	<b>684,874,091</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 and ₱1,317.5 million as at December 31, 2018 and 2017, respectively (see Note 10).	5.12%	<b>230,000,000</b>	280,000,000
Working fund	Payable in full on August 16, 2019; secured by commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,379.4 million as at December 31, 2018.	6.00%	<b>100,000,000</b>	—
Working fund	Payable monthly until June 11, 2018; secured by Arya Residences condominium units with carrying amount of ₱102.9 million as at December 31, 2017 (see Note 9).	3.50%	—	100,000,000
			<b>₱4,082,252,132</b>	<b>₱2,527,767,436</b>

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The loan is supported by 21 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT.
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements (see Note 12).
- The Parent Company is required to maintain the following debt to equity ratio:

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

The outstanding loan balance under OLSA amounted to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively.

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

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

	2018	2017
Total liabilities	<b>₱2,197,482,011</b>	₱1,967,491,406
Total equity	<b>4,404,224,615</b>	4,535,384,733
	<b>0.50:1.00</b>	0.43:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2018 and 2017.

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

- Loan outstanding balance is secured by a land, together with improvements amounting to ₱931.8 million as at December 31, 2018 and 2017, together with any improvements thereon, located in Cebu City (see Note 9).
- A pledge of shares of the Parent and Rock and Salt B.V., non-controlling interest, in CLLC in which shall be evidenced by that Contract of Pledge to be executed by the pledgers in favor of the lender in form and substance, acceptable to the latter, to secure the payment of the drawdowns on the loan, including the interest, penalties, fees and other charges thereon, as well as all sums due and payable by CLLC to the bank.

The outstanding balance of this loan amounted to ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders.

Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown. In 2018, SLDC received the drawdowns amounting to ₱684.9 million.

The MTL is secured by (i) unregistered real estate mortgage over the three (3) parcels of land located in Taguig City; (ii) corporate continuing suretyship of the Parent Company until completion of Tower 1 construction and 100% sale of units therein; and (iii) a ₱30.1 million time deposit in the name of SLDC (see Note 12).

### **Private Funders**

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

Purpose	Terms	Effective interest rate (p.a.)	2018	2017
Working fund	Payable in full on June 5, 2019, unsecured	3.50%	<b>₱40,000,000</b>	₱40,000,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	<b>16,302,970</b>	16,302,970
Working fund	Payable in full on April 1, 2019, unsecured	3.50%	<b>16,276,000</b>	16,276,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	<b>15,145,000</b>	17,145,000
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.75%	—	1,591,325,936
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.16%	—	60,075,074
			<b>₱87,723,970</b>	<b>₱1,741,124,980</b>

*Construction of ACPT.* The Parent Company entered into non-interest bearing loan agreements for ₱1,650.6 million with Centrobless Corporation (Centrobless) in 2015 and for ₱207.1 million with Signature Office Property, Inc. (SOPI) in 2017. Both are related parties under common management with the Parent Company (see Note 23).

The loans are payable in cash or in kind at the option of Centrobless and SOPI. In the event Centrobless and SOPI elect to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago:

- Centrobless - seven (7) floors and 150 parking slots of ACPT
- SOPI - one (1) floor and 10 parking slots of ACPT

“Day 1” gain of ₱2.9 million in 2017 and ₱80.9 million in 2016 was recognized on this loan and is presented under “Other income - net” account in the consolidated statements of comprehensive income (see Note 19).

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. The cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed (see Note 10). This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018 (see Note 19).

### **Capitalized Borrowing Costs**

Borrowing costs capitalized are as follows:

	Note	2018	2017	2016
Investment properties	10	<b>₱104,494,260</b>	₱68,169,703	₱25,966,509
Real estate for sale	9	<b>68,332,597</b>	36,653,151	28,615,156
		<b>₱172,826,857</b>	₱104,822,854	₱54,581,665

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 and 2017 (see Note 9).

### **Interest Expense**

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

	2018	2017	2016
Interest expense on interest-bearing loans and due to a related party	<b>₱21,785,948</b>	₱19,750,114	₱30,660,856
Amortization of “day 1” gain on loan discounting	<b>51,086,712</b>	58,168,428	48,879,359
	<b>₱72,872,660</b>	₱77,918,542	₱79,540,215

## **14. Accounts Payable and Other Liabilities**

This account consists of:

	Note	2018	2017
Accounts payable:			
Third parties		<b>₱178,485,778</b>	₱163,047,794
Related party	23	<b>2,856,448</b>	8,424,024
Due to Arcosouth’s stockholders		<b>495,919,597</b>	–
Deferred output VAT		<b>361,197,971</b>	15,466,182
Retention payable		<b>333,284,476</b>	329,929,213
Accrued:			
Interest		<b>56,636,579</b>	39,878,050
Personnel costs		<b>11,785,055</b>	10,505,375
Construction cost		–	27,131,801
Others		<b>25,454,109</b>	36,124,543
Security deposits	21	<b>70,254,092</b>	17,032,517
Advance rent	21	<b>53,279,878</b>	10,787,533
Construction bonds		<b>25,379,501</b>	5,005,393
Withholding taxes payable		<b>13,645,930</b>	11,309,420
Payable to buyers		<b>13,459,550</b>	18,998,136
Dividend payable		<b>5,056,961</b>	4,597,364
Income tax payable		<b>1,696,980</b>	–
Others		<b>7,455,108</b>	4,507,114
		<b>₱1,655,848,013</b>	₱702,744,459

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

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is non-interest bearing and payable on demand.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

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

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

## 15. Equity

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

	2018		2017		2016	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	32,500,000	5,318,095,199	32,500,000	5,318,095,199	32,500,000	5,318,095,199

### Preferred Shares

As at December 31, 2018 and 2017, the Parent Company has issued and outstanding preferred shares of ₱32.5 million.

On August 30, 2016, the Parent Company's BOD and stockholders approved the increase in authorized capital stock of ₱50.0 million consisting of 50 million preferred shares at ₱1.00 par value a share. The increase in authorized capital stock was approved by the SEC on September 22, 2016.

Of the ₱50.0 million increase in authorized capital stock, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A” preferred shares) to MPI and 20.0 million preferred shares (the “Series B” preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share (see Note 1). MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

The Parent Company recognized additional paid-in capital related to the issuance of Series B preferred shares amounting to ₱1,980.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series B preferred shares to the public amounted to ₱26.4 million consisting of ₱2.8 million which was charged to profit or loss and ₱23.6 million which was recognized as reduction to additional paid-in capital.

### **Common Shares**

As at December 31, 2018 and 2017, the Parent Company has issued and outstanding common shares of 5,318,095,199 amounting to ₱957.3 million.

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
2016	Public offering of Series “B” preferred shares	20,000,000	100

The Parent Company has 1,955 and 1,979 shareholders as at December 31, 2018 and 2017, respectively.

### **Dividend Declaration**

The Parent Company’s BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	Series B preferred shares	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	35,229,000	Series B preferred shares	1.76
May 9, 2018	May 23, 2018	June 6, 2018	35,229,000	Series B preferred shares	1.76
March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	Common shares	0.012
January 10, 2018	February 9, 2018	March 6, 2018	35,229,000	Series B preferred shares	1.76
			₱204,733,142		



Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 26, 2017	November 24, 2017	December 6, 2017	₱35,229,000	Series B preferred shares	₱1.76
August 9, 2017	August 23, 2017	September 6, 2017	35,229,000	Series B preferred shares	1.76
May 10, 2017	May 25, 2017	June 6, 2017	35,229,000	Series B preferred shares	1.76
February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	Common shares	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			<b>₱204,733,142</b>		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,141	Common	0.012

## 16. Revenues

The Group's revenues are as follows:

	Note	2018	2017	2016
Real estate sales of:				
Cebu Exchange		<b>₱844,954,726</b>	₱—	₱—
Arya Residences		<b>147,639,118</b>	433,964,838	439,160,673
Leasing revenue	21	<b>132,436,268</b>	22,997,690	8,103,925
Project management fees		<b>7,439,974</b>	6,576,066	3,810,463
		<b>₱1,132,470,086</b>	₱463,538,594	₱451,075,061

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

## 17. Operating Expenses

Operating expenses are classified as follows:

	2018	2017	2016
Administrative	<b>₱325,187,083</b>	₱273,749,586	₱295,722,649
Selling and marketing	<b>72,423,411</b>	48,493,636	66,767,530
	<b>₱397,610,494</b>	₱322,243,222	₱362,490,179

Details of operating expenses by nature are as follows:

	Note	2018	2017	2016
Personnel costs		<b>₱176,647,311</b>	₱129,061,896	₱132,082,771
Advertising		<b>45,266,318</b>	36,792,147	43,239,749
Management and professional fees		<b>31,867,665</b>	33,152,440	33,341,170
Commissions		<b>27,157,093</b>	11,701,489	23,527,781
Communication and office expenses		<b>20,057,547</b>	21,378,435	18,242,802
Transportation and travel		<b>18,787,861</b>	7,856,509	5,593,670
Taxes and licenses		<b>17,671,357</b>	33,321,044	58,472,179
Depreciation and amortization	11	<b>15,449,610</b>	9,330,955	8,214,176
Rent	21	<b>14,498,091</b>	13,908,352	10,357,319
Insurance		<b>12,886,192</b>	9,908,865	12,074,379
Utilities		<b>8,315,942</b>	1,416,796	8,062,059
Repairs and maintenance		<b>2,792,489</b>	2,360,720	2,181,796
Representation		<b>672,727</b>	1,435,959	3,018,354
Others		<b>5,540,291</b>	10,617,615	4,081,974
		<b>₱397,610,494</b>	₱322,243,222	₱362,490,179

Personnel costs consist of:

	Note	2018	2017	2016
Salaries and other employee benefits		<b>₱140,910,996</b>	₱119,314,335	₱122,737,761
Retirement expense	20	<b>35,736,315</b>	9,747,561	9,345,010
		<b>₱176,647,311</b>	₱129,061,896	₱132,082,771

## 18. Finance Costs

This account consists of:

	Note	2018	2017	2016
Interest expense	13	<b>₱72,872,660</b>	₱77,918,542	₱79,540,215
Bank charges		<b>774,628</b>	2,744,698	808,130
		<b>₱73,647,288</b>	₱80,663,240	₱80,348,345

## 19. Other Income - Net

This account consists of:

	Note	2018	2017	2016
Gain on settlement of loans payable	13	<b>₱319,553,431</b>	₱—	₱—
Realized gain on disposals of financial assets at FVPL	7	<b>14,190,431</b>	37,576,414	17,310,183
Loss on sale of investment properties	10	<b>(8,334,033)</b>	—	—
Unrealized holding gains (loss) on financial assets at FVPL	7	<b>(6,385,529)</b>	1,874,352	5,856,676
Interest income	6	<b>6,088,906</b>	14,245,251	10,692,204
Foreign exchange gains		<b>906,754</b>	83,998	600,156
Forfeited collections		—	10,657,784	31,696,556
“Day 1” gain on loan discounting	13	—	2,907,783	80,883,656
Gain (loss) on disposal of property and equipment	11	—	(475,131)	185,888
Others		<b>13,100,733</b>	572,867	417,879
		<b>₱339,120,693</b>	₱67,443,318	₱147,643,198

## 20. Net Retirement Liability

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 22, 2019):

Breakdown of retirement expense is as follow (see Note 17):

	2018	2017	2016
Current service cost	<b>₱7,879,934</b>	₱7,205,814	₱7,272,293
Interest cost	<b>2,033,107</b>	2,541,747	2,072,717
Past service cost	<b>25,823,274</b>	—	—
	<b>₱35,736,315</b>	₱9,747,561	₱9,345,010

The new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost for the year.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2018	2017	2016
Balance at beginning of year	<b>₱50,668,546</b>	₱47,244,365	₱40,801,518
Current service cost	<b>7,879,934</b>	7,205,814	7,272,293
Interest cost	<b>2,033,107</b>	2,541,747	2,072,717
Past service cost	<b>25,823,274</b>	—	—
Contribution to retirement plan assets	<b>(5,000,000)</b>	—	—
Remeasurement gains on:			
Change in financial assumptions	<b>(9,240,813)</b>	(1,360,050)	(2,902,163)
Experience adjustments	<b>(6,066,417)</b>	(4,963,330)	—
Return on retirement plan asset	<b>(8,633)</b>	—	—
Balance at end of year	<b>₱66,088,998</b>	₱50,668,546	₱47,244,365

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2018 and 2017 are as follows:

	2018	2017
Present value of retirement liability	<b>₱71,097,631</b>	₱50,668,546
Fair value of plan assets	<b>(5,008,633)</b>	—
	<b>₱66,088,998</b>	₱50,668,546

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

	2018	2017	2016
Balance at beginning of year	<b>₱50,668,546</b>	₱47,244,365	₱40,801,518
Current service cost	<b>7,879,934</b>	7,205,814	7,272,293
Interest cost	<b>2,033,107</b>	2,541,747	2,072,717
Past service cost	<b>25,823,274</b>	—	—
Remeasurement gains on:			
Change in financial assumptions	<b>(9,240,813)</b>	(1,360,050)	(2,902,163)
Experience adjustments	<b>(6,066,417)</b>	(4,963,330)	—
Balance at end of year	<b>₱71,097,631</b>	₱50,668,546	₱47,244,365

Changes in the fair value of plan assets are as follows:

	2018
Balance at beginning of year	₱—
Contribution to retirement plan assets	5,000,000
Remeasurement gain on return on plan assets	8,633
Balance at end of year	<b>₱5,008,633</b>

Plan assets are composed of trust accounts.

