

SEC Number: CS200321240

File Number: _____

CEBU LANDMASTERS, INC.

(Company's Full Name)

**10TH FLOOR, PARK CENTRALE, B2 L3,
JOSE MA. DEL MAR ST.,
CEBU IT PARK, APAS, CEBU CITY**

(Company Address)

(032) 231-4914

(Telephone Number)

December 31, 2017

(Fiscal Year Ended)

SEC Form 17-A Annual Report

(Form Type)

-

(Amendments)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2017**
2. SEC Identification Number **CS200321240**
3. BIR Tax Identification No. **277-599-320**
4. Exact name of issuer as specified in its charter **CEBU LANDMASTERS, INC**
5. Province, Country or other jurisdiction of incorporation or organization **CEBU CITY, CEBU, PHILIPPINES**
6. Industry Classification Code (SEC Use Only)
7. Address of principal office
10th FLOOR, PARK CENTRALE, B2 L3, JOSE MA. DEL MAR ST., CEBU IT PARK, APAS, CEBU CITY Postal Code **6000**
8. Issuer's telephone number, including area code **(032) 231-4914**
9. Former name, former address, and former fiscal year, if changed since last report
not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of each class	Number of shares issued and outstanding
COMMON SHARES	1,714,000,000

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

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No []

13. Aggregate market value of the voting stock held by non-affiliates: **P2,759,713.12** as of December 31, 2017

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1 Business

BACKGROUND

CLI is the leading homegrown developer in Cebu. In just 14 years since it started operations, it has become one of the top real estate players in the region with its growing mix of residential, commercial, hospitality, industrial and mixed-use product offerings. CLI is the number one local condominium developer in Cebu and among the top three players in the local housing market. CLI takes pride in its top-quality, award-winning and innovative developments, strong market demand and absorption, fast-selling projects, timely construction and delivery, and its hands-on and personalized approach which allows itself to respond effectively to its clients and industry partners.

Compared to other homegrown developers in Visayas and Mindanao, CLI's proven track record covers a more diverse range of real estate product offerings. It caters to the high-end, mid-market, economic and socialized housing segments of the market. This ability to tailor-fit its projects to the best use of each site has enabled CLI to maximize the favorable supply and demand indicators in Cebu, CDO, Davao, Dumaguete, Bacolod and soon in Iloilo and Bohol.

CLI's real estate offerings have consistently enjoyed strong market demand and absorption. CLI commands an 11% market share in terms of the total supply of condominium units in Metro Cebu, second to Ayala Land, Inc. (17%) and followed by Filinvest Land Inc. (8%) . In terms of the number of condominium units sold, the Company has a 9% market share, second to Ayala Land, Inc. (17%) and tied with Filinvest Land Inc. (9%) . This makes CLI the number one local condominium developer in Cebu. For the current housing market, CLI ranks among the top three Cebu players with a 10% market share. CLI believes that its market share is bound to grow even higher with its newly launched projects. Even if CLI has diversified into high-rise residential, commercial and mixed-use developments, it remains committed to its roots as a home developer, where its expertise has been sharpened.

CLI's projects are usually sold-out at a higher selling velocity than competitors . Among its completed projects, 97% of the inventory has been sold out. CLI's notable projects include its mid-rise residential condominium format, Mivesa Garden Residences, and its economic housing brand, Casa Mira, both of which have sold out in less than three months on average. The strong market demand for the Company's projects as evidenced by the fast absorption rate of its projects translates into faster cash flows and demonstrates CLI's ability to deplete its inventory at a faster rate.

Moreover, CLI takes utmost pride in its timely construction and delivery of projects, and it has even outperformed national players in Cebu in that aspect. On the average, the Company can convert raw land into a completed project in less than two to three years depending on the project size. CLI's condominium developments Base Line Residences, Park Centrale Tower, Mivesa Garden Residences (Phase 1), and Midori Residences were delivered to the buyers in two years, as committed by the Company.

Across its 46 completed, ongoing and newly launched developments, CLI has over 17,000 units in various stages of construction. These units have an equivalent sales value of P38 billion. These are spread out among its growing number of commercial and high-end residential, mid-market, economic and socialized housing projects.

On June 2, 2017, the company was officially listed in the Philippine stock market with "CLI" as its ticker symbol. 430,000,000 shares were issued and fully subscribed at P5.00 per share. Total IPO proceeds amounted to Php2,150,000,000 which was mainly used for JV investments and land acquisitions in strategic areas of Visayas and Mindanao.

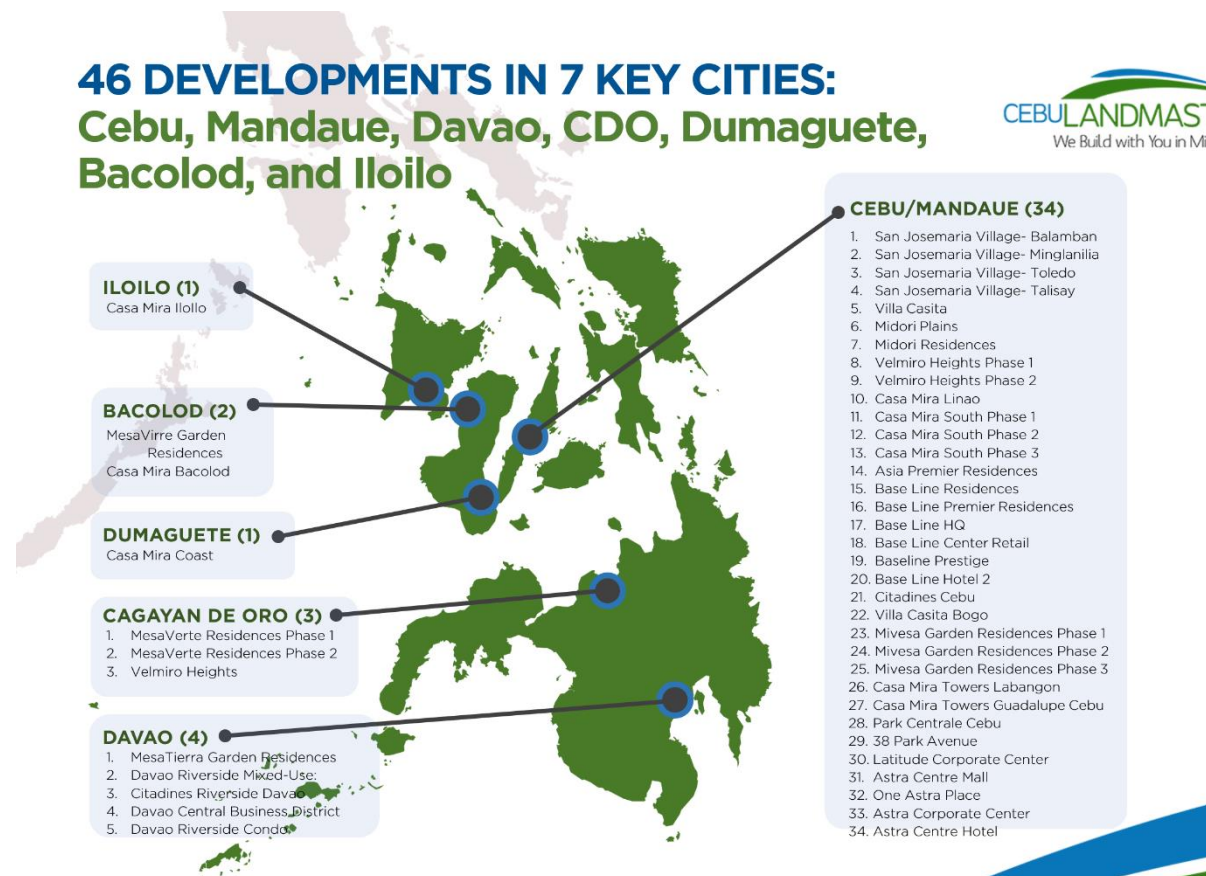
For the three years ended December 31, 2015, 2016 and 2017, CLI's revenues amounted to ₱1.33 billion, ₱2.36billion and ₱3.93 billion, respectively. CLI has grown steadily in recent years, with net income increasing from ₱425.85 million in 2015 to ₱1.295 billion in 2017, representing a CAGR of 74.29%.

The Company aspires to be the leading and most preferred local developer in the VisMin Region by 2020.

Real estate development overview

The Company's project mix, which includes projects in various stages of development, is composed of 67% residential projects, 22% commercial/office/retail developments and 11% hotels, measured in terms of total sales value.

To date, CLI has 15 completed developments, 15 projects in various stages of development and 16 newly launched and pipeline projects. This year, the company will also launch 20 new projects bringing its portfolio from 46 to 66 projects by the end of 2018.



Completed projects

The Company's 15 completed developments are a mix of vertical and horizontal residential projects and its first commercial office market in Cebu. Below is a list of the Company's completed projects to date. The completed projects are located in Cebu City and the Province of Cebu.

	Project	Location	Type	Use	No. of Units	Sold Units
1	San Jose Maria Village – Balamban	Balamban, Cebu	Horizontal	Mid-Market Housing	231	195
2	San Jose Maria Village – Minglanilla	Minglanilla, Cebu	Horizontal	Mid-Market Housing	145	145
3	San Jose Maria Village – Talisay	Talisay City, Cebu	Horizontal	Mid-Market Housing	96	96
4	San Jose Maria Village – Toledo	Toledo City, Cebu	Horizontal	Mid-Market Housing	144	87

5	Villa Casita	Balamban, Cebu	Horizontal	Socialized Housing	101	93
6	Midori Plains	Minglanilla, Cebu	Horizontal	Mid-Market Housing	370	370
7	Asia Premier Residences	Cebu City	Vertical	Residential Condo	88	88
8	Base Line Residences	Cebu City	Vertical	Residential Condo	201	201
9	Midori Residences	Mandaue City, Cebu	Vertical	Residential Condo	396	396
10	Park Centrale Tower	Cebu City	Vertical	Office Condo/BPO	50	50
11	Mivesa Garden Residences (Phase 1)	Cebu City	Vertical	Residential Condo	938	909
12	Mivesa Garden Residences (Phase 2)	Cebu City	Vertical	Residential Condo	938	909
13	Velmiro Heights (Phase 1)	Minglanilla, Cebu	Horizontal	Mid-Market Housing	347	344
14	Velmiro Heights (Phase 2)	Minglanilla, Cebu	Horizontal	Mid-Market Housing		
15	Casa Mira Linao	Minglanilla, Cebu	Horizontal	Economic Housing	725	723

Ongoing projects (under construction)

CLI has the following ongoing projects in various stages of construction.

	Project	Location	Type	Use	No. of Units	Sold	Percentage of Completion
	Base Line Center*			Mixed-Use			
1	Base Line Premier	Cebu City	Vertical	Residential Condo	379	364	91%
2	Base Line HQ	Cebu City	Vertical	Office Condo/BPO	54	32	89%
3	Citadines Cebu City	Cebu City	Vertical	Hotel	91	91	89%
	Casa Mira Towers Labangon	Cebu City	Vertical	Residential Condo	686	684	
4	Tower 1						96%
5	Tower 2						92%

	MesaVerte Residences (Phase 1) CDO	CDO	Vertical	Residential Condo	798	747	
6	Tower 1						85%
7	Tower 2						94%
8	Tower 3						50%
	Casa Mira South	Naga City	Horizontal	Residential Condo	1,007	939	73%
9	Phase 1						
10	Phase 2						
11	Phase 3						
12	Mivesa Garden Residences (Phase 3)	Cebu City	Vertical	Residential Condo	576	392	0%
13	MesaTierra Garden Residences	Davao City	Vertical	Residential Condo	694	656	4%
14	Latitude Corporate Center	Cebu City	Vertical	Residential Condo	54	44	14%
15	38 Park Avenue	Cebu City	Vertical	Residential Condo	745	516	2%

Newly-launched/ pipeline projects

CLI has a total of 16 newly launched/ pipeline projects in 2017 including its expansion projects in new key cities such as MesaVirre Garden Residences in Bacolod and Casa Mira Coast in Dumaguete. The tremendous growth supports CLI's move to be the largest developer in the Visayas/Mindanao area. These new developments include not only residential but also commercial, hotel and mixed-use developments which will further increase the company's recurring income in the next 2 to 3 years.

Some of CLI's newly-launched projects are the result of the Company's strategic collaboration with its joint venture partners. This enables the Company to position itself in strategic locations and obtain the necessary funding for prime property acquisitions, without straining its finances and limiting its capability to continue its existing projects. CLI acts as the project manager for all its joint ventures projects and derives additional income in the form of management fees from these.