The cumulative remeasurement gains on net retirement liability recognized in OCI as at December 31 are as follows:

<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>

<b>2016</b>			
	<b>Cumulative Remeasurement Gains</b>	<b>Deferred Tax (see Note 22)</b>	<b>Net</b>
Balance at beginning of year	<b>₱1,415,016</b>	<b>₱424,505</b>	<b>₱990,511</b>
Remeasurement gains	<b>2,902,163</b>	<b>870,649</b>	<b>2,031,514</b>
Balance at end of year	<b>₱4,317,179</b>	<b>₱1,295,154</b>	<b>₱3,022,025</b>

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

	<b>2018</b>	<b>2017</b>
Discount rate	<b>7.53%</b>	5.70%
Salary projection rate	<b>5.00%</b>	5.00%
Average remaining service years	<b>23.6</b>	24.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2018 and 2017 are presented below.

		<b>Effect on Present Value of Retirement Liability</b>	
	<b>Change in Assumption</b>	<b>Discount Rate</b>	<b>Salary Projection Rate</b>
<b>December 31, 2018</b>	<b>+1%</b>	<b>(₱3,905,406)</b>	<b>₱4,737,145</b>
	<b>-1%</b>	<b>4,663,430</b>	<b>(4,026,486)</b>
<b>December 31, 2017</b>	<b>+1%</b>	<b>(₱3,758,936)</b>	<b>₱4,149,890</b>
	<b>-1%</b>	<b>4,543,249</b>	<b>(3,508,485)</b>

The expected future benefit payments are as follows:

Financial Year	Amount
2019	₱29,879,658
2020	1,709,998
2021-2026	25,258,191

## 21. Commitments

### **Operating Lease Commitments - Group as Lessor**

The Parent Company entered into various lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

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

Leasing revenue recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 16). Lease receivables amounted to ₱30.4 million as at December 31, 2018. Accrued rent receivable amounted to ₱52.0 million and ₱21.0 million as at December 31, 2018 and 2017, respectively (see Note 8). Advance rent from tenants amounted to ₱53.3 million and ₱10.8 million as at December 31, 2018 and 2017, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱70.3 million and ₱17.0 million in 2018 and 2017, respectively (see Note 14).

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

	2018	2017
Within one year	<b>₱164,000,835</b>	₱51,106,339
After one year but not more than five years	<b>803,023,438</b>	297,618,072
More than five years	<b>127,208,392</b>	95,598,057
	<b>₱1,094,232,665</b>	<b>₱444,322,468</b>

### **Operating Lease Commitments - Group as Lessee**

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease.

Rent expense recognized from this operating lease amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 17).

## 22. Income Taxes

The components of income tax expense are as follows:

	Note	2018	2017	2016
<b>Reported in Profit or Loss</b>				
Current income tax expense:				
RCIT		<b>₱91,047,356</b>	₱13,636,823	₱72,606,507
Final taxes		<b>5,436,777</b>	11,680,051	6,129,472
Gross income tax (GIT)		<b>1,970,310</b>	—	—
MCIT		<b>186,560</b>	17,560	141,658
		<b>98,641,003</b>	25,334,434	78,877,637
Deferred income tax expense		<b>67,094,603</b>	59,906,329	276,138,112
		<b>₱165,735,606</b>	₱85,240,763	₱355,015,749
<b>Reported in OCI</b>				
Deferred tax expense (benefit) related to remeasurement gains on net retirement liability	20	<b>(₱4,594,759)</b>	₱1,897,014	₱870,649

### Deferred Tax Assets and Deferred Tax Liabilities

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

	2018	2017
Deferred tax assets:		
NOLCO	<b>₱66,349,661</b>	₱67,022,883
Retirement liability	<b>19,826,699</b>	15,200,564
Advance rent	<b>7,850,736</b>	3,231,460
Excess MCIT over RCIT	<b>282,245</b>	141,658
Allowance for impairment losses	<b>110,488</b>	110,488
Unrealized foreign exchange loss	<b>49,001</b>	—
	<b>₱94,468,830</b>	₱85,707,053
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	<b>₱773,122,593</b>	₱738,047,510
Excess of financial over taxable gross profit	<b>44,761,616</b>	—
Transfer of fair value to property and equipment	<b>13,478,435</b>	—
Capitalized debt issue costs	<b>10,351,816</b>	10,351,816
Accrued rent receivable	<b>9,733,521</b>	6,292,264
Depreciation of investment properties	<b>5,724,684</b>	3,913,568
Foreign exchange gains	<b>321,027</b>	25,199
"Day 1" gain on loan discounting	—	18,372,831
	<b>857,493,692</b>	777,003,188
Net deferred tax liabilities	<b>₱763,024,862</b>	₱691,296,135

Deferred tax assets and deferred tax liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Net deferred tax asset	<b>₱16,197,731</b>	₱61,212,233
Net deferred tax liabilities	<b>779,222,593</b>	752,508,368
	<b>₱763,024,862</b>	₱691,296,135

As at December 31, 2018 and 2017, the Group did not recognize deferred tax assets relating to the following:

	2018	2017
NOLCO	<b>₱3,610,919</b>	₱3,587,596
Excess MCIT over RCIT	<b>45,973</b>	39,365
Accrued rent	<b>4,800</b>	4,800
	<b>₱3,661,692</b>	₱3,631,761

Management has assessed that these may not be realized in the future.

#### **NOLCO and Excess MCIT over RCIT**

The details of the Group's NOLCO and Excess MCIT over RCIT are as follows:

#### **NOLCO**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2018	₱—	₱6,397,876	₱—	₱—	₱6,397,876	2021
2017	175,937,705	—	—	—	175,937,705	2020
2016	58,602,053	—	7,735,700	—	50,866,353	2019
2015	828,504	—	—	828,504	—	2018
	<b>₱235,368,262</b>	<b>₱6,397,876</b>	<b>₱7,735,700</b>	<b>₱828,504</b>	<b>₱233,201,934</b>	

#### **Excess MCIT over RCIT**

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2018	₱—	₱186,560	₱—	₱—	₱186,560	2021
2017	17,560	—	—	—	17,560	2020
2016	141,658	—	17,560	—	124,098	2019
2015	21,805	—	21,805	—	—	2018
	<b>₱181,023</b>	<b>₱186,560</b>	<b>₱39,365</b>	<b>₱—</b>	<b>₱328,218</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 follow:

	2018	2017	2016
Income tax computed at statutory tax rate	<b>₱166,305,856</b>	₱67,092,224	₱353,229,637
Add (deduct) tax effect of:			
Income subject to GIT	<b>(7,573,344)</b>	–	–
Nondeductible expenses and nontaxable income	<b>7,426,287</b>	20,122,883	12,377,366
Unrealized holding loss (gains) on financial assets at FVPL	<b>1,915,659</b>	(562,306)	(1,757,003)
Realized gain on disposals of financial assets at FVPL subjected to final tax	<b>(1,866,346)</b>	(2,584,244)	(1,081,306)
Interest income subjected to final tax	<b>(750,988)</b>	(1,282,203)	(1,189,939)
Expired NOLCO	<b>248,551</b>	265,354	–
Change in unrecognized deferred tax assets	<b>29,931</b>	2,189,055	504,532
Stock issuance costs	–	–	(7,067,538)
	<b>₱165,735,606</b>	₱85,240,763	₱355,015,749

#### **PEZA Registration**

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise. The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

## 23. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2018	2017	2018	2017
Due from a Related Party							
CPG	Principal stockholder	8	Share purchase agreement	P—	P—	P36,052,873	P36,052,873
Loans Payable		13					
Centrobless	Entity under common management		Non-interest bearing loans	P—	P—	P—	P1,591,325,936
SOPi	Entity under common management		Non-interest bearing loans	145,051,912	62,000,000	—	60,075,074
						P—	P1,651,401,010
Accounts Payable							
CPG	Principal stockholder	14	Management fee	P10,387,085	P8,424,024	P2,856,448	P8,424,024
Due to a Related Party							
			Advances for project development	P100,000,000	P36,876,855	P386,666,691	P286,666,691
Rock & Salt B.V.	Non-controlling interest		Interest expense	11,831,496	9,104,077	28,749,980	16,918,034

### Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to P36.1 million as at December 31, 2018 and 2017 arising from the share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

### Loans Payable

Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 13).

### Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### **Advances for Project Development**

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱386.7 million and ₱286.7 million and recognized interest expense of ₱11.8 million and ₱9.1 million as at December 31, 2018 and 2017, respectively.

### **Compensation of Key Management Personnel**

The compensation of key management personnel are as follows:

	2018	2017	2016
Salaries and other employee benefits	<b>₱77,960,692</b>	₱72,981,021	₱63,395,457
Retirement expense	<b>24,095,262</b>	4,782,219	4,830,248
	<b>₱102,055,954</b>	<b>₱77,763,240</b>	<b>₱68,225,705</b>

## **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:

	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 a related party	286,666,691	100,000,000	—	—	—	—	386,666,691
Dividends payable	4,597,364	204,733,142	(204,273,545)	—	—	—	5,056,961
	<b>₱4,560,156,471</b>	<b>₱2,155,945,054</b>	<b>(₱356,273,545)</b>	<b>(₱1,847,539,634)</b>	<b>₱51,086,712</b>	<b>(₱1,675,304)</b>	<b>₱4,561,699,754</b>

	2016	Financing Cash Flows			Non-cash Changes		2017
		Availments/ Declaration	Payments	Day 1 Gain	Amortization of Day 1 gain	Amortization of Debt Issue Cost	
Loans payable	₱3,111,038,703	₱2,050,662,463	(₱951,520,000)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱4,268,892,416
Due to a related party	249,789,836	36,876,855	—	—	—	—	286,666,691
Dividends payable	4,748,691	204,733,142	(204,884,469)	—	—	—	4,597,364
	<b>₱3,365,577,230</b>	<b>₱2,292,272,460</b>	<b>(₱1,156,404,469)</b>	<b>(₱2,907,783)</b>	<b>₱58,168,428</b>	<b>₱3,450,605</b>	<b>₱4,560,156,471</b>

## **25. Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company	<b>₱333,479,516</b>	₱191,850,580	₱840,225,824
Less share of Series B Preferred Shares	<b>(140,916,000)</b>	(140,916,000)	(35,229,000)
	<b>192,563,516</b>	50,934,580	804,996,824
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>₱0.0362</b>	₱0.0096	₱0.1514

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three (3) years presented.

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## 26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), deposits, amounts held in escrow, investment in time deposits, loans payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and due to a related party.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

### **Credit Risk**

The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized costs and contract assets represent its maximum credit exposure.

#### *Trade Receivables and Contract Assets*

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2018 and 2017, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

#### *Other Financial Assets at Amortized Cost*

The Group's other financial assets at amortized cost are mostly composed of cash in banks such as cash and cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

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

#### *Financial Assets at FVPL*

The Group is also exposed to credit risk in relation to its investment in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

	2018				
	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents*	₱326,599,590	₱–	₱–	₱–	₱326,599,590
Financial assets at FVPL	–	–	–	154,828,061	154,828,061
Receivables**	154,116,267	30,385,699	368,292	–	184,870,258
Contract assets	–	785,197,944	–	–	785,197,944
Deposits	59,239,173	–	–	–	59,239,173
Amounts held in escrow	56,514,398	–	–	–	56,514,398
Investment in time deposits	21,032,000	–	–	–	21,032,000
	₱617,501,428	₱815,583,643	₱368,292	₱154,828,061	₱1,588,281,424

\*Excludes cash on hand amounting to ₱80,000.

\*\*Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million.

	2017				
	Financial assets at amortized cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱721,760,236	₱—	₱—	₱—	₱721,760,236
Financial assets at FVPL	—	—	—	387,879,631	387,879,631
Receivables**	65,029,531	—	368,292	—	65,397,823
Deposits	66,444,390	—	—	—	66,444,390
Amounts held in escrow	20,096,757	—	—	—	20,096,757
Investment in time deposits	19,972,000	—	—	—	19,972,000
	<b>₱893,302,914</b>	<b>₱—</b>	<b>₱368,292</b>	<b>₱387,879,631</b>	<b>₱1,281,550,837</b>

\*Excludes cash on hand amounting to ₱35,000.

\*\*Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱121.2 million.

### Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2018 and 2017:

	2018					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱719,673,302	₱339,455,490	₱200,456,964	₱2,937,672,214	₱4,197,257,970
Accounts payable and other liabilities*	333,284,476	879,283,228	—	—	—	1,212,567,704
Due to a related party	386,666,691	—	—	—	—	386,666,691
	<b>₱719,951,167</b>	<b>₱1,598,956,530</b>	<b>₱339,455,490</b>	<b>₱200,456,964</b>	<b>₱2,937,672,214</b>	<b>₱5,796,492,365</b>

\*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million as at December 31, 2018.

	2017					
	Due and Payable on Demand	Less than 1 year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱2,061,304,423	₱375,676,029	₱88,508,029	₱2,015,885,135	₱4,541,373,616
Accounts payable and other liabilities*	329,929,213	316,253,975	—	—	—	646,183,188
Due to a related party	286,666,691	—	—	—	—	286,666,691
	<b>₱616,595,904</b>	<b>₱2,377,558,398</b>	<b>₱375,676,029</b>	<b>₱88,508,029</b>	<b>₱2,015,885,135</b>	<b>₱5,474,223,495</b>

\*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱56.6 million as at December 31, 2017.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

### **Capital Management**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<b>2018</b>	<b>2017</b>
Total liabilities	<b>₱7,078,187,677</b>	₱6,183,192,941
Total equity	<b>5,258,278,086</b>	5,063,618,825
Debt-to-equity ratio	<b>1.35:1.00</b>	1.22:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 27. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2018			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱154,828,061	₱154,828,061	₱—	₱—
Investment properties	10	5,901,514,575	—	689,974,781	5,211,539,794
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	59,239,173	—	—	45,737,104
		₱6,115,581,809	₱154,828,061	₱689,974,781	₱5,257,276,898
Liability for which fair value is disclosed -					
Loans payable	13	₱4,169,976,102	₱—	₱—	₱4,082,252,132
		2017			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱387,879,631	₱387,879,631	₱—	₱—
Investment properties	10	6,457,315,253	—	560,559,000	5,896,756,253
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	66,444,390	—	—	58,564,457
		₱6,911,639,274	₱387,879,631	₱560,559,000	₱5,955,320,710
Liability for which fair value is disclosed -					
Loans payable	13	₱4,268,892,416	₱—	₱—	₱4,318,118,823

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

*Financial Assets and FVPL.* The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

*Investment Properties.* The fair value of ACPT, Arya Residences and raw land were determined using land development approach, discounted cash flow approach and market data approach, respectively.



*Deposits and Loans Payable.* The fair value of the Group's deposits and loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2018 and 2017:

	2018	2017
<b>Financial assets:</b>		
Cash and cash equivalents	<b>₱326,679,590</b>	₱721,795,236
Receivables*	<b>184,501,966</b>	65,029,531
Amounts held in escrow	<b>56,514,398</b>	20,096,757
Investment on time deposits	<b>21,032,000</b>	19,972,000
	<b>₱588,727,954</b>	₱826,893,524
<b>Financial liabilities:</b>		
Accounts payable and other liabilities**	<b>₱1,212,567,704</b>	₱646,183,188
Due to a related party	<b>386,666,691</b>	286,666,691
	<b>₱1,599,234,395</b>	₱932,849,879

\*Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million and ₱121.2 million as at December 31, 2018 and 2017, respectively.

\*\*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million and ₱56.6 million as at December 31, 2018 and 2017, respectively.

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

*Investment on Time Deposits.* The estimated fair value of investment on time deposits represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using current market rates to discount cash flows. The carrying amount of investment on time deposits approximates its fair value.

## 28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2018 and 2017 are as follows:

	Note	2018	2017
<b>Current Assets</b>			
Cash and cash equivalents	6	<b>₱326,679,590</b>	₱721,795,236
Financial asset at FVPL	7	<b>154,828,061</b>	387,879,631
Receivables	8	<b>742,932,730</b>	186,274,230
Contract assets	5	<b>785,197,944</b>	—
Real estate for sale	9	<b>3,412,713,425</b>	2,646,731,618
CWT		<b>259,819,891</b>	253,188,078
Other assets*	12	<b>395,194,227</b>	389,391,492
		<b>₱6,077,365,868</b>	₱4,585,260,285

\*Excludes investment in time deposits, non-current portion of deposits and deferred input VAT amounting to ₱103.9 million and ₱103.3 million as at December 31, 2018 and 2017, respectively.

	Note	2018	2017
<b>Current Liabilities</b>			
Current portion of loans payable***	13	<b>₱417,723,970</b>	₱1,841,124,980
Accounts payable and other liabilities	14	<b>1,655,848,013</b>	702,744,459
Contract liabilities	5	<b>20,385,280</b>	121,712,461
Due to a related party	23	<b>386,666,691</b>	286,666,691
		<b>₱2,480,623,954</b>	₱2,952,248,591

\*\*\*Excludes long term portion of loans payable aggregating to ₱3,752.3 million and ₱2,427.8 million as at December 31, 2018 and 2017, respectively.

## 29. Operating Segment Information

The Group is organized into one reportable segment which is the development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

## 30. Events After Reporting Period

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series B preferred shares	February 21, 2019	March 1, 2019	March 6, 2019	₱35,229,000	₱1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2018.

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated March 20, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,942 stockholders owning one hundred (100) or more shares each as at December 31, 2018.

**REYES TACANDONG & Co.**



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

March 20, 2019  
Makati City, Metro Manila



## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 included in this Form 17-A and have issued our report thereon dated March 20, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

March 20, 2019  
Makati City, Metro Manila

# ARTHALAND CORPORATION AND SUBSIDIARIES

## FINANCIAL RATIOS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators in the years 2018, 2017 and 2016.

	2018	2017	2016
<b>Current/Liquidity Ratio</b>	<b>2.45</b>	1.55	3.08
Current assets	<b>₱6,077,365,868</b>	₱4,585,260,285	₱5,437,043,804
Current liabilities	<b>2,480,623,954</b>	2,952,248,591	1,765,172,093
<b>Solvency Ratio</b>	<b>0.06</b>	0.02	0.17
Net income before depreciation	<b>404,066,856</b>	147,730,940	830,630,551
Total liabilities	<b>7,078,187,677</b>	6,183,192,941	4,952,055,797
<b>Debt-to-Equity Ratio</b>	<b>1.35</b>	1.22	0.97
Total liabilities	<b>7,078,187,677</b>	6,183,192,941	4,952,055,797
Total equity	<b>5,258,278,086</b>	5,063,618,825	5,109,587,034
<b>Debt-to-Equity Ratio</b>	<b>0.79</b>	0.52	0.31
Interest-bearing liabilities	<b>4,169,976,102</b>	2,617,491,406	1,576,898,339
Total equity	<b>5,258,278,086</b>	5,063,618,825	5,109,587,034
<b>Asset-to-Equity Ratio</b>	<b>2.35</b>	2.22	1.97
Total assets	<b>12,336,465,763</b>	11,246,811,766	10,061,642,831
Total equity	<b>5,258,278,086</b>	5,063,618,825	5,109,587,034
<b>Interest Rate Coverage Ratio</b>	<b>8.61</b>	3.87	15.80
Pretax income before interest	<b>627,225,512</b>	301,559,290	1,256,972,339
Interest expense	<b>72,872,660</b>	77,918,542	79,540,215
<b>Profitability Ratio</b>	<b>0.07</b>	0.03	0.16
Net income	<b>388,617,246</b>	138,399,985	822,416,375
Total equity	<b>5,258,278,086</b>	5,063,618,825	5,109,587,034

**ARTHALAND CORPORATION AND SUBSIDIARIES**

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**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2018**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

**Philippine Financial Reporting Standards (PFRS)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

#### Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		



PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

### Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

#### **PHILIPPINE INTERPRETATIONS - SIC**

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II**  
**OF SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2018**

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C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>3</u>
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E	Long-Term Debt	<u>4</u>
F	Indebtedness to Related Parties	<u>5</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>6</u>

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2018**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
<b>Cash on hand</b>	₱80,000	₱80,000	₱—	₱—
<b>Cash in Banks:</b>				
Banco De Oro	12,691,811	12,691,811	—	
Philippine National Bank	8,590,002	8,590,002	—	
Bank of the Philippines	23,797,925	23,797,925	—	
Allied Bank	648,344	648,344	—	
Others	798,606	798,606	—	
	46,526,688	46,526,688	—	1,070,232
<b>Short-term Placements:</b>				
Bank of the Philippines	111,660,600	111,660,600	111,660,600	
Banco De Oro	165,082,765	165,082,765	165,082,765	
Bank of Makati	2,122,288	2,122,288	2,122,288	
Security Bank	1,207,249	1,207,249	1,207,249	
	280,072,902	280,072,902	280,072,902	4,898,195
<b>Deposits</b>	59,239,173	59,239,173	—	—
<b>Unit Investment Trust Fund</b>	154,828,061	154,828,061	154,828,061	—
<b>Investment in Time Deposit</b>	21,032,000	21,032,000	—	120,479
<b>Amounts Held in Escrow</b>	56,514,398	56,514,398	—	—
	₱618,293,222	₱618,293,222	₱434,900,963	₱6,088,906

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2018**

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 from a Related Party - CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—		₱36,052,873

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

				Deductions		Ending Balance	
	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Advances to subsidiaries:							
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	₱59,257,734	₱3,255,425	(₱208,839)	₱—	₱62,304,320	₱—	₱62,304,320
Cebu Lavana Land Corp.	270,000,000	177,669,561	(164,772)	—	447,504,789	—	447,504,789
Savya Land Development Corporation	1,042,812,933	27,826,508	(573,258,049)	—	497,381,392		497,381,392
Emera Property Management, Inc.	1,328,813	1,983,338	(3,312,151)	—	—	—	—
Cazneau, Inc.	354,362,919	129,585,519	(130,968)	—	483,817,470	—	483,817,470
Zileya Land Development, Inc.	106,434,006	524,530,799	(277,941,361)	—	353,023,444	—	353,023,444
Manchesterland Properties, Inc.	314	424,689	(424,689)	—	314	—	314
	₱1,834,196,719	₱865,275,839	(₱855,440,829)	₱—	₱1,844,031,729	₱—	₱1,844,031,729
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	₱133,547,340	₱—	₱—	₱—	₱133,547,340	₱—	₱133,547,340
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱279,935,235	₱1,223,040	₱—	₱—	₱281,158,275	₱—	₱281,158,275
Cebu Lavana Land Corp.	267,122	—	—	—	267,122	—	267,122
	₱280,202,357	₱1,223,040	₱—	₱—	₱281,425,397	₱—	₱281,425,397



**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2018**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rate(s)	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,000,000,000	₱—	₱1,779,758,041	5.81%	At end of term	July 31, 2025
Bank 2	100,000,000	100,000,000	—	5.41%	At end of term	August 16, 2019
Bank 3	300,000,000	230,000,000	—	5.12%	Quarterly	July 5, 2019
Bank 4	2,350,000,000	—	1,287,620,000	5.77%	Quarterly	July 31, 2021
Bank 5	1,440,000,000	—	684,874,091	4.00%	Quarterly	August 29, 2023
Various Loan from private funders	87,723,970	87,723,970	—	3.5%	Renewable on maturity	January 21, 2019, April 1, 2019, June 5, 2019
	<b>₱6,277,723,970</b>	<b>₱417,723,970</b>	<b>₱3,752,252,132</b>			

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2018**

<b>Name of related party</b>	<b>Balance at beginning of year</b>	<b>Balance at end of year</b>
Centrobless Corporation	₱1,591,325,936	₱—
Signature Office Property, Inc.	60,075,074	—
	₱1,651,401,010	₱—

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2018**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,239,820	9	1,916,855,370
Preferred shares - ₱1.00 par value per share	50,000,000	32,500,000	—	12,500,000	—	20,000,000