	Project	Location	Type	Use	No. Of Units/ GLA (sqm)
1	Velmiro Heights CDO	Cagayan de Oro	Horizontal	Mid-Market Housing	392
2	Casa Mira Coast	Sibulan, Dumaguete	Horizontal	Economic Housing	543
3	Villa Casita Bogo	Bogo, Cebu	Horizontal	Socialized Housing	694
4	MesaVirre Garden Residences (Building A)	Bacolod	Vertical	Residential Condo	294
5	Casa Mira Towers - Guadalupe	Cebu City	Vertical	Residential Condo	544

6	One Astra Place	Mandaue City, Cebu	Vertical	Residential Condo	478
7	Baseline Prestige	Cebu City	Vertical	Residential Condo	351
8	Astra Corporate Center	Mandaue City, Cebu	Vertical	Office/ BPO	28,000
9	Astra Center Mall	Mandaue City, Cebu	Vertical	Mall	11,000
10	Davao Riverside Mixed-Use	Davao	Vertical	Township	
11	Davao Matina CBD	Davao	Vertical	Central Business District	
12	Baseline Lyf Hotel	Cebu City	Vertical	Hotel	150
13	Astra Hotel	Mandaue City, Cebu	Vertical	Hotel	180
14	Citadines Riverside	Davao	Vertical	Hotel	253

Pipeline Projects

	Project	Location	Type	Use
15	Casa Mira Granada	Granada, Bacolod	Horizontal	Economic Housing
16	Casa Mira Iloilo	Jaro, Iloilo	Horizontal	Economic Housing

2018 Project Launches

The company endeavors to sustain its growth momentum by launching 20 new projects across the Vismin Region. This will bring Cebu Landmasters' total portfolio from 46 to 66 developments.

CEBU

- 2 Residential Subdivisions
- 3 Residential Condominiums
- 3 Office
- 1 Industrial Park
- 1 Hotel

BACOLOD

- 2 Residential Condominiums
- 1 Hotel
- 1 Subdivision

ILOILO

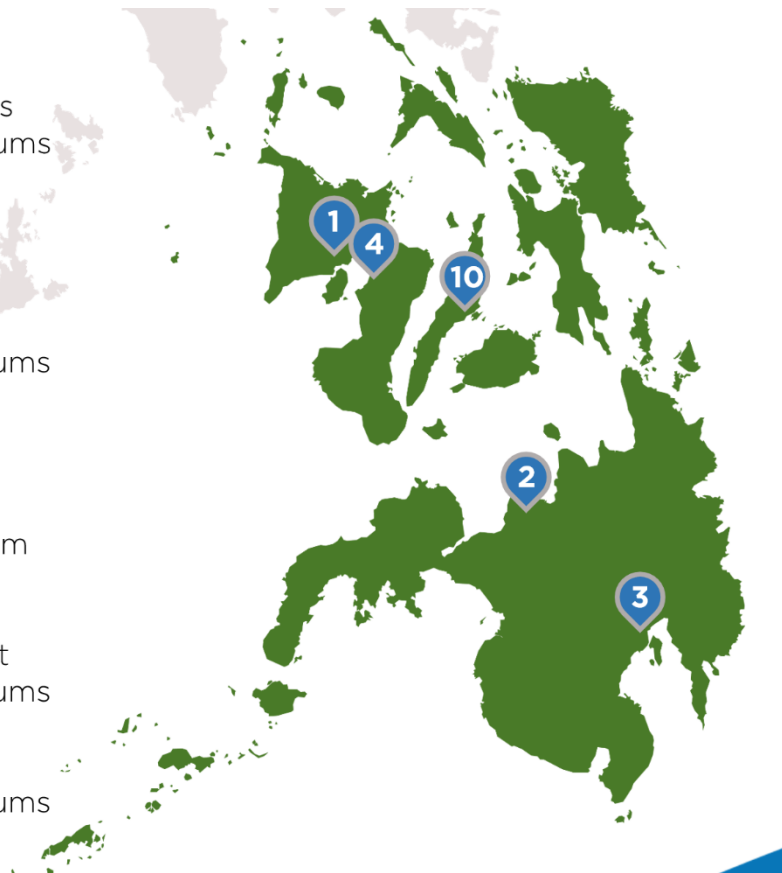
- 1 Residential Condominium

DAVAO

- 1 Central Business District
- 2 Residential Condominiums

CDO

- 2 Residential Condominiums



Residential development

CLI's initial forte is in residential development. It created a niche when it started developing low to middle cost subdivisions in the south of Cebu, with house and lot packages ranging from P2 million to P5 million. Today, CLI is one of the leading horizontal and vertical residential players in Cebu. More importantly, CLI has diversified its residential offerings to cater to the four major market segments – socialized, economic, mid-market and high-end.

High-end residential developments have a price of more than P4 million per unit, while mid-market housing projects are priced at P3 million to P4 million per unit. Economic housing should be priced within the range of P450,000 to P3 million. Meanwhile, to qualify as socialized housing, the housing units must be sold at a price not exceeding P450,000.

The list below categorizes the projects according to market segments:

Horizontal (Subdivision) Projects:

- Socialized: Villa Casita, Guadalupe Pinamalayan Socialized Housing Project
- Economic: Casa Mira Linao, Casa Mira South, Casa Mira Coast
- Mid-Market: San Jose Maria Villages, Midori Plains, Velmiro Heights

Vertical (Condominium) Projects:

- Economic : Casa Mira Towers Labangon, Casa Mira Towers Guadalupe
- Mid-Market : Midori Residences, Mivesa Garden Residences, MesaVerte Garden Residences CDO, MesaTierra Garden Residences Davao, MesaVirre Garden Residences Bacolod
- High-End : Asia Premier Residences, Base Line Residences, Base Line Premier, 38 Park Avenue, Baseline Prestige, One Astra Place

Residential development projects

Horizontal (Subdivision) Projects

Villa Casita

Launched in 2014, this is CLI's first socialized housing development and is located in Buanoy, Balamban, Cebu. With an area of 8,128 sq.m., it consists of 101 row house units, with each unit having a lot area of 36 sq.m. and a floor area of 22.65 sq.m. Pre-sold units were priced at about P400,000. It is fully developed, completed and sold out.

Villa Casita Bogo

The project is the second of the Villa Casita series in Cebu, the socialized housing brand of the company. Villa Casita offers its homeowners well-designed homes, well-planned site development, and sizable green spaces for parks and community facilities traditionally found only in mid-market or upscale developments. The development is designed to provide over 697 homes to families in the North of Cebu.

Guadalupe Pinamalayan Socialized Housing Project

Launched in 2015, this socialized housing project is developed in cooperation with Habitat for Humanity and is located in Pinamalayan, Oriental Mindoro. The 38,639-sq.m. project consists of 337 single-floor and detached units, 77 of which have been allocated to Habitat for Humanity beneficiaries.

Casa Mira Linao

Launched in 2015, this is CLI's first foray into economic housing development. The project is located in the hills of Linao-Lipata, Minglanilla, Cebu on a 7.8-hectare property. It is composed of 725 townhouse units with floor areas ranging from 37 to 62 sq.m. and lot areas ranging from about 42 sq.m. to more than 52 sq.m. per unit. Average selling price starts at P900,000 for the smallest unit and up to about P1.4 million for the largest unit. It is fully developed, completed and sold out.

Casa Mira South

Launched in 2016, this economic housing development is located in the Naga City and the Municipality of San Fernando, both in Cebu. This 31-hectare community is divided into three phases consisting of 3,242 townhouse units, with each unit having floor areas ranging from 36 to 59 sq.m. and lot areas ranging from 42 sq.m. to more than 68 sq.m. Average pre-selling price ranges from P1.07 million to P1.6 million. Land development and house construction has already started.

Casa Mira Coast

Casa Mira Coast in Barangay Maslong, Sibulan, Negros Oriental is residential subdivision is a 53,031 sq. m. project that consists of 543 townhouses selling at P1.4 million to P2.2 million . It offers amenities that are not only top of the line but also affordable. Apart from this, the project has a breathtaking view of the nearby coast and is only 2 km away from the Dumaguete Airport.

San Jose Maria Villages ("SJMV")

This series of villages located in the south and southwest of Cebu City paved the way for CLI in providing affordable mid-cost quality homes to the middle market segment. SJMV offered a mix of single-detached, semi-attached townhouses and lot-only choices to the buyers. SJMV-Balamban is a three-hectare development with 231 units launched in 2013. SJMV-Minglanilla is a 2.9-hectare development with 145 units launched in 2007.

SJMV-Toledo is a 3-hectare development with 144 units launched in 2009. SJMV-Talisay is a 1.9-hectare development with 96 units launched in 2010. Lots were pre-sold at P7,000 per sq.m., while house and lot units averaged at P1.4 million to P3.6 million. All SJMV projects are fully developed and completed, with both SJMV-Minglanilla and SJMV-Talisay sold out.

Midori Plains

Launched in 2011, this mid-market development is located in Municipality of Minglanilla, Cebu. This eight-hectare Asian-inspired subdivision south of Cebu City has 370 residential units ranging from townhouse units with 40-sq.m. floor areas to single-detached units with an area of 77 sq.m. each. It is fully developed, completed and almost sold-out.

Velmiro Heights Cebu

This mid-market development was launched in 2013 and is located on an 8.8-hectare property in Tunghaan, Minglanilla, Cebu. This 428-unit development offers 11 different house models, ranging from townhouses to single-detached, two-storey units. Townhouses have 60-sq.m. floor areas, while the largest unit contained 131 sq.m. of living space. Townhouses were pre-sold at an average price of P1.7 million while the largest single-detached unit is about P5.3 million. Phase 1 is already fully developed, completed and sold out while the 81 units belonging to Phase 2 are still being marketed.

Velmiro Uptown CDO

Launched in 2017, Velmiro Uptown is located in Upper Canituan, Cagayan de Oro city. This 143,452 sq Horizontal Subdivision has a total 396 homes with prices that range from P 2.4 million to P 5.7 million. Velmiro Heights provides easy access to various establishments in the city. The project is set to completed by 2021

Vertical (Condominium) Projects

One Astra Place

Situated in the heart of A.S. Fortuna Street, the lifestyle avenue of Mandaue City, One Astra Place is the residential component of Astra Centre, a mixed-use development that carries astounding design of residential towers, upscale lifestyle mall, world-class hotel and modern office spaces. One Astra place is a 15-storey condominium with a wide range of world-class amenities and features. The development is scheduled for launching this year and will be completed on the 2nd Quarter of 2021.

38 Park Avenue

38 Park Avenue was launched last 2017 with a total of 745 units. This 38-floor New York inspired condominium is designed to be the highest building in Cebu I.T. Park offering an exclusive and breath-taking 360 view of the city. 38 Park Avenue presents five (5) types of condo residences: Studio 24 square meters, One-bedroom 54 to 56 square meters, Two-bedroom 80 square meters, Three-Bedroom 111 to 137 square meters and the biggest units are the Penthouses 320 to 420 square meters. The project is expected to be completed by the fourth quarter of 2021.

Casa Mira Towers Labangon

Launched in 2016, this is CLI's first foray in the economic segment of residential condominiums. It is located in Labangon, Cebu City on a 3,681-sq.m. property that used to be the location of the old CLI headquarters. It has

two towers on top of a commercial podium and a total of 686 residential units. It offers 20-sq.m. studio units and 1-bedroom units averaging 37 sq.m. units were pre-sold at P1.25 million to P1.43 million. Development started in June 2016 and is expected to be finished by the middle of 2018.

Casa Mira Towers Guadalupe

Located across the Fooda intercession of V. Ramos St., and V. Rama, Casa Mira Guadalupe is a 5,342.81 sq. m. residential condominium. It has 544 units in total, with retail components of the first two floors of the building. This beautifully designed two-towered residential Condominium offers quality living and an upgraded lifestyle. A studio room currently costs about P 1.97 million pesos, whereas units were pre-sold at 1.58 million. This project is expected to be completed by 2021.

Midori Residences

This zen-inspired mid-market residential condominium development is located in Banilad, Mandaue City, Cebu. This twin-vertical development is the first of its kind in the city. Its 22-sq.m. studio and 40-sq.m. 1-bedroom units were pre-sold at an average of P1.3 million to P2.6 million. It is fully developed, completed and fully sold out a total of 396 units.

Mivesa Garden Residences

Located in Lahug, Cebu City and launched in 2013, this 1.8-hectare development will be home to seven mid-rise, mid-market residential buildings, and is designed as a garden-inspired community which has 60% open spaces within the prime property. This is a three-phase project with the first two phases covering the first five buildings. The first two phases offer 938 units consisting of studio, 1-bedroom and 2-bedroom units. Pre-selling starts at P1.2 million for a 20-sq.m. studio unit, and up to P2.9 million for a 2-bedroom 48-sq.m. unit. Phase 1 and 2 are almost sold out, completed and delivered. Phase 3 with a total of 576 units is currently under construction and is expected to be finished by the 2nd quarter of 2020.

MesaVerte Residences

Launched in 2015, this is CLI's first entry into the Mindanao market. It is located on an 8,740-sq.m. property in downtown CDO, Misamis Oriental, and 60% of the property is dedicated to open spaces. The project offers 20-sq.m. studio and 39-sq.m. 1-bedroom units which were pre-sold at P1.47 million and P2.88 million respectively. Of the 798 units, ninety four percent have been sold. The development, which started construction last July 2016, is expected to be completed by the 4th quarter of 2018.

MesaTierra Garden Residences

Located in Emilio Jacinto Extension, the heart of Davao City, this 5,094 sq m. condominium development has a total of 694 residential units priced between P1.60 – P 3.40 million. This condominium has various amenities like swimming pools, a sky garden, a playground and work spaces. This condo project is expected to be turned over by the 2nd Quarter of 2020.

MesaVirre Garden Residences

Launched in the first quarter of 2018, MesaVirre Garden Residences, a 3-tower condominium is the first project of CLI in Bacolod. The first tower consists of 294 units. The project is only 17 minutes away from the airport, 3 km from the Riverside hospital and situated near a number of malls. Land development has already started and building construction is expected to be finished by the end of 2020.

Asia Premier Residences

Launched in 2010, this is CLI's first vertical high-end residential condominium project. It is located at the Cebu IT Park and is also the first residential development in the area. The units ranged from studio units sized at 28 sq.m. and 3-bedroom units measuring 109 sq.m. It is fully developed and completed and has since sold out its 88 units.

Base Line Residences

This 201-unit residential condominium project is located in uptown Cebu City on Juan Osmeña Street. The project offered 23-sq.m. studio units at a pre-selling price of P1.59 million, while its 41-sq.m. 1-bedroom unit pre-sold at P3.15 million. The project was launched in 2011, and is fully developed and completed, with its 201 units having been sold out.

Base Line Premier

This development was launched in 2015 as the residential component of Base Line Center, a one-hectare mixed-use development located along Juan Osmeña Street, Cebu City and right beside another CLI project, Base Line Residences. It has 379 units consisting of 24-sq.m. studio and 45-sq.m. 1-bedroom units. Studio units pre-sold at P2.22 million, while 1-bedroom units pre-sold at P4.16 million. Construction started in March 2016 and is expected to be completed in December 2018.

Baseline Prestige

Located in Juana Osmeña St., Kapmuthaw Cebu City, this 3,600-sq m Residential Condominium the final tower to rise in the Base Line Center. With over 351 units, each unit is designed to be spacious and accessible to various establishments. This tower has a wide range of amenities, from retail podiums, fitness gyms, pools and playgrounds. Units for this project are being sold for P2 million to P 10 million. The project is set to be completed by 2021.

Commercial development

CLI capitalized on the growth of the BPO sector in Cebu when it launched its first commercial office project, Park Centrale Tower, in 2013 at the Cebu IT Park. This is also part of CLI's strategy of significantly grow its recurring income properties. It has also launched two more office developments in prime Cebu City locations, namely Base Line HQ and Latitude Corporate Center. Base Line HQ will be part of the Base Line Center mixed-use development and will be completed in Q1 2019. In November 2016, CLI launched Latitude Corporate Center, a Grade A office tower at the Cebu Business Park with a GFA of 35,000 sq.m. Part of the launched projects of CLI is Astra Center where Astra Corporate office is located. This Corporate Center with 28,000 GLA is expected to boost leasing income by year 2022.

Office Buildings: Park Centrale Tower, Base Line HQ, Latitude Corporate Center, Park Avenue Corporate Tower, Astra Corporate Center

Commercial development projects

Astra Corporate Center

Part of the mixed-use project in AS Fortuna, is Astra Corporate Center, the office leasing component of Astra Centre. The Office building is 15-storey high with a total of 28,000 sq.m. of gross floor area. The project is expected to be completed and be a source of leasing income of the company by 2022.

Park Centrale Tower

Park Centrale Tower is CLI's first office development. Located at the Cebu IT Park, the 19-storey Grade A office tower was launched in 2013 with a total construction floor area of 17,500 sq.m., and total GFA of 11,920 sq.m., and was completed in only two years of construction. The project was positioned to cater to both BPOs and executive offices. Thus, 60% of the office spaces were offered for lease, while 40% were sold as office condo units and were fully sold-out. In 2014, the project was awarded as the Best Commercial Development (Cebu) at the 2014 Philippines Property Awards.

Base Line HQ

This is the office component of the Base Line Center, a major mixed-used project of CLI. Similar to its successful Park Centrale Tower, this also caters to both BPOs and executive offices. CLI offers for sale 60% of the floors as office condos, while the Company will retain 40% for its growing leasing business. With its location near Osmeña Boulevard/Mango Avenue, this will emerge as a very strategic business address for those in the medical, legal, government and outsourcing services. There is a total of 74 office units with areas ranging from 33 sq.m. to 142 sq.m.

Latitude Corporate Center

This is a green building project registered with BERDE, the nationally accepted green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. This 34,000-sq.m. development is a project of BL CBP Ventures, Inc., a joint venture company of CLI and Borromeo Bros, Inc. At 24-storeys, this will be the tallest office development at the Cebu Business Park. As the project's developer and manager, CLI uniquely positioned this project as a three-product office development with BPO, enterprise and executive office offerings. With its iconic design and green building features, the project is aiming for a 3-star BERDE certification.

Park Avenue Corporate Tower

This Grade A office building with over 20,000 sq.m. of leasable area is one of the Company's future projects in the recently acquired 1.17-hectare property inside the Cebu IT Park. The development will cater to BPO and other commercial offices and retail establishments.

Mixed-use development

With its growing brand, experience and portfolio, CLI pursued larger scale developments in prime urban locations. CLI's first major mixed-use development is the Base Line Center, a 1.6-hectare modern redevelopment in the heart of midtown Cebu. The Company removed the existing structures in the old Base Line, a well-known favorite gathering place of Cebuano families, and built a mixed-use development. Phase 1 of Base Line Center will be completed in Q1 2019. It will house a retail center, residential condominium units, offices and the first Ascott-managed property outside Manila, the Citadines Cebu City.

CLI, through its joint venture, El Camino, also acquired a 1.17-hectare property inside the Cebu IT Park, the largest remaining private property inside the prestigious address. This property called 38 Park Avenue at the Cebu IT Park, will be transformed into a mixed-use urban park with a 38-storey residential tower, BPO office and retail boulevard

In 2017, CLI launched another major mixed-used development, the AS Fortuna Center (Astra Center), in the bustling AS Fortuna Mandaue area, a growing commercial district and the major thoroughfare that connects Cebu and Mandaue. This medium-density project will house a hotel, residential, office and boutique mall.

CLI also entered into two new joint venture to develop a mixed-use development in Riverside Davao and a Central Business District in Matina Davao. The 1.9-hectare Riverside project in McArthur Highway will feature BPO offices, a residential condo, serviced residences (condotel) and retail commercial areas. The 22-hectare Matina project on the other hand will be developed into a large scale self-contained community with office, residential, retail and institutional uses.

Mixed-Use Developments: Base Line Center, Astra Center, 38 Park Avenue at the Cebu IT Park, Riverside Davao Mixed-use, Davao Matina CBD

Hotel and recreational development

Aside from residential and commercial developments, CLI has recently entered the hospitality business.

Citadines Cebu City

After sealing a partnership with Scotts Philippines, Inc., a wholly-owned subsidiary of The Ascott Limited ("Ascott"), the world's largest serviced residence operator. CLI will develop Citadines Cebu City, with Ascott as the hotel operator. Citadines Cebu City will house over 180 rooms, of which 92 condotel units were offered for sale and 88 units will be retained by the Company. The units for sale are already sold out. Citadines Cebu City is expected to be operational by the 1Q of 2019.

Astra Hotel

Located at AS Fortuna Mandaue, Astra Hotel has approximately 146 hotel rooms. Its prime location which is near the airport and many malls around Cebu, sets it apart from other hotels. Astra Hotel is expected to start operations on 2021 and will be managed by Radisson Red.

Baseline Lyf Hotel

Part of the 3rd tower of the Baseline Center project is Baseline Lyf Hotel, a 153-room serviced residence targets the booming local and foreign millennial market in Cebu City. The hotel will be managed by Ascott Limited, one of the world's leading international serviced residences. This project is set to be completed by 2021.

Citadines Riverside Hotel

Located at General Douglas McArthur Highway, Bucana Tolomo, Davao City, Citadines Riverside is an apartment hotel which will be managed by Ascott. The hotel is designed to provide guests its world class amenities, such as a fully-equipped kitchen, home entertainment, dining and retail outlets. Citadines Riverside is set to open on 2021.

Hotel Projects: Citadines Cebu City, Astra Hotel (Radisson Red), Baseline Lyf, Citadines Riverside Davao

Industrial development

CLI intends to diversify into industrial development through its associate, Ming Mori, which has proposed to finance, design and undertake the Ming-Mori Reclamation Project through private-public partnership with the Municipality of Minglanilla. The proposal of Ming-Mori was accepted and endorsed by the municipal council of the Municipality of Minglanilla in May 2013 and since then, the Municipality of Minglanilla has submitted to the PRA a letter of intent to undertake the reclamation and land development of the proposed project.

In December 2016, the Municipality entered into a Memorandum of Understanding with the PRA setting out requirements and timeline for the review and evaluation of the project. CLI has subscribed to shares equivalent to 19.87% of Ming-Mori, the issuance of which is subject to the approval by the SEC of Ming-Mori's increase in authorized capital stock.

Industrial: Minglanilla TechnoBusiness Hub

Regional expansion

For the completion of the following regional expansion projects, the Company will use part of the proceeds of the bond offer, internally generated funds or bank financing, as may be necessary. For a more detailed discussion of the allocation of the proceeds of the bond offering for new projects in the VisMin region, please refer to the section on Use of Proceeds.

CDO

After 20 developments in Cebu, CLI debuted its first regional expansion when it launched its MesaVerte Residences in CDO. MesaVerte Residences is a three-tower condominium complex in the heart of downtown CDO and is expected to be completed by Q4 2018. A second project in CDO was recently launch last 2017. Velmiro Uptown CDO, a mid-market housing project in the Pueblo De Oro area.

Davao

CLI has recently positioned itself in Davao, where it introduced its highly successful mid-market condominium format. The Company launched in Q1 2017 MesaTierra Garden Residences, a 21-storey residential condominium with over 694 units, located on E. Jacinto St., Davao, which is targeted for completion by Q3 2020.

The Company is also firming up its plans to develop two mixed-use projects in Davao, (1) a 1.9-hectare riverside mixed-use project along McArthur Highway, and (2) a 22-hectare Central Business Distict in Matina Davao.

Dumaguete

The Company has recently completed the acquisition of a six-hectare property in Sibulan, Dumaguete. This will be the site of another Casa Mira economic housing development. Situated near the coastline, the project will be called Casa Mira Coast.

Bacolod

Going further into other areas in the Visayas, CLI launched its first project in Bacolod - MesaVirre Garden Residences. This year, the company will also be launching in Bacolod its economic housing brand Casa Mira.

Iloilo

The Company is finalizing the acquisition of a property in Iloilo as the Company is set to launch Casa Mira Iloilo in 2018.

Bohol

CLI will also position itself in the booming tourism hub of Bohol. With the ongoing development of the Panglao International airport, the Company is anticipating a substantial increase in local economic activity. Thus, the Company is eyeing to bring its economic housing brand, Casa Mira, which will suit locals benefiting from the growing economic activity and Bohol OFWs.

With its diverse portfolio, CLI is able to tailor-fit its various product offerings to address the right supply and demand indicators and maximize the full potential of a property.

Regional Developments:

CDO	: MesaVerte Garden Residences, Velmiro Uptown CDO
Davao City	: MesaTierra Garden Residences, Riverside Davao Mixed-use, Matina Davao CBD
Dumaguete	: Casa Mira Coast
Bacolod	: MesaVirre Garden Residences, Casa Mira Granada
Iloilo	: Casa Mira Iloilo
Bohol	: Casa Mira Bohol

CORPORATE ORGANIZATION

SUBSIDIARIES

The Company's newly incorporated subsidiaries, CLI Premier Hotels Intl., Inc. is not yet operational and have no revenue contribution as of date.

CLI Premier Hotels Intl., Inc.

CLI Premier Hotels Intl., Inc., a wholly-owned subsidiary of the Company, was incorporated on August 26, 2016 to take charge of Citadines Cebu City and the Company's future hotel developments. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

Cebu Landmasters Property Management, Inc.

Cebu Landmasters Property Management, Inc., a wholly-owned subsidiary of the Company, was incorporated on April 20, 2017 to provide property management services initially to housing and condominium projects developed by the Company. It is envisioned to eventually offer and expand its services to outside clients. Its principal office address is at 10th Floor, Park Centrale Tower, J.M. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

A.S. Fortuna Property Ventures, Inc.