**ARTHALAND CORPORATION AND SUBSIDIARIES**

**SCHEDULE OF USE OF PROCEEDS  
DECEMBER 31, 2018**

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

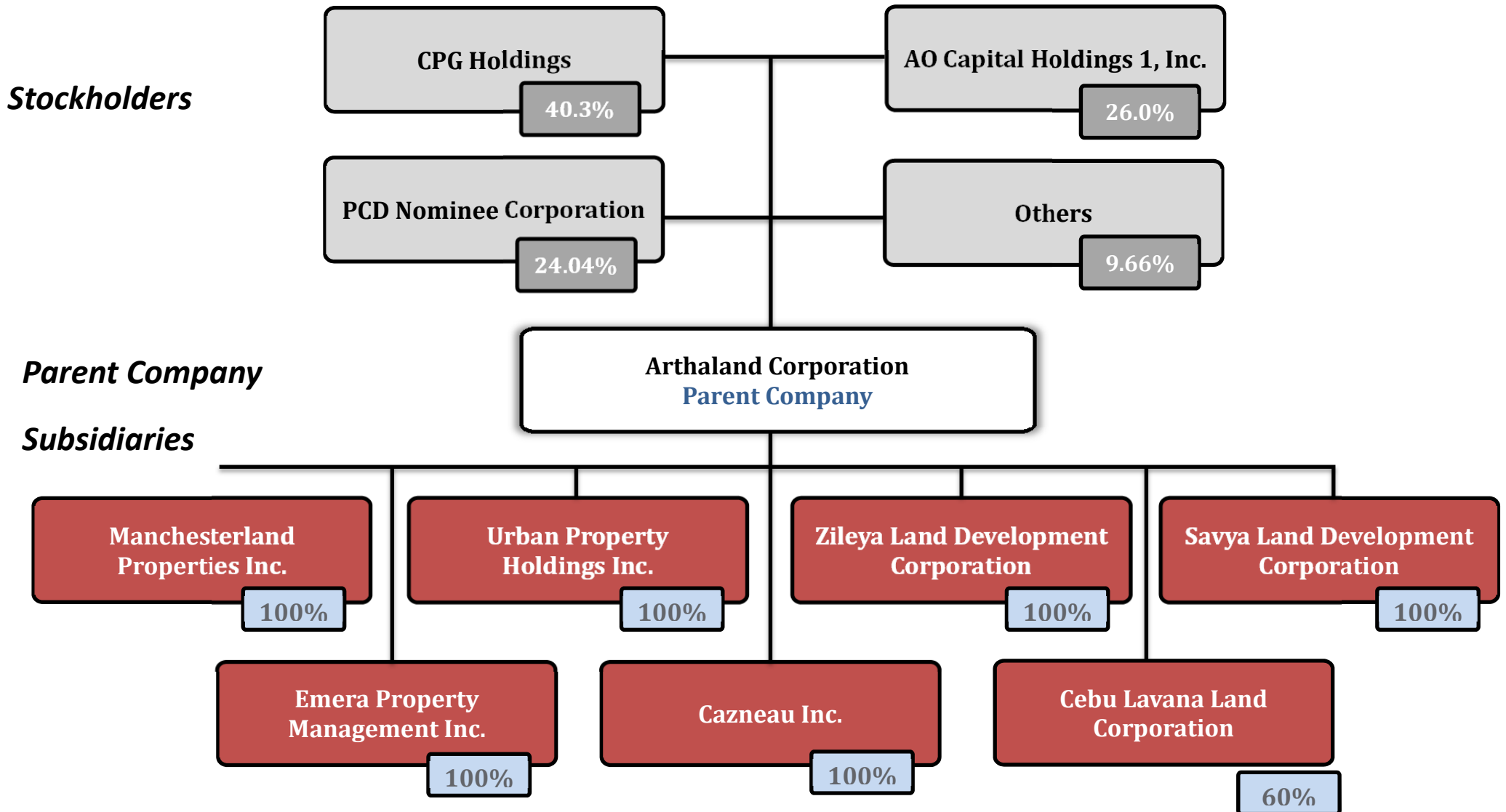
The following table shows the breakdown of the use of the proceeds:

<b>Purpose</b>	<b>Per Offer Supplement</b>	<b>Actual Net Proceeds</b>	<b>Actual Disbursement as at 12/31/2018</b>	<b>Balance for Disbursement as at December 31, 2018</b>
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	358.7	12.9
Binan Laguna Project	331.9	331.9	164.3	167.6
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange project	53.6	53.6	53.6	—
<b>Total</b>	<b>₱1,971.8</b>	<b>₱1,972.9</b>	<b>₱1,792.4</b>	<b>₱180.5</b>

**ARTHALAND CORPORATION**  
**SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2018**

Unappropriated Retained Earnings, beginning		₱1,506,737,665
Adjustments:		
Cumulative gain on change in fair value of investment properties	(874,791,338)	
Unamortized "day 1" gain on loans payable	(42,869,938)	
Unrealized holding gains on financial assets at FVPL	(1,752,251)	
Accumulated depreciation and amortization of investment properties	(454,603)	(919,868,130)
Unappropriated Retained Earnings, as adjusted, beginning		586,869,535
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	63,136,465	
Realized holding gains on financial assets at FVPL	1,752,251	64,888,716
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(157,812,227)	
Reversal of gain on change in fair value of investment properties	281,900,530	
Reversal of gain on change in fair value due to disposal of parking slots	824,438	
Unrealized holding losses on financial assets at FVPL	6,759,981	
Depreciation and amortization of investment properties	(222,068)	131,450,654
Add: Non-actual losses		
Disposal of day 1 gain due to dacion en pago	7,109,240	
Amortization of "day 1" gain on loan discounting	35,760,698	42,869,938
Cash dividends		(204,733,142)
Unappropriated Retained Earnings, as adjusted, ending		₱621,345,701

## CONGLOMERATE MAP



**SEC FORM 17-Q (FIRST QUARTER 2019)**

# 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)

1	2
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3	1
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Month Day  
(Fiscal Year)

1	7	-	Q	
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(Form Type)

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Month Day  
(Annual Meeting)

	N.A.
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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section
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1,965

Total No. of Stockholders

### Total Amount of Borrowings

\_\_\_\_\_

Domestic

\_\_\_\_\_

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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LCU

[illegible]

Document ID

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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, 2019  
(Period Ended Date)

(Secondary License Type & File Number)

\_\_\_\_\_  
(Cashier)

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LCU

DTU

**ASO-94-007160**  
(SEC Number)

Central Receiving Unit

File Number

Document I.D.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE  
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER**

1. For the quarterly period ended March 31, 2019

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

**ARTHALAND CORPORATION**

5. Incorporated in Metro Manila, Philippines on August 10, 1994.

6. Industry Classification Code \_\_\_\_\_ (SEC Use Only).

7. Address of registrant's principal office

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

Postal Code

**1634**

8. Registrant's Telephone Number : 403-6910

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<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 (P0.18 par value)</b>	<b>None</b>
<b>Preferred Shares – Series A</b>	<b>12,500,000 (P1.00 par value)</b>	<b>None</b>
<b>Preferred Shares – Series B</b>	<b>20,000,000 (P1.00 par value)</b>	<b>None</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

YES ☒ ] NO ☐ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

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

12. Indicate by check mark whether the registrant :

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

YES ☒ ] NO ☐ ]

(b) has been subject to such filing requirements for the past 90 days.

YES ☒ ] 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

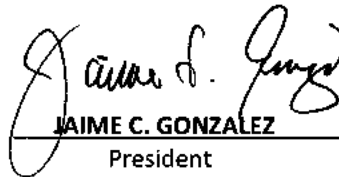
There are no other information for the period not previously reported in SEC Form 17-C.

### 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 8, 2019

**ITEM 1. Financial Statements Required under SRC RULE 68.1**

1. Basic and Diluted Earnings per Share (See attached Income Statement).
2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).
3. Notes to Financial Statements:
  - a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.
  - b. There is no significant seasonality or cycle of interim operations.
  - c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.
  - d. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.
  - e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
  - f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
  - g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.
  - h. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.
  - i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND DECEMBER 31, 2018**

	Notes	MARCH 31 2019 (Unaudited)	DECEMBER 31 2018 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4 P	497,707,913 P	326,679,590
Financial assets at fair value through profit or loss (FVPL)	5	291,546,784	154,828,061
Trade and other receivables	6	747,069,000	742,932,730
Contract Assets	7	1,130,539,676	785,197,944
Real estate for sale	8	3,691,922,262	3,412,713,425
Investment properties	9	6,273,373,603	5,901,514,575
Property and equipment	10	262,889,982	237,452,955
Net deferred tax assets		1,300,898	16,197,731
Creditable withholding taxes		276,424,197	259,819,891
Other assets	11	596,001,279	499,128,861
	P	13,768,775,594 P	12,336,465,763
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12 P	4,636,773,723 P	4,169,976,102
Accounts payable and other liabilities	13	2,270,569,243	1,655,848,013
Contract liabilities	7	1,496,690	20,385,280
Due to a related party	14	458,050,493	386,666,691
Retirement liability	21	68,424,653	66,088,998
Net deferred tax liabilities		878,298,220	779,222,593
Total Liabilities		8,313,613,022	7,078,187,677
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	15	989,757,136	989,757,136
Additional paid-in capital		2,031,441,541	2,031,441,541
Retained earnings		2,380,718,703	2,214,144,875
Cumulative remeasurement gains on retirement liability - net of tax		18,169,495	18,169,495
Parent Company's shares held by a subsidiary		(12,500,000)	(12,500,000)
		5,407,586,875	5,241,013,047
Non-controlling interests		47,575,697	17,265,039
Total Equity		5,455,162,572	5,258,278,086
	P	13,768,775,594 P	12,336,465,763

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND 2018**

	Notes	MARCH 31 2019 (Unaudited)	MARCH 31 2018 (Unaudited)
<b>ASSETS</b>			
Cash and cash equivalents	4 P	497,707,913 P	406,667,941
Financial assets at fair value through profit or loss (FVPL)	5	291,546,784	388,305,721
Trade and other receivables	6	747,069,000	161,137,615
Contract Assets	7	1,130,539,676	-
Real estate for sale	8	3,691,922,262	2,635,693,612
Investment properties	9	6,273,373,603	6,728,623,596
Property and equipment	10	262,889,982	47,035,083
Net deferred tax assets		1,300,898	82,522,989
Creditable withholding taxes		276,424,197	258,325,639
Other assets	11	596,001,279	776,801,061
		<b>P 13,768,775,594 P</b>	<b>11,485,113,257</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Loans payable	12 P	4,636,773,723 P	4,448,883,586
Accounts payable and other liabilities	13	2,270,569,243	882,505,222
Contract liabilities	7	1,496,690	
Due to a related party	14	458,050,493	286,666,691
Retirement liability	21	68,424,653	50,668,546
Net deferred tax liabilities		878,298,220	790,241,350
Total Liabilities		<b>8,313,613,022</b>	<b>6,458,965,395</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	15	989,757,136	989,757,136
Additional paid-in capital		2,031,441,541	2,031,441,541
Retained earnings		2,380,718,703	2,060,504,142
Cumulative remeasurement gains on retirement liability - net of tax		18,169,495	7,448,391
Parent Company's shares held by a subsidiary		(12,500,000)	(12,500,000)
		<b>5,407,586,875</b>	<b>5,076,651,210</b>
Non-controlling interests		47,575,697	(50,503,348)
Total Equity		<b>5,455,162,572</b>	<b>5,026,147,862</b>
		<b>P 13,768,775,594 P</b>	<b>11,485,113,257</b>

See accompanying Notes to Consolidated Financial Statements

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2019**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2018**

	Notes	MARCH 31 2019 (Unaudited)	DECEMBER 31 2018 (Audited)
REVENUES	16 P	466,347,163 P	1,132,470,086
COST OF SALES AND SERVICES	17	278,813,210	618,799,239
GROSS INCOME		187,533,953	513,670,847
OPERATING EXPENSES	18	108,395,969	397,610,494
INCOME FROM OPERATIONS		79,137,984	116,060,353
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		288,795,152	172,819,094
FINANCE COSTS	19	(7,338,941)	(73,647,288)
OTHER INCOME - net	20	4,236,267	339,120,693
INCOME BEFORE INCOME TAX		364,830,462	554,352,852
INCOME TAX EXPENSE		132,716,976	165,735,606
NET INCOME		232,113,486	388,617,246
COMPREHENSIVE INCOME		-	10,721,104
TOTAL COMPREHENSIVE INCOME	P	232,113,486 P	399,338,350
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		201,802,828	333,479,516
Non-controlling interest		30,310,658	55,137,730
		232,113,486	388,617,246
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		201,802,828	344,200,620
Non-controlling interest		30,310,658	55,137,730
		232,113,486	399,338,350
EARNINGS PER SHARE - Basic and Diluted	24 P	0.0313 P	0.0362