A.S. Fortuna Property Ventures, Inc. was incorporated on March 9, 2017 to facilitate the acquisition of a 9,989-sq.m. property along AS Fortuna Avenue for the development of the AS Fortuna Center Mandaue, a mixed-use development in the AS Fortuna Mandaue area that will house a hotel, residential and office development and a boutique mall. Its principal office is located 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

JOINT VENTURES

BL CBP Ventures, Inc.

BL CBP Ventures, Inc. was incorporated on February 3, 2016 to develop Latitude Corporate Center, a 24-storey office development at the Cebu Business Park. BL CBP Ventures, Inc. was a joint venture of the Company and Borromeo Bros, Inc. Its principal office address is at AB Soberano Bldg., Salvador Ext., Labangon, Cebu City.

Yuson Excellence Soberano, Inc.

Yuson Excellence Soberano, Inc. was incorporated on December 15, 2016 to mark the Company's entry into the Davao market. It is a joint venture between the Company and Yuson Comm. Investments Inc. to undertake the development of MesaTierra Garden Residences, a 21-storey residential condominium, and two other mixed-use projects in Davao City. It will also engage in real estate brokering to facilitate the marketing and sale of the joint ventures developments in Davao. Its principal office address is at Suite A, 204 Plaza De Luisa Complex, 140 R. Magsaysay Ave., Brgy. 30-C, 8000 Davao City.

Yuson Huang Excellence Soberano Inc.

YHES Inc., was incorporated on November 10, 2017 to develop a 1.9-hectare property in Riverside Davao. The development will become a township which will include a residential, retail, hotel and convention center. YHES Inc., is a joint venture of CLI, Yuson Strategic Holdings Inc., and Davao Filandia Realty Corp.

Yuson Huang Excellence Soberano Tan Realty and Development Corporation

YHEST Realty and Development was incorporated on December 11, 2017 to develop the Matina Golf course into a Central Business District. This 20 hectare prime property CBD development is s a joint venture between CLI, Yuson Strategic Holdings Inc., Davao Filandia Realty Corp., Plaza De Luisa Development Inc., Yuson Newtown Corp., and Davao Primeland Properties Corp.

ASSOCIATES

Ming-Mori Development Corporation

Ming-Mori Development Corporation was incorporated on August 1, 2013 to undertake and execute land reclamation projects, submit bids and accept awards for reclamation projects, and manage, hold and sell reclaimed land and other real property. Ming-Mori Development Corporation is the private consortium that has proposed to undertake the Ming-Mori Reclamation Project of the Municipality of Minglanilla, which involves the development of the Minglanilla TechnoBusiness Hub, a 100-hectare techno-business park in the progressive town of Minglanilla, a mere 30 minutes away from Cebu City. The Company has subscribed to 19.87% in Ming-Mori Development Corporation, which is pending before the SEC.

Magspeak Nature Park, Inc.

Magspeak Nature Park, Inc. was incorporated on October 21, 2011 to acquire, lease and develop lands into nature and eco-tourism parks, and to manage and operate the same. Magspeak plans to develop a 30-hectare outdoor leisure park and conference center to be launched in 2017 in Mt. Manunggal, the highest mountain in Cebu. CLI holds a 25% stake in Magspeak.

EL Camino Developers Cebu, Inc.

EL Camino Developers Cebu, Inc. was incorporated on August 15, 2016 to acquire a 1.17-hectare property inside the Cebu IT Park, and to develop (1) 38 Park Avenue at the Cebu IT Park, a 38-storey high-end residential condominium, and (2) Park Avenue Corporate Center, a Grade A office building with over 20,000 sq.m. of leasable area. Its principal office address is at Base Line Center, Juana Osmeña St., Brgy. Kamputhaw, Cebu City. The Company has a 35% stake in El Camino Developers Cebu, Inc.

Mivesa Garden Residences, Inc.

Mivesa Garden Residences, Inc. was incorporated on March 13, 2017 to develop Towers 6 and 7 (Phase 3) of Mivesa Garden Residences, a real property development project located on a 3,000-sq.m. property to be registered in the company's name. Its principal office is located 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City. CLI holds a 45% stake in the company.

COMPETITION

CLI is within the playing field of top national players and local developers across its product range. The Company goes head to head with national players such as Amaia Land Corporation, Avida Land Corporation, and Alveo Land Corporation, all of which are subsidiaries of Ayala Land, Inc., Filinvest Land Inc., Megaworld Corporation, Rockwell Land Corporation, 8990 Holdings, and Hongkong Land which is in partnership with the local developer, Taft Properties.

The Company also competes with established local developers in Cebu, and other parts of VisMin, like Primary Group of Builders which has 25 years of experience in the industry, AboitizLand with 23 years, Johndorf with over 30 years, and Taft Properties with over 20 years.

In Cebu, the Company's direct competitor is Primary Group which also offers the same product range in terms of house and lot offerings, condominium units, offices and commercial spaces in Cebu, Dumaguete and Bohol.

CLI commands an 11% market share in terms of the total supply of condominium units in Metro Cebu, second to Ayala Land, Inc. (17%) and followed by Filinvest Land Inc. (8%) . In terms of the number of condominium units sold, the Company has a 9% market share, second to Ayala Land, Inc. (17%) and tied with Filinvest Land Inc. (9%) . For the current housing market, CLI ranks among the top three Cebu players with a 10% market share. Among Cebu-based local developers, CLI is already the number one local housing developer in Metro Cebu just in a span of 12 years.

To leverage itself against competition, CLI draws its advantage on its core strengths – its hands-on personalized service, local (i.e., Visayas and Mindanao) real estate expertise, stringent location selection, and responsible development as well as in its aggressiveness, speed to market and best value projects.

SUPPLIERS

CLI sources construction materials and services from third party suppliers and service providers both in the local and national level who meet the Company's strict quality standards through a pre-qualification and a bidding process. There is no shortage of raw materials or services that the Company needs for its day-to-day business as these are readily available in the market. Hence, the CLI is not dependent on any single supplier or service provider.

Through its purchasing team, evaluates suppliers who can provide the best value at the highest quality with the least cost, can guarantee safe and on time deliveries, and have the capacity to improve and innovate to meet the Company's requirements. At the same time, the Company has the necessary internal controls, organizational structure and financial viability to assure the continuous delivery of the raw materials by the supplier.

The Company engages contractors to undertake land development and construction on a per project basis. While the Company mostly outsources architectural and engineering services for its projects, this year, CLI has started doing engineering and design in-house.

The following are the Company's top five suppliers:

Supplier	Product / Service
Dakay Construction & Development Corp.	General contractor
Kevlar Development Corporation	General contractor
UKC Builders, Inc.	General contractor
Vic Enterprises	Cement and rebars
J.E. Abraham C. Lee Construction	General contractor
Carwill Construction, Inc.	General contractor
Anseca Development Corporation	General contractor
CIGIN Construction	General contractor
Castcrete Builders, Inc.	General contractor

CUSTOMERS

CLI caters to several real estate categories – residential, commercial/offices and hospitality. Among the three categories, the Company's experience in the industry has been primarily focused on residential development which comprises 80% of total current projects.

Of the Company's residential developments, 56% of CLI's horizontal and vertical projects serve the need of the mid-market. Fast-selling projects like Midori Residences, Midori Plains, Velmiro Heights, Mivesa Residences, and MesaVerte Garden Residences show the growing demand of the mid-market for new, well-built, well-planned and strategically located homes. CLI's mid-market clients are those who can afford a monthly equity payment of P5,000 to P10,000 and an annual income of P300,000 to P800,000. The Company also caters to a small portion belonging to the upper-mid market segment who can afford a monthly equity of P10,000 to P15,000 and earning P1 million to P3 million annually. These mid-market segments prefer units at a price range of P900,000 to P3 million.

CLI's biggest product offering is economic housing through the Casa Mira brand comprising 33% of the Company's total revenues from its residential projects. High-end residential developments are at 10%, with successful projects such as Asia Premier Residences, Base Line Residences, Base Line Premier and 38 Park Avenue at the Cebu IT Park. Socialized housing comprises only 1% of the Company's residential projects, with two projects to date.

OFWs comprise a substantial segment of the Company's customers for its horizontal residential units with 60-70% of the Company's sales coming from OFWs.

EMPLOYMENT PROFILE	%	CITIZENSHIP	%	MARITAL STATUS	%
Local	42%	Filipino	95%	Married	60%
OFW	39%*	Foreigner	5.0%	Single	39%
Self-employed	10%			Other	1%
Entrepreneur	5%				
Others	4%				

For its leasing business, the Company's top lessees include a BPO company, a service provider and food establishments.

CLI is committed to continuously address the growing needs and demand of the market in each segment the Company caters to. CLI aims to constantly innovate, and remain consistent with the quality of the developments, the selection of location and the hands-on service that goes along with it.

Transactions with related parties

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions”).

Government approvals/regulations

The Company secures various government approvals such as the environmental compliance certificate, development permits, license to sell, etc. as part of the normal course of its business.

EMPLOYEES

The Company has a total of 211 employees, broken down per department as follows:

Department	Number of Employees
Sales and Customer Care	33
Marketing	10
HR and Admin	10
Accounting and Finance	41
Business Development	11
Documentation, Legal, Permits, and Licenses	26
Purchasing	9
Property Management	13
Engineering	53
Internal Auditor	2
Top Management	3
Total	211

Item 2 Properties

LAND INVENTORY

Using its location selection criteria, the Company, its joint ventures and associates (“**Company and its Related Entities**”) have invested in properties located in strategic areas in VisMin which the Company and its Related Entities believe to have high future appreciation potential for its existing and future development projects.

The table below enumerates the parcels of land owned by the Company and its Related Entities.

	Location	Total Area (in sq.m.)	Primary Land Use	Ownership
1	AS Fortuna, Mandaue Cebu	12,338	Mixed-Use	under A.S. Fortuna Property Ventures, Inc. (100%-owned by CLI)
2	Guadalupe, Cebu City	5,358	Residential	Company
3	Casa Mira South, Naga-San Fernando, Cebu (Phase 2-3)	206,349	Residential	Company
4	Base Line Center (Phase 2)	5,074	Mixed-Use	Company

5	Upper Canitoan, Cagayan de Oro City	143,452	Residential	Company
6	Riverside, Davao	19,084	Mixed-use	Title to be registered in the name of YHES Inc. (50%-owned by CLI)
7	Lacson, Bacolod	10,000	Residential	Company
8	Matina, Davao	220,000	Mixed-use	Title to be registered in the name of YHEST Realty Corp. (50%- owned by CLI)
9	Granada, Bacolod	140,056	Residential	Company
10	Linao, Cebu	31,760	Residential	Company
10	Minglanilla, Cebu	18,369	Residential	Company
11	Bogo, Cebu	47,949	Residential	Company
12	Cebu IT Park, Apas, Lahug, Cebu City	3,389	Mixed-Use	Registered in the name of El Camino Developers, Inc. (35%-owned by CLI)
Total		863,178		

OTHER REAL PROPERTIES

In addition to its land inventory, the Company owns several other real properties, including available commercial and retail spaces in its completed projects, which are currently used by the Company, or leased out to third parties to generate recurring income. The details of these properties are set out below.

Among the projects with commercial spaces leased out to tenants are:

Project	Location	Type	Total Area Available for Lease (in sq.m.)
Asia Premier Residences	Cebu IT Park, Apas, Lahug, Cebu City	Commercial	286.98
Base Line Residences 1	Juana Osmeña St., Brgy. Kamputhaw, Cebu City	Commercial	183.57
Midori Residences	AS. Fortuna-Banilad, Mandaue City	Commercial	12.00
Mivesa Garden Residences	Lahug, Cebu City	Commercial	186.27
Park Centrale Tower	Cebu IT Park, Apas, Lahug, Cebu City	Commercial	4,929.74
TOTAL			5,598.56

The Company's residential leases have an average term of one year, while the Company's commercial leases have an average term of three to five years, both renewable upon mutual agreement of parties. Sixty days' notice is required from tenants for the extension or pre-termination of their leases, and a two-month security deposit is paid at the commencement of the lease. The Company charges rent as either a fixed rent per sq. m., which may be subject to an escalation clause.

In its leases with its Related Entities, the Company observes arm's length commercial terms and considers the current rentals payable by tenants of the condominium units and parking slots that are operational at present reflect prevailing market rents.