*See accompanying Notes to Consolidated Financial Statements*

**ARTHALAND CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018**

	Notes	MARCH 31 2019 (Unaudited)	MARCH 31 2018 (Unaudited)
REVENUES	16	466,347,163	106,831,351
COST OF SALES AND SERVICES	17	278,813,210	62,185,605
GROSS INCOME		187,533,953	44,645,746
OPERATING EXPENSES	18	108,395,969	68,444,865
INCOME (LOSS) FROM OPERATIONS		79,137,984	(23,799,119)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		288,795,152	57,660,679
FINANCE COSTS	19	(7,338,941)	(22,302,880)
OTHER INCOME - net	20	4,236,267	5,299,695
INCOME BEFORE INCOME TAX		364,830,462	16,858,375
INCOME TAX EXPENSE		132,716,976	19,100,338
NET INCOME (LOSS)		232,113,486	(2,241,963)
COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>P</b>	<b>232,113,486</b>	<b>( 2,241,963 )</b>
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		201,802,828	10,334,641
Non-controlling interest		30,310,658	(12,576,604)
		232,113,486	(2,241,963)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company		201,802,828	10,334,641
Non-controlling interest		30,310,658	(12,576,604)
		232,113,486	(2,241,963)
<b>EARNINGS (LOSS) PER SHARE - Basic and Diluted</b>	<b>24 P</b>	<b>0.0313</b>	<b>( P 0.0047 )</b>

*See accompanying Notes to Consolidated Financial Statements*



**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018**

	Note	MARCH 31 2019 (Unaudited)	MARCH 31 2018 (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			
Issued and subscribed		32,500,000	32,500,000
		989,757,136	989,757,136
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning and end of period		2,031,441,541	2,031,441,541
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		2,214,144,875	2,085,398,501
Net income for the period		201,802,828	10,334,641
Dividends declared during the period	15	(35,229,000)	(35,229,000)
Balance at end of period		2,380,718,703	2,060,504,142
<b>ACCUMULATED UNREALIZED ACTUARIAL GAINS</b>			
Balance at beginning and end of period		18,169,495	7,448,391
<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 OF THE PARENT COMPANY</b>			
		5,407,586,875	5,076,651,210
<b>NON-CONTROLLING INTERESTS</b>			
Balance at beginning of period		17,265,039	(37,926,744)
Net income (loss) for the period		30,310,658	(12,576,604)
Balance at end of period		47,575,697	(50,503,348)
<b>TOTAL EQUITY</b>			
		P 5,455,162,572	P 5,026,147,862

*See accompanying Notes to Consolidated Financial Statements.*

**ARTHALAND CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018**

	Notes	MARCH 31 2019 (Unaudited)	MARCH 31 2018 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P	364,830,462	P 16,858,375
Adjustments for:			
Finance Costs	19	7,215,764	22,201,035
Depreciation and amortization	18	5,048,663	2,468,274
Gain on change in FV of investment properties		(288,795,152)	(57,660,679)
Retirement expense	21	2,335,655	-
Realized holding gains	20	(3,701,708)	(1,868,935)
Unrealized holding gains	20	118,723	(426,090)
Unrealized forex gains		75,915	-
Interest income	20	(69,740)	(1,919,047)
Operating income (loss) before working capital changes		87,058,582	(20,347,067)
Decrease (increase) in:			
Trade and other receivables		(4,136,270)	25,136,615
Contract assets		(345,341,732)	
Real estate for sale		(279,208,837)	11,038,006
Other assets		(96,872,418)	(284,128,740)
Contract liabilities		(18,888,590)	
Accounts payable and other liabilities		614,721,230	58,048,302
Net cash used in operations		(42,668,035)	(210,252,884)
Interest paid		2,094,857	(6,443,865)
Interest received		69,740	1,919,047
Income tax paid		(35,348,822)	(7,815,673)
Net cash used in operating activities		(75,852,260)	(222,593,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Financial assets at FVPL - net		(133,135,738)	1,868,935
Acquisitions of Property and equipment - net		(30,485,690)	(213,067,691)
Increase in Investment properties		(83,063,876)	(10,340,164)
Net cash used in investing activities		(246,685,304)	(221,538,920)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from:			
Loans payable		460,487,000	219,234,000
Due to a related party		71,383,802	-
Payment of loans payable		(3,000,000)	(55,000,000)
Payment of dividends		(35,229,000)	(35,229,000)
Net cash generated from financing activities		493,641,802	129,005,000
<b>NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>			
		(75,915)	-
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>171,028,323</b>	<b>(315,127,295)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>326,679,590</b>	<b>721,795,236</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P	<b>497,707,913</b>	P 406,667,941

See accompanying Notes to Consolidated Financial Statements.

# ARTHALAND CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### Corporate Information

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

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 15).

The new registered office and principal place of business of the Parent Company is 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City, Philippines, upon SEC's approval of the amendment of its Articles of Incorporation on September 4, 2018.

#### Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership	
		2018	2017
Cazneau, Inc. (Cazneau)	Philippines	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%
Savya Land Development Corporation (SLDC)	Philippines	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company, and Cazneau and MPI which are engaged in leasing of properties.

In 2017, the Parent Company subscribed to 100% shares of SLDC. SLDC was registered with the SEC on February 10, 2017 to engage primarily in real estate development.

#### Major Projects

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

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and Phil Green Building Council's BERDE as 5-star rated. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building that will be developed in Barangay Lahug, Cebu City. Cebu Exchange has been pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 110,000 square meters (sqm), Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall is a campus-type or dormitory-type residential community, which is expected to be completed in 2019 (see Note 8). This project will be catering to start-ups, incubators, students, faculty population and starter families within the area. The entire project is expected to be completed in 2023.

In January 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,900 sqm which will be developed in Arca South, Taguig City. The project is expected to be completed in 2021.

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

The interim consolidated financial statements of the Group as at and for the three (3) months ended March 31, 2019 were approved and authorized for issue by the Board of Directors (BOD) on May 8, 2019.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation**

The interim consolidated financial statements as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2018.

### **Measurement Bases**

The interim consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given

in exchange for assets and fair value consideration received in exchange for incurring liability.

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

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

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

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

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

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

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

- Note 2 - Significant Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement*, (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has applied the requirements of PFRS 9 retrospectively.

The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

*Classification and Measurement.* Based on the Group’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as of January 1, 2018, the Group has concluded that all of its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group’s financial instruments.

*Impairment.* The new impairment requirements do not result to additional provision for impairment with respect to trade receivables from sale of real estate because the credit exposure arising from these financial assets was mitigated by the Group’s policy that title should transfer only upon full payment by the buyer and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime ECL.

While cash in banks and cash equivalents, deposits, amounts held in escrow and investment in time deposits are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result in significant ECL. In performing the assessment, the Group considered the available liquid assets of the related parties.

*Hedging.* The Group does not have transactions that will require the use of hedge accounting.

There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaced PAS 11, Construction Contracts, PAS 18, Revenue, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

The following are the related literature issued subsequent to the adoption of PFRS 15:

O *Philippine Interpretations Committee (PIC) Q&A No. 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.

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

O *Amendments to PFRS 15, Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

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

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under

construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at March 31, 2019, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. However, the Group's non-cancellable operating lease, in which the Group acted as a lessee, has ceased in 2018. Thus, the Group does not have to recognize right-of-use asset (ROU) and a corresponding liability in respect of this lease. Moreover, the Group will opt not to apply the requirements to recognize ROU and finance liability for leases with terms of one year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at March 31, 2019. Accordingly, PFRS 16 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

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

### **Basis of Consolidation**

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

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

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on



which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

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

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

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

### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

*Initial Recognition.* Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at FVPL.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

*Classification of Financial Instruments.* The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position

at fair value. Realized and unrealized gains and losses on these assets are recognized under “Other income - net” account in profit or loss.

The Group classified its investment in money market fund under this category.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group’s cash and cash equivalents, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow are classified under this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Other Financial Liabilities at Amortized Cost.* Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group’s loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and due to a related party are classified as other financial liabilities at amortized cost.

### **Derecognition of Financial Instruments**

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

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are

substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### **Impairment of Financial Assets**

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments and probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Classification of Financial Instruments Between Debt and Equity**

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

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

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole.

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

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

### **Contract Balances**

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

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

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

### **Debt Issue Costs**

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

### **Real Estate for Sale**

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

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

### **Borrowing Costs**

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

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

### **Investment Properties**

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

Investment properties were previously measured at cost, including transaction costs. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

The Group uses fair value model for the accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach and income approach by 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

impairment losses.

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

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

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

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

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

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

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

#### **Impairment of Nonfinancial Assets**

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

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

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

risks specific to the asset.

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

#### **Other Assets**

Other assets include value added tax (VAT), prepayments, deposits, investment in time deposit, amounts held in escrow and materials and supplies.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

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

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

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

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

*Materials and Supplies.* The Group recorded as assets several construction materials and supplies from the completed construction of its projects.

#### **Creditable Withholding Taxes**

Creditable withholding taxes (CWT) represent the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

#### **Payable to Buyers**

Payable to buyers consist of amounts received by the Group from its customers as reservation fee for real estate sales. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the revenue recognition criteria are met.

#### **Capital Stock**

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

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

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

#### **Additional Paid-in Capital**

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

#### **Subscription Receivable**

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

#### **Retained Earnings**

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

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

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

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

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

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

#### **Revenue Recognition**

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

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

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as



an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

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

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

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

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

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

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

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

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

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

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

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

#### **Cost and Expenses Recognition**

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other

than those relating to distributions to equity participants.

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

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

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

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

### **Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

*Group as Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as income in the period they are earned.

*Group as Lessee.* Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

### **Employee Benefits**

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

provided by the employee, and the obligation can be estimated reliably.

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

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any changes in the effect of the asset ceiling (excluding net interest on retirement liability on asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

## **Income Taxes**

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

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

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

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

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

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

## **Related Party Transactions**

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

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

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

## **Provisions and Contingencies**

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

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of

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

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

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

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

#### **Judgments**

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

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

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

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

*Recognizing Property of Arcosouth Development Inc. (Arcosouth) under Real Estate for Sale.* In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent

Company shall nominate the Chairman of SLDC's BOD and the Stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC.

The merger of SLDC and Arcosouth were approved on September 19, 2018 by the BOD and the stockholders of SLDC. The approval of the Merger is pending with the SEC. However, SLDC started to develop Savva Financial Center on the Property (see Note 1).

Management assessed that the Group has control over the Property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the planned merger. Accordingly, the Group's consolidated financial statements include the Property of Arcosouth as at March 31, 2019 and December 31, 2018.

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

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

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

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

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

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

*Determining Lease Commitments - Group as Lessor.* The Group entered into various lease contracts for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

*Determining Lease Commitments - Group as Lessee.* The Group entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

### **Estimates and Assumptions**

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

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

*Estimating Fair Value of Investment Properties.* Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The Group estimates expected future cash flows yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 to the consolidated financial statements.

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

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

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

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

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

*Assessing ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over

the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

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

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

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

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

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

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

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

*Estimating Retirement Expense.* The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.



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

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

#### 4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 2019	December 2018	March 2018
Cash on hand	80,000	80,000	50,000
Cash in bank	235,305,465	46,526,688	71,689,753
Short-term placements	262,322,448	280,072,902	334,928,188
	<b>497,707,913</b>	<b>326,679,590</b>	<b>406,667,941</b>

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

#### 5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱291.5 million and ₱154.8 million as at March 31, 2019 and December 31, 2018, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱0.12 million and ₱0.43 million for the three months ended March 31, 2019 and 2018, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on sale of financial assets at FVPL amounted to ₱3.70 million and ₱1.87 million for the three months ended March 31, 2019 and 2018, respectively (see Note 20).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

#### 6. TRADE AND OTHER RECEIVABLES

This account consists of:

	March 2019	December 2018	March 2018
Trade receivables from sale of real estate/ leasing	78,544,360	112,016,831	7,340,082
Advances for project development	460,860,277	506,468,951	98,256,285
Accrued rent receivables	80,108,710	51,961,813	-
Advances to employees	5,610,685	5,067,899	7,035,987
Other receivables	122,313,260	67,785,528	48,873,553

	March 2019	December 2018	March 2018
	<b>747,437,292</b>	743,301,022	161,505,907
Allowance for impairment losses	<b>(368,292)</b>	(368,292)	(368,292)
	<b>747,069,000</b>	742,932,730	161,137,615

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

	March 2019	December 2018	March 2018
Current	<b>746,700,708</b>	742,564,438	160,769,323
Past due			
Within 6 months	-	-	-
7 months to 1 year	-	-	-
More than 1 year	<b>368,292</b>	368,292	368,292
	<b>747,069,000</b>	742,932,730	161,137,615

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

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

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

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

Other receivables mainly include accrued project management fees which will be billed and collected within 30 days.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of March 31, 2019, and December 31, 2018, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

## 7. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	March 2019	December 2018	March 2018
Contract assets	<b>1,130,539,676</b>	785,197,944	-
Contract liabilities	<b>1,496,690</b>	20,385,280	-
Net contract assets (liabilities)	<b>1,129,042,986</b>	764,812,664	-

Contract assets pertain to receivables from the sale of office units of Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers as at March 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) to 10 years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as at March 31, 2019. The decrease in contract liabilities pertains to downpayments received that were subsequently recognized as revenues from real estate sales.