OTHER ASSETS

Other properties of the Company comprise of the following:

Assets	Cost (in ₱)	Accumulated Depreciation (in ₱)	Book Value as of Dec. 31, 2017 (in ₱)
Property and Equipment			
Leasehold improvement	2,305,996.00	1,755,310.00	550,686.00
Transportation equipment	33,730,848.00	25,207,083.00	8,523,765.00
Furniture and fixtures	19,010,873.00	9,319,204.00	9,691,669.00
Office equipment	47,076,085.00	11,464,270.00	35,611,815.00
Office building	119,350,139.00	24,251,066.00	95,099,073.00
Construction in Progress	603,709.00	0.00	603,709.00
Total Property and Equipment	222,077,650.00	71,996,933.00	150,080,717.00
Investment Property			
Retail building	45,228,005.00	9,214,459.00	36,013,546.00
Condominium units	316,631,530.00	28,699,565.00	287,931,965.00
Total Investment Property	361,859,535.00	37,914,024.00	323,945,511.00
GRAND TOTAL	583,937,185.00	109,910,957.00	474,026,228.00

LEASED PROPERTIES

The Company has leased properties for use as office space and staff houses of its employees with the details set out below:

Leased Property	Description/Use	Annual Lease (in ₱)	Expiration of Lease	Renewal Option
Cagayan De Oro City (Apartment C)	Staff House of CLI Employees	264,000	Jan. 20, 2017 – Jan. 20, 2018	Renewable
Bacolod (Staff house)	Staff House of CLI Employees	336,000	August 15, 2017 – August 15, 2018	Renewable
Dumaguete Office	CLI Office	156,000	September 14, 2017 – September 14, 2018	Renewable
TOTAL		756,000		

The Company does not lease any land for development nor does it lease any land for its operations.

MORTGAGE, LIENS AND ENCUMBRANCES

In pursuit of its business, the Company has entered into various mortgage agreements covering certain parcels of land and improvements for the purposes of securing development loans or credit facilities extended by financial institutions. The properties which are subject to real estate mortgages are:

Property Location	Area (in sq.m.)	Mortgagee
Barangay Kamputhaw, City of Cebu	3,215	BPI
Along J.M. Del Mar Street and Road Lot 8, Cebu I.T. Park, Brgy. Apas, Cebu City	1,490	Metrobank
Salinas Drive Extension, Lahug, Cebu City	15,451	China Bank
Brgy. Tunghaan, Minglanilla, Cebu	69,684	BPI
Brgy. Labangon, Cebu City	3,681	BPI
Park Centrale Tower –certain condominium units	5,771.91	Metrobank
Sergio Osmena Ext., Brgy. 22, CDO	8,655	Chinabank
Naga City and San Fernando, Cebu	195,815	BDO
Brgy. Linao, Minglanilla, Cebu	64,948	BPI
Asia Premier, I.T. Park, Brgy. Apas, Cebu City - certain condominium units	500 (approx.)	BDO
Banilad Estate, Cebu City	6,961	BPI

Under Section 18 of Presidential Decree No. 57, no mortgage on any unit or lot shall be made by the owner or developer without prior written approval of the HLURB. Accordingly, before the Company can mortgage properties being used for its condominium or subdivision projects, it should ensure compliance with the said law and its implementing regulations.

Properties of the Company and its Related Entities in which particular projects have been developed are also subject to restrictions arising from the nature of such projects. For instance, certain properties over which a condominium building project has been constructed would have restrictions annotated on the title of such property arising from the Master Deed restrictions on the use of the property for condominium use.

Likewise, properties being leased by the Company are subject to typical lease-related limitations on usage, e.g., for office use only.

INSURANCE

CLI procures insurance coverage required by relevant laws and regulations for its real and personal properties and requires contractors to submit performance bonds, marine insurance policies, and other sureties for its covered activities. Throughout the construction stage, the Company also maintains Contractor's All-risk Insurance for each of its projects, subject to customary deductibles and exclusions. For completed projects, CLI also requires homeowner's associations and condominium corporations to obtain fire and allied risks insurance as part of the master deed for these projects.

Item 3 Legal Proceedings

The Company and its subsidiaries are not a party to, nor any of the Company's properties are the subject of any pending material litigation, arbitration or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its subsidiaries or any of its properties.

Item 4 Submission of Matters to a Vote of Security Holders

Below were matters submitted to a vote by security holders during the fourth quarter of the fiscal year covered by this report. The votes were taken during the Annual Stockholders Meeting of CLI on November 6, 2017 held in Cebu City:

A. Approval of 2016 Audited Financial Statements

The 2016 Audited Financial Statements of the corporation was presented to the stockholders as a formality as the same had already been submitted to the Bureau of Internal Revenue and Securities and Exchange Commission on or before its respective deadlines in April and May 2017.

Action Taken: Approved on motion made by Adorah Ouano, seconded by Arne Aytona with no objection from the floor.

B. Ratification of all Actions of the Board of Directors in 2016

Presented for ratification were the following actions of the Board, which were all related to the initial public offering of the corporation:

1. Amendment of the corporation's Articles and By-laws in order to:
 - a. Increase the authorized capital stock to 2.5 billion common and preferred shares and offer up to 580 million common shares to the public via primary and secondary offering;
 - b. Increase the number of directors to 9 and appoint the first 3 independent directors;
 - c. Engage the services of BDO Capital and BPI Capital as lead underwriters and bookrunners, ACCRA as legal counsel; BDO Unibank, Inc. – Trust and Investment Group as stock transfer, receiving, and escrow agent; and the Philippine Depository & Trust Corporation as well as other agents necessary to carry out the registration and licensing of the IPO shares with the SEC and listing it with the Philippine Stock Exchange.
2. Adoption of a Manual on Corporate Governance and creation of Board committees for audit, nomination, compensation and remuneration, and corporate governance;
3. Creation and appointment of the office holders of the following new positions: Assistant Corporate Secretary, Assistant Treasurer, Compliance Officer, Investor Relations Officer, and Internal Auditor.

Action Taken: All 2016 actions of the Board were ratified by the stockholders on motion made by Hasmin Hermosa, duly seconded by Ivan Rio Manilong without any objection from the floor.

C. Postponement of Board of Directors Election

The Assistant Corporate Secretary recommended the postponement of the election of new Board of Directors. He explained that the current set of directors had been elected only on February 2, 2017 and that per the by-laws of the corporation their term ought to be one (1) year. He proposed that the election shall instead be held in May 2018 when the corporation plans to call another annual stockholders meeting for this purpose, among others.

Action Taken: On motion made by Garrett Clyde Maisling, seconded by Myra Butalid without any objection from the floor, the postponement of election until the next annual stockholders meeting in May 2018 was approved.

D. Appointment of Independent Auditor for Calendar Year 2017

The Board recommended the retention of Punongbayan & Araullo as external auditor of the corporation's 2017 financial records and business transactions.

Action Taken: The stockholders approved the recommendation of the Board on motion made by Aneline Jane Santos, seconded by Sylvan Monzon with no objection heard from the floor.

E. Amendment to CLI By-laws

The Assistant Corporate Secretary reported that during its regular meeting on 21 August 2017, the Board of Directors proposed the following amendments to the by-laws of the corporation:

1. Amendment to Article III, Section 2 of the CLI By-laws, which sets the schedule of the annual stockholders meeting.

Proposed amendment:

BE IT RESOLVED, as it is hereby resolved, that Article III, Section 2 of the Corporation's By-laws shall be amended to read as follows:

“Section 2. Annual Meetings. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held at the principal office of the Corporation **not later than May 31 of each year** unless such day falls on a holiday, in which case the meeting shall be held on the next following business day. If for reasonable cause the election of directors shall not be held on the day designated for any annual meeting or at any adjournment of such meeting, the Board of Directors after proper notice thereof has been given, shall cause the election to be held at a convention or special meeting as thereafter as the same may conveniently be held. At such special meeting, the stockholders may elect the directors and transfer or transact any business as stated in the notice of the meeting with the same force and effect as at an annual meeting duly called and held.”

2. Amendment to Article IV, Section 2 of the CLI By-laws, which sets the number of CLI directors.

Proposed amendment:

BE IT RESOLVED, as it is hereby resolved, that Article IV, Section 2 of the Corporation's By-laws shall be amended to read as follows:

“Section 2. Number, Qualifications and Term of Office. Any stockholder having at least one (1) share registered in his name may be elected director. **Three (3) of the nine (9) directors** provided in the Articles of Incorporation shall be independent directors. Such directors and independent directors shall have such qualifications and none of the disqualifications provided for in the Corporation Code, Securities Regulation Code, the Corporation's Manual on Corporate Governance and other relevant laws and regulations. The manner of electing and terminating the independent directors shall be in accordance with the Corporation's Manual on Corporate Governance.”

Action Taken: All proposed amendments were approved and ratified on motion made by Juanita Inez Sisor, duly seconded by Brian Mayol. No objection was raised from the floor.

F. Summary of Votes

Prior to the start of the annual stockholders meeting, ballots were distributed to the stockholders who registered for the annual meeting. It contained the items requiring the votes of shareholders, listed in accordance with the sequence in the agenda, to wit:

- VII. Approval of Audited Financial Statements as of December 31, 2016
- VIII. Approval and Ratification of all acts of the Board of Directors in 2016
- IX. Postponement of Directors' Election
- X. Appointment of Independent Auditor for Calendar Year 2017
- XI. Amendment to CLI By-Laws:
 - Amendment #1
 - Amendment #2

Below is the summary of votes cast by stockholders:

VII. Approval of Audited Financial Statements as of December 31, 2016 VIII. Approval and Ratification of all acts of the Board of Directors in 2016 IX. Postponement of Directors' Election X. Appointment of Independent Auditor for Calendar Year 2017 XI. Amendment to CLI By-Laws: Amendment #1 Amendment #2			
Shareholders	Yes	No	Objection
Jose Franco B. Soberano (as proxy for AB Soberano Holdings Corp.)	985,809,197	0	0
Jose R. Soberano III	10,000,000	0	0
Joanna Marie B. Soberano	2,250,000	0	0
Jose Franco B. Soberano	2,250,000	0	0
Janella Mae B. Soberano	2,250,000	0	0
Christopher Chua (as proxy for G.D. & Co., Inc.)	160,400	0	0
Marisa A. Carcallas (as proxy for COL Financial)	37,000	0	0
Adorah Ouano (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Ivan Rio Manilong (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Arne Aytana (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Hasmin Hermosa (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Reggie Postrero (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Myra Butalid (as proxy for AB Soberano Holdings Corp.)	1,000	0	0

Miguel G. Abas, Jr. (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Aneline Jane Santos (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Suzette C. Lara (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Sylvan John Monzon (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Brian Mayol (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Mayflor Lugay (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Garrett Clyde Maisling (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Juanita Inez S. Sisor (as proxy for AB Soberano Holdings Corp.)	1,000	0	0
Ma. Aurora D. Geotina-Garcia	1	0	0
Rufino Luis Manotok	1	0	0
Jesus N. Alcordo	0	0	0
Ritz Kevin J. San Agustin	0	0	0
Alvin B. Tan	0	0	0
TOTAL	1,002,770,599	0	0

Prior to the meeting, the Corporate Secretary received two (2) proxy forms with voting instructions, but these votes were not counted because none of the designated proxies attended the meeting. One of the proxy forms came from HSBC10, which voted all of its 3,552,644 shares in favor of items 7, 9, and 10; and against items 8 and 11, which pertain to the approval and ratification of all acts of the Board of Directors in 2016 and the proposed amendments. The other proxy form was from Deutsche Bank AG Manila Branch, which voted its 745,000 shares in favor of all items, save for Nos. 8 and 11 on the agenda.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Registrant’s Common Equity and Related Stockholder Matters

Market information

Cebu Landmasters, Inc. listed its common shares with the Philippine Stock Exchange last June 2, 2017.

Philippine Stock Exchange Prices (in PHP/ share)

	<u>High</u> <u>2017</u>	<u>Low</u> <u>2017</u>	<u>Close</u> <u>2017</u>
Second Quarter (month of June only)	5.60	5.40	5.48
Third Quarter	5.17	5.02	5.08
Fourth Quarter	4.92	4.81	4.86

The market capitalization of CLII as of end-2017, based on the closing price of P4.88/share, was approximately P8.36 billion.

Stockholders

The following are the list of registered holders of the common equity securities of the Company:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	AB Soberano Holdings Corp.	985,823,197	58%
2	PCD Nominee Corp. (Filipino)	660,315,612	39%
3	PCD Nominee Corp. (Non-Filipino)	47,811,188	3%
4	Jose R. Soberano Iii	10,000,000	1%
5	Jose Franco B. Soberano	3,250,000	0%
6	Janella Mae B. Soberano	2,250,000	0%
7	Joanna Marie B. Soberano	2,250,000	0%
8	Jose P. Soberano, Jr.	2,250,000	0%
9	Marietta V. Cabreza	10,000	0%
10	Lolita Siao-Ignacio	10,000	0%
11	Milagros P. Villanueva	10,000	0%
12	Myra P. Villanueva	10,000	0%
13	Myrna P. Villanueva	10,000	0%
14	Jesus N. Alcorido	1	0%
15	Ma. Aurora D. Geotina-Garcia	1	0%
16	Rufino Luis T. Manotok	1	0%
	TOTAL	1,714,000,000	100%

The following are common shares held by the Company's Board of Directors lodged with PCD Nominee Corporation:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	Jose R. Soberano Iii	61,525,000	4%
2	Ma. Rosario B. Soberano	59,125,000	3%
3	Jose Franco B. Soberano	5,741,700	0%
4	Janella Mae B. Soberano	5,231,700	0%
5	Joanna Marie B. Soberano	5,231,700	0%
6	Jose P. Soberano, Jr.	5,231,700	0%
7	Jesus N. Alcorido	400,000	0%
	TOTAL	142,486,800	8%

Dividends

DIVIDENDS DECLARED

The Company has declared the following cash and stock dividends.

Cash Dividends

Year of Dividend Declaration	Rate of Dividend Declared per Share (in ₱)	Record Date	Amount Paid (in ₱)
2014	12.50	November 3, 2014	48,000,000
2015	7.19	February 28, 2015	42,000,000
2015	10.27	June 15, 2015	60,000,000
2015	8.56	October 15, 2015	50,000,000
2015	5.66	December 15, 2015	50,000,000
2016	2.26	March 31, 2016	20,000,000
2016	5.99	August 31, 2016	52,943,457
2016	4.32	September 15, 2016	38,150,000
2016	1.70	September 30, 2016	15,000,000
2016	0.74	November 21, 2016	650,000,000
2016	0.05	December 1, 2016	40,000,000
2016	0.03	December 1, 2016	40,000,000
2017	0.15	March 23, 2018	(est) 257,100,000

Stock Dividends

Year	Rate of Dividend Declared per Share (in ₱)	Record Date	No. of Shares
2014	0.5208	November 30, 2014	2,000,000
2015	0.3394	December 15, 2015	3,000,000

Recent Sale of Securities

There was no sale of the Company's securities was made during the reporting period.

Item 6 Management's Discussion and Analysis or Plan of Operation

COMPANY MILESTONES

Robust growth marked the year 2017 for Cebu Landmasters, Inc (the "Company" or "CLI") as the company expanded into new markets and locations. The company reported outstanding financial growth as its total revenues reached Php3.929 billion, a 66% year-on-year increase driven by strong performance across all business units. Its net income also significantly grew by 66%, to Php1.295 billion from last year's profit of Php780 million. These results coincide with the latest market standing of CLI, where a recent report by C.B. Richard Ellis Philippines, Incorporated (CBRE) highlighted that CLI has the 2nd highest market share in the condominium market in Cebu (trailing a national developer), thus rendering it as the leading homegrown condominium developer in Cebu.

Across its portfolio of 46 developments, the Parent Company has over 20,000 housing, condominium and commercial units in various stages of development. Cebu Landmasters has diversified to cater to the various spectrums of the market, including economic, mid-cost and high-end segments to provide for the growing need of quality yet affordable homes for the Filipino families.

Aside from the robust growth, Cebu Landmasters has achieved several significant milestones in 2017. The Company became publicly listed in June 2 after issuing 430,000,000 primary shares at Php5 per share. The IPO proceeds was used for JV investments and pre-identified land purchases in key strategic areas of Davao, Cagayan de Oro, Iloilo, Bacolod and Dumaguete.

CLI in line with its regional expansion, entered into two new joint ventures to develop Riverside Davao, a 10-hectare township and Matina Davao Business park, a 22-hectare central business district. Aside from firming its foothold in Davao, the company also launched in 2017 its first project in Dumaguete, Casa Mira Coast and Bacolod, MesaVirre Garden Residences.

To continue to strengthen its leadership in Cebu, CLI launched 38 Park Avenue, a collaboration with El Camino Developers Cebu, Inc. (El Camino). The 38-storey condominium will sit in a 1.17-hectare master planned mixed-use development that will also include BPO office spaces and a commercial retail center. The development is in Cebu I.T. Park where CLI has already developed two successful projects. The company also partnered with two Cebuano developers, to develop Mivesa Garden Residences Towers 6 and 7 (Phase 3) on CLI's 3,000-sq.m. parcel of land in Salinas, Lahug, Cebu City.

Another major development in 2017 is the launching of its largest subdivision project to date, Casa Mira South, a 30-hectare site that will deliver over 3,200 homes in the south of Cebu. The Casa Mira line of projects caters to the housing needs of families designed to be affordable yet offer unrivalled quality within its price range. Its communities provide facilities and amenities comparable with high-end subdivisions which makes the brand attractive to the market, consistently selling out in few months' time.

The company remains committed to its newly launched tagline "We build with you in mind" as the Group gears up for major project launches in the next years. This will push the Group to sustain its robust financial and operational growth, while maintaining its customer-first approach in delivering its projects in a timely and quality manner.

KEY PERFORMANCE INDICATORS

The Company uses a range of financial and operational key performance indicators (“KPIs”) to help measure and manage its performance. These KPIs reflect the Company’s continuous focus on efficiency, cost control and profitability across all its operations. The management considers the following as KPIs:

	2017	2016
Gross Profit Margin ¹	52%	52%
Net Income Margin ²	33%	33%
EBITDA ³	₹ 1.596 billion	₹ 944.7 million
EBITDA Margin ⁴	41%	40%
Return on Assets ⁵	11%	15%
Return on Average Equity ⁶	40%	58%
Current Ratio ⁷	2.67	2.24
Debt to Equity Ratio ⁸	0.75	1.57
Interest Coverage Ratio ⁹	15.17	12.56

¹ Gross Profit Margin is gross profit as a percentage of revenues

² Net Income Margin is net income as a percentage of revenues

³ EBITDA is defined as earnings before interest, tax, depreciation and amortization from continuing operations and before exceptional items.

⁴ EBITDA margin is EBITDA as a percentage of revenues

⁵ Return on Assets is net income as a percentage of assets

⁶ Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year.

⁷ Current Ratio is current assets divided by current liabilities

⁸ Debt to Equity Ratio is interest bearing debt over total equity

⁹ Interest Coverage ratio is EBITDA divided by interest paid

REVIEW ON THE COMPANY'S RESULTS OF OPERATION

FY 2016 vs FY 2017

Cebu Landmasters, Inc. posted a 66% increase in net income after tax in 2017 to Php1.295 billion from last year's Php780 million. This translates to Php1.01 earnings per share for the year using pre-IPO shares of 1,284,000 and Php0.86 earnings per share using weighted average number of shares. For analysis purposes, The Company believes computing EPS using the pre-IPO shares reflects the real measure of valuation as additional capital from IPO will be used to generate earnings in 2018.

REVENUES

Cebu Landmasters, Inc. reported outstanding financial growth for the year ended December 31, 2017 as its total revenues reached Php3.929 billion, a 66% year-on-year growth driven by strong performance across all business units. The real estate segment of the company which comprised a big portion of the revenue also increased by 67%, from Php2.322 billion in 2016 to Php3.869 billion in 2017. The said increase was primarily attributable to the robust sales performance and construction progress from newly constructed projects, Casa Mira Linao, Mivesa Residences building 5, Casa Mira Towers, Mesaverte Residences, Baseline Center where Citadines, Baseline HQ and Baseline Premier is. The Company now uses the Percentage of Completion (POC) Method of revenue recognition to align with the industry practice and adapt in advance the Philippine Financial Reporting Standards (PFRS) 15 dictating that revenue from contracts be recognized in reference to the stages of development of the properties. With this change in method, the prior year's 2015 and 2016 were restated using POC in revenue recognition to reflect comparability in the financial statements.

The demand for real estate in selected growth areas increased reservation sales to Php4.58 billion, 55.7% higher than 2016's sales figure of Php2.94 billion. CLI attributed its exceptional performance primarily by the robust sales across various projects particularly from the company's new launches: 38 Park Avenue in IT Park Cebu, MesaVerte in CDO, Casa Mira South in Naga, Cebu and Mivesa Garden Residences in Salinas Drive, Cebu. Currently these projects are nearing fully sold status after a few months after launching.

Furthermore, rental income increased by 17% Year on Year from Php46 million to Php39 million. The growth was attained due to higher occupancy rates and rental rate increases during the year.

The Company also started recognizing revenue from the projects it manages. These projects pertain to Joint Ventures (JV) where CLI is the project manager. Management fee charged is 2%-3% of the JV's sales collection and construction cost paid during the year. Currently, the Company has four Joint Venture projects under development, namely: MesaTierra in Davao, Latitude Corporate Center in Cebu Business Park, 38 Park Avenue in IT Park, Cebu, Mivesa Garden Residences Phase 3 in Salinas Drive, Cebu.

Part of the Management Fee are also revenues from the recently incorporated, Cebu Landmasters Property Management, Inc (CLPMI), the property management arm of Cebu Landmasters. CLPMI offers integrated property management services including building administration, subdivision maintenance, and special technical services. The subsidiary is currently managing five condominiums and six subdivision projects of CLI creating an extended relationship between Cebu Landmasters and its buyers even after turnover.

COST AND EXPENSES

Cost of sales increased to Php1.886 billion – 68% more than last year's figures (Php1.124 million). The increase is primarily due to higher revenue of the company in 2017.

Total operating expenses for the year amounted to Php 514 million, 53% more than the Php336 million incurred in 2016. The increase can be attributed to the higher manpower related expenses in 2017 as the company welcomed more employees to support its expansion into new growth areas in Visayas and Mindanao. The increase in commissions and incentives also contributed to the growth in operating expenses. This resulted from the higher sales and more launches of the company. Despite the increase

in operating expenses, CLI was able to improve on efficiency as OPEX ratio declined from 14% to 13% during the year.

Interest and other financing charges increased by 89% year on year, from Php16.57 million in to Php31.36 million as more debt was availed by the company to support its project development.

REVIEW ON THE COMPANY'S FINANCIAL CONDITION

As of December 31, 2017, vs December 31, 2016

Cebu Landmaster's balance sheet is geared to support the expansion plan of the company as it ventures to bring its expertise outside Cebu and into strategic areas in the Visayas Mindanao Region. As of December 2017, the company reported Php11.515 billion in assets- a notable growth from the Php5.085 billion in assets by the end of 2016. The growth in assets is driven by the proceeds from the recent Initial Public Offering of the company and increased volume in collections from customers due to its outstanding sales performance.

ASSETS

1232% increase in Cash and Cash equivalents

Primarily from the proceeds of the recent Initial Public Offering of the company.

116% increase in Trade and other receivables (including non-current portion)

Primarily caused by CLI's robust sales performance

101% increase in Real estate inventory

Primarily due to new project launches and construction progress of existing developments

254% increase in Deposit on land for future development

Due to land acquisitions to increase company's landbank

246% increase in Advances to related parties

Mainly due to the increase in operating expenses CLI paid in behalf of the JV company.

58% increase in Prepayments and other current assets

Largely due to the input VAT related to the material purchases of the company for the construction of its projects.

115% increase in Investment in associates and joint ventures

Mainly due to the investments made to new Joint Ventures the company and its partners created for project development during the year.

40% increase in Other Non-current assets

Due to the purchase of the new accounting software (SAP).

LIABILITIES

232% increase in Trade and other payables

This is a result of regular credit and payment transactions arising from the increased volume of projects currently in the construction stage.

29% decrease in Customer's deposit

As certain accounts qualify as revenue, the related Customer Deposit balances were reclassified to Accounts Receivable.

54% increase in Interest bearing loans (including non-current portion)

Due to the loan availments made by the company to fund the construction of its projects. Increase in loans correspond the increase in projects constructed this year.

197% increase in reserve for property development

This is due to accruals from the growing construction cost of projects in development.

EQUITY

33% increase in Share Capital

Mainly from the new common shares issued by the company during its initial public offering.

100% increase in Share Premium

Caused by the excess proceeds from the issuance of common shares

539% increase in Retained Earnings

Due to the accumulation of earnings for the year.

Item 7. Financial Statements

The 2017 consolidated financial statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

The Company has engaged the services of P&A Grant Thornton. There were no disagreements with the firm on any matter of accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Registrant

DIRECTORS, EXECUTIVE OFFICERS & KEY PERSONNEL

The overall management and supervision of the Company is vested in its board of directors. The Company's officers and management team cooperate with its Board by preparing relevant information and documents concerning the Company's business operations, financial condition and results of operations for its review and action. At present, the Board consists of nine members, including three independent directors in accordance with the requirements of the SRC and the SEC's New Code of Corporate Governance for Publicly Listed Companies. All of the Company's directors, except for its independent directors, were elected at the Company's annual stockholders' meeting held on July 1, 2016 and will continue to serve as such until the next annual stockholders' meeting or until their successors have been duly elected and qualified. Messrs. Jesus N. Alcordo and Rufino Luis Manotok, and Ms. Ma. Aurora D. Geotina-Garcia, the Company's independent directors, were elected on February 2, 2017 and will continue to serve as such until the next annual stockholders' meeting or until their successors have been duly elected and qualified in accordance with the requirements of the SRC.