## 8. REAL ESTATE FOR SALE

This account consists of:

	March 2019	December 2018	March 2018
Raw land	<b>1,656,023,008</b>	1,656,023,008	1,334,546,051
Assets under construction	<b>1,695,328,044</b>	1,420,142,094	1,248,775,313
Condominium units for development	<b>340,571,210</b>	336,548,323	-
Condominium units for sale	-	-	52,372,248
	<b>3,691,922,262</b>	3,412,713,425	2,635,693,612

### Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. Raw land also includes the property of Arcosouth located in Arca South, Taguig City, on which SLDC launched the development of Savya Financial Center (see Notes 1 and 3). This property has a carrying amount of ₱491.0 million as at March 31, 2019.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations (see Note 1). Accordingly, raw land and Courtyard Hall were recognized as investment properties at their fair values amounting to ₱211.7 million and ₱158.7 million, respectively, as at March 31, 2019 (see Note 9).

### Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at March 31, 2019, this account includes the land and development costs of Cebu Exchange and Cazneau's project in Laguna (see Note 1).

### Condominium Units for Development

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

### Condominium Units for Sale

Condominium units for sale as of March 31, 2018 pertain to unsold and completed units of Arya Residences. These condominium units were already sold in 2018.

## 9. INVESTMENT PROPERTIES

This account consists of:

	March 2019	December 2018	March 2018
ACPT	<b>3,804,378,449</b>	3,438,420,267	4,792,886,033
Arya Residences:			
Commercial units	<b>1,194,379,000</b>	1,194,379,000	1,110,864,000
Parking slots	<b>184,984,000</b>	184,984,000	206,653,884

	March 2019	December 2018	March 2018
Raw Land:			
UPHI's property	577,277,508	577,277,508	497,653,479
Batangas and Tagaytay property	141,898,400	141,898,400	120,566,200
Cazneau's property	211,713,162	211,713,162	-
Courtyard Hall	158,743,083	152,842,238	-
	<b>6,273,373,603</b>	<b>5,901,514,575</b>	<b>6,728,623,596</b>

### **ACPT**

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

In 2018, the Parent Company transferred its office to ACPT (see Note 1). Accordingly, investment properties with a carrying amount of ₱176.9 million, ₱131.9 million original cost, was reclassified to "Property and equipment" (see Note 10).

### **Arya Residences' Commercial Units and Parking Slots**

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations.

In 2018, the Parent Company and MPI sold parking slots with carrying amount of P28.8 million (P17.8 million cost) for a total consideration of P20.5 million. This resulted to loss sale of investment properties amounting to P8.3 million (see Note 20).

### **Raw Land and Courtyard Hall**

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

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations. Accordingly, raw land and Courtyard Hall were recognized as investment properties at fair value amounting to ₱211.7 million and ₱158.7 million, respectively, as at March 31, 2019 (see Note 8).

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

### **Fair Value Measurement**

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

Class of Property	Valuation Technique	Significant Inputs	2019	2018
ACPT:				
Office units	Discounted cash flow approach (DCF)	Rental rate per square meter (sq.m.)	₱1,350	-
		Rent escalation rate per annum (p.a.)	5%	-
		Discount rate	8.33%	-
		Vacancy rate	10%	-
Parking slots	Discounted cash flow approach	Rental rate per slot	₱6,500	-
		Rent escalation rate p.a.	5%	-
		Discount rate	8.33%	-
		Vacancy rate	5%	-
ACPT	Land development approach	Discount rate	-	8.74%
		Proposed rental rates (per sq.m.)	-	₱1,350
		Calculated no. of net leasable area	-	20, 923 sq.m
		Rental rates for parking per sq. m.	-	₱6,000
		Vacancy rate	-	5% - 10%
Arya Residences:				
Commercial units	Discounted cash flow approach	Rental rate per square meter (sq.m.)	₱3,000	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Parking slots	Discounted cash flow approach	Rental rate per slot	₱6,500	₱6,500
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Raw Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	₱1,740	₱1,740
Cazneau's Laguna Properties	Market data approach	Price per sq. m.	₱10,200	₱10,200
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	₱1,300	₱1,300

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

#### Land Development Approach

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

#### Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An

appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

#### Market Data Approach

Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

## **10. PROPERTY AND EQUIPMENT**

The balances and movements of this account as of March 31, 2019, December 31, 2018, and March 31, 2018 consist of:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Carrying Amount</b>
<b><u>March 2019</u></b>			
Office equipment	52,480,692	(40,678,745)	11,801,947
Furniture and fixture	13,494,395	(7,767,660)	5,726,736
Building and building improvements	224,518,433	(5,741,791)	218,776,642
Transportation equipment	53,858,158	(27,273,501)	26,584,657
	<b>344,351,678</b>	<b>(81,461,697)</b>	<b>262,889,982</b>
<b><u>December 2018</u></b>			
Office equipment	49,932,812	(39,820,930)	10,111,882
Furniture and fixture	8,790,764	(7,882,114)	908,650
Leasehold improvements	78,500	(2,181)	76,319
Building and building improvements	26,917,349	(4,256,821)	22,660,528
Construction in progress	177,062,444	-	177,062,444
Transportation equipment	54,833,018	(28,199,886)	26,633,132
	<b>317,614,887</b>	<b>(80,161,932)</b>	<b>237,452,955</b>
<b><u>March 2018</u></b>			
Office equipment	44,161,218	(38,269,814)	5,891,404
Furniture and fixture	8,697,639	(7,692,733)	1,004,906
Leasehold improvements	70,215,195	(48,367,055)	21,848,140
Transportation equipment	39,357,009	(21,066,376)	18,290,633
	<b>162,431,061</b>	<b>(115,395,978)</b>	<b>47,035,083</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:

	<b>March 2019</b>	<b>December 2018</b>	<b>March 2018</b>
Input VAT	<b>281,173,242</b>	242,016,373	326,659,635

	March 2019	December 2018	March 2018
Prepayments	<b>88,322,552</b>	95,143,649	69,881,605
Deposits	<b>89,384,673</b>	59,239,173	267,532,170
Deferred input VAT	<b>58,054,607</b>	23,663,461	19,722,122
Amounts held in escrow	<b>56,514,398</b>	56,514,398	20,096,757
Investment in time deposits	<b>21,032,000</b>	21,032,000	71,322,000
Others	<b>1,519,807</b>	1,519,807	1,586,772
	<b>596,001,279</b>	499,128,861	776,801,061

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

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

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

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

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 ₱1,801.9 million and ₱1,779.8 million as at March 31, 2019 and December 31, 2018, respectively. The outstanding loan balance of MTL amounted to ₱684.9 million as at March 31, 2019 and December 31, 2018 (see Note 12).

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rates ranging from 1.75% to 2.5% per annum (p.a). These time deposits are subject to holding period of six (6) months from the date of issuance. In cases of pre-termination, the investment will earn interest based on regular deposit rates.

## 12. LOANS PAYABLE

This account consists of:

	March 2019	December 2018	March 2018
Local creditor banks	<b>4,552,049,753</b>	4,082,252,132	2,692,864,087
Private funders	<b>84,723,970</b>	87,723,970	1,756,019,499
	<b>4,636,773,723</b>	4,169,976,102	4,448,883,586

### Local creditor banks

Loans from local banks consist of interest-bearing secured loans obtained to finance project development and carries interest rates ranging from 3.50% to 7.15% per annum (p.a.) in 2019 and in 2018.

In 2015, the Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by 21 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over

- present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements.
- Parent Company is required to maintain the following debt to equity ratio:

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

The outstanding loan balance under OLSA amounted to ₱1,801.9 million and ₱1,779.8 million as at March 31, 2019 and December 31, 2018, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio is as follows:

	March 2019	December 2018	March 2018
Total interest-bearing liabilities	<b>2,453,792,633</b>	2,197,482,011	2,036,901,057
Total equity	<b>4,618,738,863</b>	4,404,224,615	4,520,731,132
	<b>0.53:1.00</b>	0.50:1.00	0.45:1.00

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

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

The outstanding balance of this loan amounted to ₱1,498.1 and ₱1,287.6 million as at March 31, 2019 and December 31, 2018, respectively.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders.

The outstanding balance of this loan amounted to ₱684.9 million as at March 31, 2019 and December 31, 2018.

#### Private funders

Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the reporting date and bear interest rate of 3.5% in 2019 and 2018.

The Parent Company entered into non-interest bearing loan agreements for ₱1,650.6 million with Centrobless Corporation (Centrobless) in 2015 and for ₱207.1 million with Signature Office Property, Inc. (SOPI) in 2017. Both are related parties under common management with the Parent Company.

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million.



### 13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	March 2019	December 2018	March 2018
Accounts payable	<b>519,027,016</b>	178,485,778	217,865,330
Due to Arcosouth's stockholders	<b>495,919,597</b>	495,919,597	-
Deferred output VAT	<b>445,195,975</b>	361,197,971	19,485,099
Retention payable	<b>343,749,279</b>	333,284,476	331,682,202
Accrued expenses	<b>223,039,892</b>	93,875,743	86,412,328
Security deposits	<b>100,261,738</b>	95,633,593	46,796,815
Advance rent	<b>57,657,854</b>	53,279,878	12,941,273
Dividends payable	<b>37,785,591</b>	5,056,961	37,330,695
Income tax payable	<b>19,451,852</b>	1,696,980	1,836,120
Withholding taxes payable	<b>9,026,503</b>	13,645,930	4,934,713
Payable to buyers	<b>5,934,562</b>	13,459,550	121,196,086
Others	<b>13,519,384</b>	10,311,556	2,024,561
	<b>2,270,569,243</b>	1,655,848,013	882,505,222

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

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is non-interest bearing and payable on demand.

Deferred output VAT pertains to VAT from sales of property on the installment plan. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

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

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividends payable.

## 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.

### Advance to and from Subsidiaries

The Company grants advances to its subsidiaries for working capital requirements and capital expenditures.

### Advances to Officers and Employees

The Company grants advances to its officers and employees. These are funds given to officers and employees to carry out their functions in the Company subject to liquidation.

### Advances for Project Development

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects.

### Loans Payable

Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans were fully settled on December 31, 2018 (see Note 12).

### Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

### Key Management Personnel

The compensation of key management personnel are as follows:

	<b>March 2019</b> <b>(Three Months)</b>	December 2018 (Twelve Months)	March 2018 (Three Months)
Salaries and other employee benefits	<b>26,519,550</b>	77,960,692	14,391,759
Retirement benefits expense	-	24,095,262	-
	<b>26,519,550</b>	102,055,954	14,391,759

## 15. EQUITY

The account consists of:

	Shares		
	<b>March 2019</b>	December 2018	March 2018
Authorized:			
Common shares	<b>16,368,095,199</b>	16,368,095,199	16,368,095,199
Preferred shares	<b>50,000,000</b>	50,000,000	50,000,000
Issued:			
Common shares - ₱0.18 par value	<b>5,318,095,199</b>	5,318,095,199	5,318,095,199
Preferred shares - ₱1.00 par value	<b>32,500,000</b>	32,500,000	32,500,000

	Amount		
	March 2019	December 2018	March 2018
Issued:			
Common shares - ₱0.18 par value	957,257,136	957,257,136	957,257,136
Preferred shares - ₱1.00 par value	32,500,000	32,500,000	32,500,000
	989,757,136	989,757,136	989,757,136

### **Dividend Declaration**

The Parent's Company's BOD and stockholders approved the following cash dividends to ALCO's stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
<b>Preferred Shares</b>				
February 21, 2019	March 1, 2019	March 6, 2019	₱35,229,000	₱1.76
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	₱35,229,000	₱1.76
May 9, 2018	May 23, 2018	June 6, 2018	₱35,229,000	₱1.76
January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76
<b>Common Shares</b>				
March 21, 2018	April 6, 2018	May 2, 2018	₱63,817,142	₱0.012

## **16. REVENUES**

The account consists of:

	March 2019 (Three Months)	December 2018 (Twelve Months)	March 2018 (Three Months)
Real estate sales of:			
Cebu Exchange	392,573,028	844,954,726	-
Arya Residences	-	147,639,118	85,139,118
Leasing revenue	71,934,012	132,436,268	20,020,612
Project Management fees	1,840,123	7,439,974	1,671,621
	466,347,163	1,132,470,086	106,831,351

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

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 2019</b> <b>(Three Months)</b>	<b>December 2018</b> <b>(Twelve Months)</b>	<b>March 2018</b> <b>(Three Months)</b>
Cost of real estate sales	<b>256,998,135</b>	599,734,444	60,569,103
Cost of services	<b>21,815,075</b>	19,064,795	1,616,502
	<b>278,813,210</b>	618,799,239	62,185,605

## 18. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	<b>March 2019</b> <b>(Three Months)</b>	<b>December 2018</b> <b>(Twelve Months)</b>	<b>March 2018</b> <b>(Three Months)</b>
Personnel costs	<b>32,766,928</b>	176,647,311	26,310,345
Advertising	<b>24,782,258</b>	45,266,318	7,881,891
Brokers' commissions	<b>12,279,953</b>	27,157,093	5,931,552
Management and professional fees	<b>9,310,483</b>	31,867,665	4,189,810
Taxes and licenses	<b>7,324,563</b>	17,671,357	6,944,139
Communication and office expenses	<b>5,147,417</b>	20,057,547	5,684,875
Depreciation and amortization	<b>5,048,663</b>	15,449,610	2,468,274
Insurance	<b>3,737,218</b>	12,886,192	1,565,535
Transportation and travel	<b>3,575,813</b>	18,787,861	1,222,920
Utilities	<b>1,822,013</b>	8,315,942	1,117,110
Repairs and maintenance	<b>560,611</b>	2,792,489	657,867
Rental	<b>373,531</b>	14,498,091	3,826,848
Representation	<b>173,702</b>	672,727	100,231
Others	<b>1,492,816</b>	5,540,291	543,468
	<b>108,395,969</b>	397,610,494	68,444,865

## 19. FINANCE COSTS

Finance costs relate to the following:

	<b>March 2019</b> <b>(Three Months)</b>	<b>December 2018</b> <b>(Twelve Months)</b>	<b>March 2018</b> <b>(Three Months)</b>
Interest expense	<b>7,215,764</b>	72,872,660	22,201,035
Bank charges	<b>123,177</b>	774,628	101,845
	<b>7,338,941</b>	73,647,288	22,302,880

## 20. OTHER INCOME – NET

This account consists of:

	<b>March 2019</b> <b>(Three Months)</b>	<b>December 2018</b> <b>(Twelve Months)</b>	<b>March 2018</b> <b>(Three Months)</b>
Realized gain on disposals of financial assets at FVPL	<b>3,701,708</b>	14,190,431	1,868,935
Foreign exchange gains/(losses)	<b>75,915</b>	906,754	-

	<b>March 2019 (Three Months)</b>	<b>December 2018 (Twelve Months)</b>	<b>March 2018 (Three Months)</b>
Interest income	<b>69,740</b>	6,088,906	1,919,047
Unrealized holding gains on financial assets at FVPL	<b>118,723</b>	(6,385,529)	426,090
Gain on settlement of loans payable	-	319,553,431	-
Loss on sale of investment properties	-	(8,334,033)	-
Others	<b>270,181</b>	13,100,733	1,085,623
	<b>4,236,267</b>	339,120,693	5,299,695

## **21. RETIREMENT LIABILITY**

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The 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 2019</b>	<b>December 2018</b>	<b>March 2018</b>
Balance at beginning of period	<b>66,088,998</b>	50,668,546	50,668,546
Retirement expense:			
Current service cost	<b>2,335,655</b>	7,879,934	-
Interest cost	-	2,033,107	-
Past service cost	-	25,823,274	-
Remeasurement gain	-	(15,315,863)	-
Contribution to retirement plan assets	-	(5,000,000)	-
Balance at end of period	<b>68,424,653</b>	66,088,998	50,668,546

## **22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

### Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the

Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of March 31, 2019, and December 31, 2018, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of March 31, 2019, December 31, 2018 and March 31, 2018.

None of Group's financial assets are secured by collateral or other credit enhancements.

*a. Cash in Bank*

The credit risk for cash in bank is considered negligible, since the counterparties are reputable universal banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

*b. Receivables*

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

The Group has no past due or impaired accounts as of March 31, 2019, December 31, 2018 and March 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 Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

### Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

## **23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<b>March 2019</b>	December 2018	March 2018
Total liabilities	<b>8,313,613,022</b>	7,078,187,677	6,458,965,395
Total equity	<b>5,455,162,572</b>	5,258,278,086	5,026,147,862
Debt-to-equity ratio	<b>1.52:1</b>	1.35:1	1.29:1

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## **24. EARNINGS (LOSS) PER SHARE**

Basic and diluted earnings per share are computed as follows:

	<b>March 2019</b>	December 2018	March 2018
Net income attributable to equity holders of the Parent Company	<b>201,802,828</b>	333,479,516	10,334,641
Less share of Series "B" Preferred Shares	<b>(35,229,000)</b>	(140,916,000)	(35,229,000)
	<b>166,573,828</b>	192,563,516	(24,894,359)
Divided by weighted average number of outstanding common shares	<b>5,318,095,199</b>	5,318,095,199	5,318,095,199
	<b>0.0313</b>	0.0362	(0.0047)

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

## 25. FINANCIAL RATIOS

	MARCH 31 2019	DECEMBER 31 2018	MARCH 31 2018
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>1.59:1</b>	2.45:1	1.56:1
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.029:1</b>	0.06:1	0.00:1
Debt-to-equity Ratio (Total liability over total equity)	<b>1.52:1</b>	1.35:1	1.29:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	<b>0.85:1</b>	0.79:1	0.55:1
Asset-to-equity Ratio (Total assets over total equity)	<b>2.52:1</b>	2.35:1	2.29:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>51.56:1</b>	8.61:1	1.76:1
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	<b>0.037:1</b>	0.074:1	0.002:1

*\* December 2018 ratio is based on full year income while March 2019 and March 2018 ratios are based on three-month income.*

### Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FINANCIAL POSITION

March 2019 vs March 2018

	MARCH 31 2019	MARCH 31 2018	% Change
Cash and cash equivalents	<b>P 497,707,913</b>	P 406,667,941	22%
Financial assets at fair value through profit or loss (FVPL)	<b>291,546,784</b>	388,305,721	-25%
Trade and other receivables	<b>747,069,000</b>	161,137,615	364%
Contract assets	<b>1,130,539,676</b>	-	100%
Real estate for sale	<b>3,691,922,262</b>	2,635,693,612	40%
Investment properties	<b>6,273,373,603</b>	6,728,623,596	-7%
Property and equipment	<b>262,889,982</b>	47,035,083	459%
Net deferred tax assets	<b>1,300,898</b>	82,522,989	-98%
Creditable withholding tax	<b>276,424,197</b>	258,325,639	7%
Other assets	<b>596,001,279</b>	776,801,061	-23%
<b>Total Assets</b>	<b>13,768,775,594</b>	11,485,113,257	20%
Loans payable	<b>4,636,773,723</b>	4,448,883,586	4%
Accounts payable and other liabilities	<b>2,270,569,243</b>	882,505,222	157%



	<b>MARCH 31 2019</b>	MARCH 31 2018	% Change
Contract liabilities	<b>1,496,690</b>	-	100%
Due to a related party	<b>458,050,493</b>	286,666,691	60%
Retirement liability	<b>68,424,653</b>	50,668,546	35%
Net deferred tax liabilities	<b>878,298,220</b>	790,241,350	11%
<b>Total Liabilities</b>	<b>8,313,613,022</b>	6,458,965,395	29%
Equity attributable to equity holders of the Parent Company			
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>2,380,718,703</b>	2,060,504,142	16%
Cumulative remeasurement 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%
	<b>5,407,586,875</b>	5,076,651,210	7%
Non-controlling interests	<b>47,575,697</b>	(50,503,348)	194%
<b>Total Equity</b>	<b>5,455,162,572</b>	5,026,147,862	9%
<b>Total Liabilities and Equity</b>	<b>P 13,768,775,594</b>	P 11,485,113,257	20%

The Company's total resources as of March 31, 2019 increased by 20% to P13.8 billion from March 31, 2018 level of P11.5 billion due to the following:

*22% Increase in Cash and Cash Equivalents*

The increase was accounted for by inflows from sales collections and loan proceeds, net of outflows from operational and construction related expenses.

*25% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)*

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

*364% Increase in Trade and Other Receivables*

The increase was accounted for by the sales of Cebu Exchange offices, receivables from the ACPT leasing operations and downpayments made to contractors for the ongoing construction of the Group's real estate projects.

*100% Increase in Contract Assets*

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

*40% Increase in Real Estate for Sale*

The increase was due to the additional construction costs for ongoing projects particularly Cebu Exchange, Savva Financial Center, and Sevina Park.

*7% Decrease in Investment Properties*

The decrease was mainly due to the settlement of loans through dacion en pago of certain ACPT floors and reclassification of ALCO's corporate office to Property and Equipment account.

*459% Increase in Property and Equipment*

The increase was due to the reclassification from investment properties of the ACPT floor used as ALCO's principal office, as mentioned above.

*98% Decrease in Net Deferred Tax Assets*

The decrease was due to realization of net income in CLLC.

*7% Increase in Creditable Withholding Tax*

The increase was brought about by the collection of additional sales attributable to the Cebu Exchange project.

*23% Decrease in Other Assets*

The decrease was attributed to the cost of condominium transferred to Real estate for sale upon completion of sale contract.

*157% Increase in Accounts Payable and Other Liabilities*

The increase was attributable to payables to contractors / suppliers for ongoing projects and VAT payables.

*100% Increase in Contract liabilities*

This pertains to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as of end of the period.

*60% Increase in Due to a Related Party*

This pertains to additional advances made by a shareholder for the Cebu project.

*35% Increase in Retirement Liability*

The increase was due to the new amended retirement plan in December 2018 which changed the benefits payable, resulting in the recognition of past service cost.

*11% 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.

*16% Increase in Retained Earnings*

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

*144% Increase in Cumulative Remeasurement Gains on Retirement Liability - Net of Tax*

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

*194% Increase in Non-Controlling Interests*

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

## **FINANCIAL RATIOS**

March 2019 vs March 2018

	<b>MARCH 31 2019</b>	MARCH 31 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.59:1	1.56:1	2%
	0.029:1	0:1	81317%

	MARCH 31 2019	MARCH 31 2018	% Change
Solvency Ratio (Net income before depreciation over total liabilities)			
Debt-to-equity Ratio (Total liability over total equity)	1.52:1	1.29:1	18%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	0.85:1	0.55:1	55%
Asset-to-equity Ratio (Total assets over total equity)	2.52:1	2.29:1	10%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	51.56:1	1.76:1	2830%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	0.037:1	0.002:1	1699%

## FINANCIAL POSITION

March 2019 vs December 2018

	MARCH 31 2019	DECEMBER 2018	% Change
Cash and cash equivalents	P 497,707,913	P 326,679,590	52%
Financial assets at fair value through profit or loss (FVPL)	291,546,784	154,828,061	88%
Trade and other receivables	747,069,000	742,932,730	1%
Contract Assets	1,130,539,676	785,197,944	44%
Real estate for sale	3,691,922,262	3,412,713,425	8%
Investment properties	6,273,373,603	5,901,514,575	6%
Property and equipment	262,889,982	237,452,955	11%
Net deferred tax assets	1,300,898	16,197,731	-92%
Creditable withholding tax	276,424,197	259,819,891	6%
Other Assets	596,001,279	499,128,861	19%
<b>Total Assets</b>	<b>13,768,775,594</b>	<b>12,336,465,763</b>	<b>12%</b>
Liabilities			
Loans payable	4,636,773,723	4,169,976,102	11%
Accounts payable and other liabilities	2,270,569,243	1,655,848,013	37%
Contract liabilities	1,496,690	20,385,280	-93%
Due to related party	458,050,493	386,666,691	18%
Retirement liability	68,424,653	66,088,998	4%
Net deferred tax liabilities	878,298,220	779,222,593	13%
<b>Total Liabilities</b>	<b>8,313,613,022</b>	<b>7,078,187,677</b>	<b>17%</b>
Equity attributable to equity holders of the Parent Company			

	<b>MARCH 31 2019</b>	<b>DECEMBER 2018</b>	<b>% Change</b>
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>2,380,718,703</b>	2,214,144,875	8%
Cumulative remeasurement gains on retirement liability - net of tax	<b>18,169,495</b>	18,169,495	0%
Parent Company's shares held by a subsidiary	<b>(12,500,000)</b>	(12,500,000)	0%
	<b>5,407,586,875</b>	5,241,013,047	3%
Non-controlling interests	<b>47,575,697</b>	17,265,039	176%
<b>Total Equity</b>	<b>5,455,162,572</b>	5,258,278,086	4%
<b>Total Liabilities and Equity</b>	<b>P 13,768,775,594</b>	P 12,336,465,763	12%

The Company's total resources increased by 12% from ₱12.3 billion in December 31, 2018 to ₱13.8 billion as of March 31, 2019, due to the following:

*52% Increase in Cash and Cash Equivalents*

The increase is accounted for by inflows from loan proceeds and sales collections, net of outflows from operational and construction related disbursements.