Members of the Board of Directors

Name	Age	Position	Citizenship
Jose R. Soberano III	63	Chairman of the Board, CEO and President	Filipino
Ma. Rosario B. Soberano	59	Director, Treasurer and Executive Vice-President	Filipino

Jose P. Soberano, Jr.	88	Director and Corporate Secretary	Filipino
Jose Franco B. Soberano	33	Director, Chief Operating Officer and Senior Vice-President	Filipino
Joanna Marie B. Soberano	30	Director	Filipino
Janella Mae B. Soberano	26	Director	Filipino
Jesus N. Alcordo	81	Independent Director	Filipino
Rufino Luis Manotok	67	Independent Director	Filipino
Ma. Aurora D, Geotina-Garcia	65	Independent Director	Filipino

Jose R. Soberano III, 63, Filipino, has been the Company's Chairman, CEO and President since its incorporation. He obtained a Bachelor of Arts degree in Economics from the Ateneo De Manila University in 1976, and completed the Strategic Business Economics Program at the University of Asia and Pacific in 2000. In 2015, he completed the Advanced Management Development Program in Real Estate from the Harvard University Graduate School. He previously worked for the Ayala Group of Companies for over 23 years, including various stints in Ayala Investment, Bank of the Philippine Islands, and in Ayala Land, Inc., where he was appointed Senior Division Manager in 1997. He was Vice-President of Cebu Holdings, Inc., the pioneer Ayala Land subsidiary in Cebu City when he resigned in 2000 from Ayala. He served as President of the Rotary Club of Cebu 2011, and President of the Chamber of Real Estate Builders Association-Cebu (CREBA-Cebu) in 2010. He is currently Chairman of the Board of the Center for Technology and Enterprise, a socially-oriented instruction that offers technical training to less privileged youth. Mr. Jose R. Soberano III has more than 20 years of experience in managing and heading companies engaged in real estate development.

Ma. Rosario B. Soberano, 59, Filipino, has served as the Director, Treasurer and Executive Vice President of the Company since 2003. Ms. Ma. Rosario B. Soberano received a Bachelor of Science major in Accountancy degree (1979, *summa cum laude*) from St. Theresa's College in Cebu, and is a certified public accountant. She obtained a Master's Degree in Business Administration from the University of the Philippines – Cebu in 1983.

Jose Franco B. Soberano, 33, Filipino, has served as Director of the Company since 2010 and joined the Company as Chief Operating Officer and Senior Vice-President in 2010. He received a Bachelor of Science degree in Management, major in Legal Management and minor in Finance, from the Ateneo de Manila University in 2007. In 2012, he obtained a Master's Degree in Real Estate Development from Columbia University in New York City. Prior to joining the Company, he was a project manager at Hewlett-Packard Asia Pacific (HK). Ltd. He is a founding member of the Global Shapers – Cebu Hub, an initiative of the World Economic Forum and is President of the Sacred Heart School – Ateneo de Cebu Alumni Association since 2014.

Jose P. Soberano, Jr., 88, Filipino, has served as Director of the Company since 2003. He also serves as Corporate Secretary. He obtained his A.B. in Jurisprudence and Bachelor of Laws in 1953 from the University of Southern Philippines. He was a practicing private lawyer since 1953 to 1959. Mr. Jose P. Soberano, Jr. was appointed Regional Trial Court Judge from 1989 until he retired in 2000. Presently he is back into private practice of law after his retirement as RTC Judge in 2000.

Joanna Marie B. Soberano, 30, Filipino, has served as Director of the Company since 2010, and joined the Company as Vice President and Marketing Director in July 2016. She earned from the University of Asia and the Pacific both her Bachelor and Master of Arts in Communication, Major in Integrated Marketing Communication in

2008 and 2009 respectively. She was Top 1 of her Batch 2008. Prior to joining the Company, she was a Marketing Manager of the Global Team of Nestle based in Switzerland from June 2014 to August 2015 and was Marketing Project Manager based in Thailand from August 2015 to June 2016. In October 2013 to May 2014, she worked as a Marketing Manager of Nestle Philippines.

Janella Mae B. Soberano, 26, Filipino, has served as Director of the Company starting January 2010, and joined the Company as Marketing Manager. She earned her Bachelor Arts in Humanities, major in Marketing Communications degree from the University of Asia and the Pacific in 2009. Prior to joining the Company, she was a Brand Management Associate of United Laboratories, Inc. from 2013 to 2016.

Jesus N. Alcordo, 81, Filipino, joined as one of the Company's Independent Directors in February 2017. He was conferred Doctor of Technology and Environment, Honoris Causa, by University of San Carlos in 2011. He also earned from the same university Bachelor of Science in Chemical Engineering in 1961. He finished the Executive Program in Business Administration of Columbia University in New York in 1975. He is presently serving as Chairman of the boards of Green Energy Machine Investment Corporation, Sinag Global Energy Corporation, Enerplus Inc. Among his directorships are with Filinvest Development Corporation, FDC Utilities, Inc, and Countrywide Water Services, Inc. He was formerly the President of FDC Utilities, Incorporated from 2011 to 2013, President of Global Business Power Corporation from 2007-2010, President of National Power Corporation in 2001, and East Asia Power Resources Corporation from 1999 to 2006.

Rufino Luis Manotok, 67, Filipino, joined as one of the Company's Independent Directors in February 2017. He finished Advanced Management Program of Harvard Business School in 1994. He earned his Master of Business Management degree from the Asian Institute of Management in 1973, and Bachelor of Arts, major in Economics by Ateneo de Manila University in 1971. He is currently an Independent Director of First Metro Investment Corporation and was the Chairman and President of Ayala Automotive Holdings Corporation from 2009 to 2012. From 2007 to 2009, he was Ayala Corporation's Senior Managing Director, Chief Financial Officer and Chief Information Officer. He was Managing Director, heading Strategic Planning Group of Ayala Corporation from 1998 to 2006.

Ma. Aurora D Geotina-Garcia, 65, Filipino, joined as one of the Company's Independent Directors in February 2017. She received her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines in 1973. She completed her Master of Business Administration from the same university in 1978. She headed SGV & Co.'s Global Corporate Finance Division from 1992 until her retirement from the partnership in 2001. She was a Senior Adviser to SGV & Co from the time of her retirement until September 2006. She has served as a consultant to businesses and the government for over 30 years in the area of corporate finance. She is presently the President of Mageo Consulting Inc. since March 2014 and CIBA Capital Philippines Inc. since December 2008.

Executive Officers

Name	Age	Position	Citizenship
Jose R. Soberano III	63	President and CEO	Filipino
Ma. Rosario B. Soberano	59	Treasurer and Executive Vice-President	Filipino
Jose Franco B. Soberano	33	Chief Operating Officer and Senior Vice-President	Filipino
Jose P. Soberano	88	Corporate Secretary	Filipino

The business experience for the past five years of each of the Jose R. Soberano III (President and CEO), Ma. Rosario B. Soberano (Treasurer and Executive Vice-President), Jose Franco B. Soberano (Chief Operating Officer and Senior Vice-President) and Jose P. Soberano (Corporate Secretary) are set out above, while the business experience for the past five years of the other Company's executive officers are described below.

Stephen A. Tan, 61, Filipino, is the Chief Finance Officer of the Company. A Certified Public Accountant, he is a holder of Masters in Business Administration, with distinction, from Katholieke Universiteit te Leuven in Belgium and Bachelor of Science in Management Engineering from Ateneo de Manila University. He earned his degree in Accounting from the University of San Carlos. Prior to working with the Company, Tan had served as Chief Finance Officer of a number of companies like Aboitiz Construction Group, Inc., FBMA Marine, Inc., Aboitizland, Inc., InfoWeapons Corporation, Pilmico Food Corporation, among others. He is also a part-time instructor for more than 30 years, having taught at the University of San Carlos and University of the Philippines.

Larri-Nil G. Veloso, 39, Filipino, is the Assistant Vice-President for Legal, Documentation, Permits and Licenses departments of the Company, and serves as the Company's Assistant Corporate Secretary and Compliance Officer. An experienced practitioner in Corporate Law, he holds a B.A. in Mass Communication from University of the Philippines and earned his Bachelor of Laws from University of Southern Philippines Foundation. While finishing law school, Atty. Veloso had worked for a print and online newspaper, occupying various positions in progression from correspondent, staff reporter, copy editor, copywriter, junior editor, group editor, to managing editor. Prior to joining the Company, he was the Corporate Legal Counsel of InfoWeapons Corporation, an American-owned software company specializing in networking appliances, and later promoted as General Manager.

Pedrito A. Capistrano Jr., 54, Filipino, is the Assistant Vice-President for Engineering of the Company. He is a licensed engineer in the field of Civil Engineering and Geodetic Engineering. He has been working with the Company since August 2011 when he was hired as Project Manager. In two years, he was promoted to his present position. His more than 25 years of experience has established for him solid foundation and credibility in the construction and allied fields. Some of the established companies Mr. Capistrano had worked with were Filinvest Land Inc., Robinson's Land Corporation, Cebu Industrial Park Developers, Inc., Aboitiz Land, Inc. and Aboitiz Construction Group, Inc. He finished his Bachelor of Science degree in Civil Engineering at Cebu Institute of Technology University in Cebu City and earned his Master of Science in Management Engineering from University of the Visayas also in Cebu City.

Connie N. Guieb, 39, Filipino, has been the Assistant Vice President for Finance and Accounting of the Company since June 2014. She also serves as the Financial Comptroller. She has more than 15 years of accountancy and finance experience in various industries in both public and private sectors in the Philippines. She graduated *cum laude* with a Bachelor of Science in Accountancy degree from the University of San Carlos, and Bachelor of Laws from the University of Cebu. She is a Certified Public Accountant.

Marie Rose C. Yulo, 49, Filipino, is the Company's Assistant Vice President for Sales. Prior to this, she was the Assistant Vice-President for both Sales and Marketing since March 2011 until August 2016 when the Company spun off its marketing unit as a separate department to provide focused attention to the equally challenging marketing and branding initiative of the Company. Ms. Yulo also has significant experience in the areas of travel and tours and banking, and has worked with AB Soberano, an affiliate of the Company and a well-known local producer of jewelry products for international market. She completed her Bachelor of Science degree in Business Administration at the University of San Carlos and earned units of Masters in Business Administration from the University of the Visayas.

Macario P. Balali, 55, Filipino, is the Assistant Vice President for Human Resources and Administration of the Company. He joined the Company in July 2015. Prior to joining to the Company, Mr. Balali worked in big companies such as Aboitiz Power Corporation, East Asia Utilities Corporation & National Steel Corporation. He has more than 25 years of experience in the field of human resource. He also occupied managerial/executive positions in administration, and purchasing and logistics. Furthermore, Mr. Balali is teaching Master of Business Administration subjects at the University of San Jose-Recoletos in Cebu City. He earned his Bachelor of Science in Chemical

Engineering and Master in Management for Executives & Managers (MME_xM) from the University of San Jose-Recoletos.

Dennis R. H. Alcaez, 46, Filipino, has been the Company's Head of Business Development for horizontal projects since January 2013. Before joining the Company, Mr. Alcaez handled key positions in the fields of financial/ budget analysis, corporate planning, project development and project management. Prior to joining the Company, he was the Assistant Manager for Project Management of Aboitiz Land, Inc. He is a graduate of Bachelor of Science in Business Management from the University of the Philippines.

Sylvan John M. Monzon, 42, Filipino, joined the Company in August 2016 as the Head of Business Development for vertical projects. Previously, he held various positions in the same industry for more than 20 years, such as Project Development Assistant Supervisor of Cebu Holdings, Inc., Assistant Chief Operating Officer of Ortigas and Company Limited Partnership, and as Head of Business Development of Ortigas and Company Holdings Inc. Mr. Monzon graduated with a B.S. in Business Management from University of Asia and the Pacific in Pasig City, Philippines. He also earned a Certificate in Business Economics from the same university. Presently, he is the President of Toastmasters Club in Cebu.

Item 10 Executive Compensation

The following table sets out the Company's President and CEO and the four most highly compensated senior officers:

Name	Position
Jose R. Soberano III	Chief Executive Officer
Ma. Rosario B. Soberano	Executive Vice-President
Jose Franco B. Soberano	Executive Vice-President & Chief Operating Officer
Stephen A. Tan	Senior Vice-President & Chief Financial Officer
Joanna Marie B. Soberano	Vice-President & Marketing Director

The following table identifies and summarizes the aggregate compensation of the Company's President CEO and the four most highly compensated executive officers, and all other officers and directors as a group, for the years ended December 31, 2017, 2016 and 2015.