*88% Increase in Financial assets at fair value through profit or loss*

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

*44% Increase in Contract Assets*

The increase was due to the additional revenue recognized from the sale of Cebu Exchange offices.

*8% Increase in Real Estate for Sale*

The increase was due to additional construction costs for Cebu Exchange, Savya Financial Center, and Sevina Park.

*6% Increase in Investment Properties*

The increase was due to the fair value gain of ACPT property which was completed in 2019.

*11% Increase in Property and Equipment*

The increase was largely due to the additional building improvements for the new corporate office in ACPT.

*92% Decrease in Net Deferred Tax Assets*

The decrease was due to the net income in CLLC recognized for the period.

*6% Increase in Creditable Withholding Tax*

The increase was brought about by the collection of additional sales attributable to the Cebu Exchange project.

*19% Increase in Other Assets*

The increase was largely accounted for by Input VAT from payments made to various contractors and suppliers.

*11% Increase in Loans Payable*

The increase was largely due to additional drawdowns from bank loan facilities, availed to partly fund the Company's working capital and project financing requirements.

*37% Increase in Accounts Payable and Other Liabilities*

The increase was attributable to payables to contractors / suppliers for ongoing projects and VAT payables.

*93% Decrease in Contract Liabilities*

The decrease pertains to downpayments received that were subsequently recognized as revenues from sale of Cebu Exchange offices.

*18% Increase in Due to a Related Party*

This pertains to additional advances made by a shareholder for the Cebu project.

*13% Increase in Net Deferred Tax Liabilities*

The increase was mainly due to gain on change in fair value of investment properties.

*8% Increase in Retained Earnings*

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

*176% Increase in Non-Controlling Interests*

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

**FINANCIAL RATIOS**

March 2019 vs December 2018

	<b>MARCH 31 2019</b>	DECEMBER 31 2018	% Change
Current/Liquidity Ratio (Current Assets over Current Liabilities)	<b>1.59:1</b>	2.45:1	-35%
Solvency Ratio (Net income before depreciation over total liabilities)	<b>0.029:1</b>	0.06:1	-52%
Debt-to-equity Ratio (Total liability over total equity)	<b>1.52:1</b>	1.35:1	13%
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity)	<b>0.85:1</b>	0.79:1	8%
Asset-to-equity Ratio (Total assets over total equity)	<b>2.52:1</b>	2.29:1	7%
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	<b>51.56:1</b>	8.61:1	499%
Profitability Ratio (Net income attributable to equity holders of the Parent Company over total equity)	<b>0.037:1</b>	0.074:1	-50%

## RESULTS OF OPERATIONS

March 2019 vs March 2018

	MARCH 31 2019	MARCH 31 2018	% Change
Revenues	<b>P 466,347,163</b>	P 106,831,351	337%
Cost of sales and services	<b>278,813,210</b>	62,185,605	348%
GROSS INCOME	<b>187,533,953</b>	44,645,746	320%
OPERATING EXPENSES			
Administrative expenses	<b>71,333,758</b>	54,631,422	31%
Selling and marketing expenses	<b>37,062,211</b>	13,813,443	168%
	<b>108,395,969</b>	68,444,865	58%
OPERATING INCOME (LOSS)	<b>79,137,984</b>	(23,799,119)	433%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	<b>7,338,941</b>	22,302,880	-67%
Gain on change in FV of investment properties	<b>(288,795,152)</b>	(57,660,679)	401%
Other income – net	<b>(4,236,267)</b>	(5,299,695)	-20%
INCOME BEFORE INCOME TAX	<b>364,830,462</b>	16,858,375	2064%
TAX EXPENSE	<b>132,716,976</b>	19,100,338	595%
<b>NET INCOME (LOSS)</b>	<b>P 232,113,486</b>	(2,241,963)	-10453%
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>201,802,828</b>	10,334,641	1853%
Non-controlling interest	<b>30,310,658</b>	(12,576,604)	341%
	<b>P 232,113,486</b>	(2,241,963)	-10453%

The company reported a ₱232.1 million net income in the first quarter of 2019 as against ₱2.2 million net loss recognized over the same period in 2018.

### *337% Increase in Revenues*

The increase was mainly attributable to revenue recognized from the sale of Cebu Exchange offices and leasing revenue from ACPT and Courtyard Hall.

### *348% Increase in Cost of Sales and Services*

The increase in cost of sales was directly related to the increase in revenues from the sales of Cebu Exchange offices.

### *31% Increase in Administrative Expenses*

The increase was due to higher personnel costs, depreciation and travel expenses.

### *168% Increase in Selling and Marketing Expenses*

The increase was mainly due to commissions from sales of Cebu Exchange offices as well as marketing related expenses for Cebu Exchange, Savya Financial Center and Sevina Park.

*67% Decrease in Finance Costs*

The decrease was due to capitalization of borrowing costs from loans payable and advances from shareholders in 2019.

*401% Increase in Gain on Change in FV of Investment Properties*

The increase is due to appraisal gain for the ACPT property which was completed in 2019.

*20% Decrease in Other Income - Net*

The decrease is due to the reduced level of interest earning placements in the first quarter of 2019 as compared with the same period last year.

*595% Increase in Tax Expense*

The increase was mainly due to the higher fair value gain of investment properties.

**RESULTS OF OPERATIONS**

March 2019 vs December 2018

	<b>March 31 2019</b>	DECEMBER 31 2018	% Change
Revenues	<b>P 466,347,163</b>	P 1,132,470,086	-59%
Cost of sales and services	<b>278,813,210</b>	618,799,239	-55%
GROSS INCOME	<b>187,533,953</b>	513,670,847	-63%
OPERATING EXPENSES			
Administrative expenses	<b>71,333,758</b>	325,187,083	-78%
Selling and marketing expenses	<b>37,062,211</b>	72,423,411	-49%
	<b>108,395,969</b>	397,610,494	-73%
OPERATING INCOME	<b>79,137,984</b>	116,060,353	-32%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	<b>7,338,941</b>	73,647,288	-90%
Gain on change in FV of investment properties	<b>(288,795,152)</b>	(172,819,094)	67%
Other income – net	<b>(4,236,267)</b>	(339,120,693)	-99%
INCOME BEFORE INCOME TAX	<b>364,830,462</b>	554,352,852	-34%
TAX EXPENSE	<b>132,716,976</b>	165,735,606	-20%
<b>NET INCOME</b>	<b>P 232,113,486</b>	P 388,617,246	-40%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of ArthaLand Corporation	<b>201,802,828</b>	333,479,516	-39%
Non-controlling interest	<b>30,310,658</b>	55,137,730	45%
	<b>P 232,113,486</b>	P 388,617,246	-40%

The Company posted a consolidated net income of ₱232.1 million in the first quarter of 2019 as compared with the 2018 full year net income of ₱388.6 million.

## **CERTIFICATION OF INDEPENDENT DIRECTORS**



## CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am an Independent Director of **ARTHALAND CORPORATION (the "Corporation")**, a publicly listed corporation duly organized and existing under and by virtue of Philippine laws, with principal place of business at the 8/F Picadilly Star Building, 4<sup>th</sup> Avenue corner 27<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634. I have been one of its independent directors since **24 June 2016** and I am once again nominated as such during the Annual Stockholders' Meeting and Election of Directors scheduled on **28 June 2019**.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, I hereunto set my hand this **8<sup>th</sup> day of May 2019** at Taguig City.

  
**EMMANUEL A. RAPADAS**

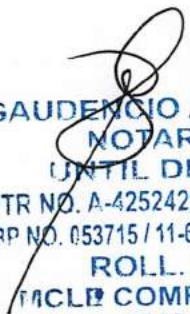
## OATH

Republic of the Philippines   )  
Taguig City                           ) SS.

I certify that on this 8<sup>th</sup> day of **May 2019**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **Emmanuel A. Rapadas** (i) whom I identified through his **Passport Number EC6250487** issued by the **Department of Foreign Affairs NCR-East** on **18 December 2015**, a competent evidence of identity, to be the same person described in the foregoing instrument, (ii) who acknowledged before me that he voluntarily affixed his signature on the instrument for the purpose stated therein, and (iii) who declared to me that he has executed the instrument as his free and voluntary act and deed.

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

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Book No. 13  
Series of 2019.

  
GAUDENCIO A. BARBOZA JR.  
NOTARY PUBLIC  
UNTIL DEC. 31, 2020  
PTR NO. A-4252429 / 1-3-19 TAGUIG CITY  
IRP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)  
ROLL NO. 41969  
TACLE COMP. V No. 0021481  
MAY 2, 2016  
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 duly organized and existing under and by virtue of Philippine laws, with principal place of business at the 8/F Picadilly Star Building, 4<sup>th</sup> Avenue corner 27<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634. I have been one of its independent directors since **30 June 2017** and I am once again nominated as such during the Annual Stockholders' Meeting and Election of Directors scheduled on **28 June 2019**.

2. I am presently the Managing Director and Country Manager for ING Bank, N. V., Manila Branch. I am also the President of the Investment House Association of the Philippines for 2019 to 2020.

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
LegisPro Corporation	Acting Chairman
Serica Balanced Fund & Master Fund	Independent Director
Skycable Corporation	Independent Director
List Sotheby's Philippines	Director
Fintonia Fund	Advisory Board

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

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

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

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

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

Implementing Rules and Regulations, the Corporate Governance Code and other issuance of the Securities and Exchange Commission.

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

IN WITNESS WHEREOF, I hereunto set my hand this 8<sup>th</sup> day of May 2019 at Taguig City.

*Hans B. Sicat*

HANS B. SICAT

### OATH

Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 8<sup>th</sup> day of May 2019, 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.

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Page No. 27  
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Series of 2019.

*Gaudencio A. Barboza Jr.*  
**GAUDENCIO A. BARBOZA JR.**  
**NOTARY PUBLIC**  
**UNTIL DEC. 31, 2020**  
**PTR NO. A-4252429 / 1-3-19 TAGUIG CITY**  
**IRP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)**  
**ROLI. NO. 41969**  
**MCLE COMP. V No. 0021481**  
**MAY 2, 2016**  
**APP No.32(2019-2020),**



## CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am an independent director of **ARTHALAND CORPORATION** (the "**Corporation**"), a publicly-listed corporation organized and existing under Philippine law, with principal place of business at the 8/F Picadilly Star Building, 4<sup>th</sup> Avenue corner 27<sup>th</sup> Street, Bonifacio Global City, Taguig City 1634. I have been an independent director since **24 June 2016** and am again nominated for election at the annual stockholders' meeting scheduled on **28 June 2019**.
2. I am presently affiliated also with United Laboratories, Inc., Shimizu Philippine Contractors, Inc., Ceros Holdings, Inc, Calasmar Holdings, Inc., and their affiliate and subsidiary corporations.
3. I believe I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other relevant rules of the Securities and Exchange Commission.
4. I am not in any way related to any director, officer, or substantial stockholder of the Corporation or any of its subsidiaries or affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not connected with any government agency or instrumentality.
7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director of the Corporation, as set out in the Securities Regulation Code, its Implementing Rules and Regulations, the Corporate Governance Code, and other relevant issuances of the Securities and Exchange Commission.
8. I shall inform the Corporate Secretary of the Corporation on any change in the abovementioned information within five (5) days from its occurrence.

**IN WITNESS WHEREOF**, I hereunto set my hand this **8<sup>th</sup> day of May 2019** at Taguig City.

  
**ANDRES B. STA. MARIA**



Republic of the Philippines )  
Taguig City ) SS.

I certify that on this 8<sup>th</sup> day of **May 2019**, 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.

Doc. No. 126  
Page No. 25  
Book No. 13  
Series of **2019**.

  
**GAUDENCIO A. BARBOZA JR.**  
**NOTARY PUBLIC**  
**UNTIL DEC. 31, 2020**  
**PTR NO. A-4252429 / 1-3-19 TAGUIG CITY**  
**IRP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)**  
**ROLL NO. 41969**  
**MCLE COMP. V No. 0021481**  
**MAY 2, 2016**  
**APP No.32(2019-2020,**