Year	Basic Compensation (in ₱)	Other Compensation (in ₱)
President and CEO and the four most highly compensated executive officers named above.....		
2017	27,459,615.39	14,315,896.12
2016	14,009,288.00	4,031,230.67
2015	11,687,384.00	3,814,000.00

Each of the executive officers named above executed an employment contract with the Company and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's retirement plan.

No bonuses have been declared for the Board of Directors for the last two years. For the ensuing year, the amount of bonuses to be received by the members of the Board of Directors has yet to be approved by it.

There is no plan or arrangement by which the executive officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

There are no outstanding warrants or options held by the Company's chief executive officer, the named executive officers, and all officers and directors as a group.

Item 11 Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of December 31, 2017:

Title of Class	Name, Address of Record Ownership and Relationship with Issuer	Stockholder Name	No. of Common Shares	Percentage (of common shares)
Common Shares	AB Soberano Holdings Corp., 2877 v. rama avenue guadalupe cebu city	AB SOBERANO HOLDINGS CORP.	985,823,197	57.52%
Common Shares	PCD Nominee Corporation (Filipino) G/F MSE Bldg. Ayala Ave. Makati City	PCD NOMINEE CORP. (FILIPINO)	660,315,612	38.52%

(b) Security Ownership of Directors and Management (Executive Officers) as of December 31, 2017:

Directors

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Jose R. Soberano III	71,525,000	473,195,135	544,720,135	31.78%
Ma. Rosario B. Soberano	59,125,000	473,195,135	532,320,135	31.06%
Jose P. Soberano, Jr.	7,481,700	9,858,232	17,339,932	1.01%
Jose Franco B. Soberano	8,991,700	9,858,232	18,849,932	1.10%
Joanna Marie B. Soberano	7,481,700	9,858,232	17,339,932	1.01%
Janella Mae B. Soberano	7,481,700	9,858,232	17,339,932	1.01%
Jesus N. Alcordo	400,001	0	400,001	0.02%
Rufino Luis T. Manotok	1	0	1	0.00%
Ma. Aurora Geotina-Garcia	1	0	1	0.00%
Total	162,486,803	985,823,198	1,148,310,001	66.99%

Officers

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Larri-Nil G. Veloso	5,000	0	5,000	0.000%
Marie Rose C. Yulo	0	120,000	120,000	0.007%
Sylvan John M. Monzon	38,000	12,000	50,000	0.003%

Item 12 Certain Relationships and Related Transactions

The Company and its subsidiaries (the “Group”), in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm’s length basis and at current market prices at the time of the transactions.

However, no other transaction, without proper disclosure, was undertaken by the Group. CLI employees are also required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

PART IV – CORPORATE GOVERNANCE

Item 13 Corporate Governance

Corporate Governance

The Company is committed to doing business in accordance with the highest professional standards, business conduct and ethics and all applicable laws, rules, and regulations in the Philippines. The Company, its directors, officers, and employees are dedicated to promote and adhere to the principles of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness, and transparency.

Independent Directors

Philippine regulations require the Company to have at least three independent directors in its Board of Directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Company’s Board of Directors is composed of nine members, six of whom are regular directors and three are independent directors. The Company’s independent directors are Messrs. Jesus N. Alcordo and Rufino Luis Manotok, and Ms. Ma. Aurora D. Geotina-Garcia. Independent directors must hold no interests or relationships with the Company that may hinder their independence from the Company or its management, or which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Revised Code of Corporate Governance, independent directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. The By-Laws of the Company do not provide for such quorum requirement. However, pursuant to the Company’s Manual, to promote transparency, the Board requires the presence of at least one independent director in all its meetings.

Compliance Officer

The Board shall appoint a Compliance Officer who shall be a member of the Company’s management team and will be in charge of the compliance function. The Compliance Officer should not be a member of the Board and should be different from the Corporate Secretary. He shall have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer is primarily liable to the Company and its shareholders, and not to its Chairman or President. Among others, he shall have the following duties and responsibilities:

- 1) Ensure proper onboarding of new directors (i.e., orientation on the Company’s business, charter, articles of incorporation and by-laws, among others);
- 2) Monitor, review, evaluate and ensure the compliance by the Company, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;

- 3) Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- 4) Ensure the integrity and accuracy of all documentary submissions to regulators;
- 5) Appear before the SEC when summoned in relation to compliance with this Code;
- 6) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- 7) Identify possible areas of compliance issues and work towards the resolution of the same;
- 8) Ensure the attendance of board members and key officers to relevant trainings; and
- 9) Perform such other duties and responsibilities as may be provided by the SEC.

Chief Audit Officer

The Chief Audit Officer, who is appointed by the Board, directly reports functionally to the Audit Committee and administratively to the Chief Executive Officer. He shall oversee and be responsible for the internal audit activity of the Company, including that portion that is outsourced to a third party service provider.

Resolving Stockholders' Disputes

Stockholders who have matters for discussion or concerns directly resulting to the business of the Company may initially elevate such matters or concerns to: (a) the Corporate Secretary; (b) the Investor Relations Officer; (c) Management; or (d) the Board.

Committees of the Board

The Board of Directors has constituted certain committees to effectively manage the operations of the Company. The Company's principal committees include the Audit Committee, Nomination Committee, Compensation and Remuneration Committee, and the Corporate Governance Committee. A brief description of the functions and responsibilities of the key committees are set out below:

A. Audit Committee

The Audit Committee shall be composed of at least three board members, preferably with accounting and finance background, one of whom shall be an independent director and another should have related audit experience. The Chairman of this Committee should be an independent director. He should be responsible for inculcating in the minds of the Board Members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

The Audit Committee shall perform the following functions:

- 1) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, internal and external audit process, and monitoring of compliance with applicable laws, rules and regulations.
- 2) Recommend the approval the Internal Audit Charter ("**IA Charter**"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- 3) Through the Internal Audit ("**IA**") Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets.

- 4) Oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Officer. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- 5) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- 6) Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 7) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 8) Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.
- 9) Review and approves the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
- 10) Review the disposition of the recommendations in the external auditor's management letter;
- 11) Perform oversight functions over the Company's internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- 12) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- 13) Recommend to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- 14) Oversee the implementation of the risk management and related party strategies and policies, including but not limited to the following:
 - i. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions ("**RPTs**") are monitored, and subsequent changes in relationships with counter-parties (from non-related to related and vice versa) are captured.
 - ii. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
 - iii. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.

- iv. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- v. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- vi. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

B. Nomination Committee

The Nomination Committee of the Board shall have at least three members, one of whom shall be an independent director. The Nomination Committee shall review and evaluate the qualifications of all individuals nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members.

Only a stockholder of record entitled to notice and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected as a director of the Company.

C. Compensation and Remuneration Committee

The Board shall constitute a Compensation and Remuneration Committee which shall be composed of at least three (3) members, one (1) of whom must be an independent director. It shall have the following duties and responsibilities:

- 1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and the business environment in which it operates;
- 2) Design the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and
- 3) Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met.

D. Corporate Governance Committee

The Corporate Governance Committee shall consist of three directors, one of whom must be an independent director. Among other functions that may be delegated by the Board, the Committee shall be responsible for the following:

- 1) Overseeing the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- 2) Overseeing the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

- 3) Ensuring that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement
- 4) Recommending continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- 5) Adopting corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- 6) Proposing and planning relevant trainings for the members of the Board;
- 7) Determining the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- 8) Establishing a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

E. Penalties for Non-compliance with the Manual on Corporate Governance

In case of violation of any of the provisions of the Manual on Corporate Governance, the following penalties shall be imposed, after due notice and hearing, on the Company's directors, officers, and employees:

- 1) First Violation – reprimand;
- 2) Second Violation –suspension from office, the duration of which shall depend on the gravity of the violation; and
- 3) Third Violation – removal from office.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

PART V – EXHIBITS AND SCHEDULES

Item 14 Exhibits

The schedules required by SRC Rule 68 be presented is included/shown in the related consolidated financial statements or in the notes thereto.

Item 15 Reports on SEC Form 17-C

There were no filings for SEC form 17-C made by the company during the past 6 months.

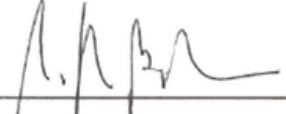
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of CEBU CITY on 04 APR 2018

By:



 Jose R. Soberano III
 PRESIDENT & CEO




 Ma. Rosario B. Soberano
 Executive VP & Treasurer



 Stephen A. Tan
 Chief Finance Officer



 Connie N. Guieb
 VP-Accounting & Finance



 Atty. Larri-Nil Veloso
 Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 04 APR 2018 day of 04 APR 2018 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
<u>Jose R. Soberano III</u>	<u>SSS ID: 06-0583595-5</u>	<u>N/A</u>	<u>N/A</u>
<u>Ma. Rosario B. Soberano</u>	<u>PRC ID: 0013942</u>	<u>November 2016</u>	<u>Cebu, Philippines</u>
<u>Stephen A. Tan</u>	<u>PRC ID: 0082427</u>	<u>June 2015</u>	<u>Manila, Philippines</u>
<u>Connie N. Guieb</u>	<u>PRC ID: 0104301</u>	<u>November 2014</u>	<u>Cebu City, Philippines</u>

ATTY. JOHN PATRICK T. CABRERA
 Notary Public
 Cebu City, Carcar City, and San Fernando, Cebu
 Commission No. 998-17 | Until December 31, 2018
 MCLE Compliance No. V-0006913 | Roll No. 62261
 PTR No. 87-00000000-01/06/2018 Lapu-Lapu City
 IBP No. AR001018, 01/06/2018 Cebu City
 10th Floor Park Central, J.M. Del Mar St.,
 Cebu IT Park, Apas, Cebu City 6000 Philippines

 Notary Public

DOC. NO. 48
 PAGE NO. 10
 BOOK NO. II
 SERIES OF 2018

Report of Independent Auditors

The Board of Directors and Stockholders
Cebu Landmasters, Inc. and Subsidiaries
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor Park Centrale Tower
Jose Ma. Del Mar St., B2 L3
Cebu I.T. Park, Brgy., Apas
Cebu City

Opinion

We have audited the financial statements of Cebu Landmasters, Inc. (the Parent Company) and subsidiaries (collectively referred to herein as the Group), which comprise their consolidated statements of financial position as at December 31, 2017 and 2016, and their consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended; the Parent Company statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2015; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended; and the financial performance of the Parent Company and its cash flows for the year ended December 31, 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for 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 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 our audits of the 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.

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cebu, Davao, Cavite

BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

Emphasis of Matter

We draw attention to Note 2 to the financial statements which discusses that the Group started preparing consolidated financial statements in 2016 because of the incorporation of a wholly owned subsidiary in the same year. Our opinion is not modified in respect of this matter.

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.

Revenue Recognition for Real Estate Sales

Description of the Matter

- Change in Revenue Recognition Policy

In 2017, the Group changed its revenue recognition policy for its real estate sales for pre-completed properties from the full accrual method to the percentage-of-completion method and applied it retrospectively. Accordingly, the Group restated its consolidated financial statements for the year ended December 31, 2016 and the Parent Company's financial statements for the year ended December 31, 2015 to reflect the effect of the change in its revenue recognition policy. The restatement resulted in material adjustments to certain accounts in the financial statements, hence, we consider this matter as significant in our audit.

The change in the Group's revenue recognition policy is more fully discussed in Note 2 to the financial statements.

- Application of Percentage-of-Completion

Revenue from real estate sale of pre-completed projects amounted to P3.9 billion which accounts for 98% of the total revenues of the Group for the year ended December 31, 2017 which is recognized using the percentage-of-completion method. Under the percentage-of-completion method, revenue from real estate sales is recognized after establishing that the collection of the total contract price is reasonably assured; i.e., determined when a certain percentage of the total contract price has already been collected. The percentage-of-completion, as estimated by management with the assistance of project engineers, is then applied on the contract price to determine the revenue to be recognized. We consider the application of percentage of completion as significant in our audit since it involves significant management judgment and estimation.

More details on the Group's revenue recognition policy is disclosed in Note 2 to the financial statements.



How the Matter was Addressed in the Audit

To address these matters, we performed the following:

- In respect of the Group's change in revenue recognition policy for its real estate sales for pre-completed properties from the full accrual method to the percentage-of-completion method, we obtained an understanding of the Group's restatement process and examined the adjustments management made to restate the 2016 and 2015 of the Group and the Parent Company, respectively. We have tested the percentage of collection set by management in 2016 and 2015 as basis to determine whether the contract price is reasonably assured and the application of percentage of completion on sales of pre-completed properties. We reviewed adjustments made to restate affected financial statement accounts in 2016 and 2015, and the sufficiency of related disclosures on the 2017 financial statements.
- With regard to the application of the percentage-of-completion method, the following were the procedures performed:
 - i) We tested the reasonableness of the assumptions used by management in determining whether collection of total contract price is reasonably assured which include among others the Group's historical experience and expected cancellation rate of real estate sales. We tested, on a sampling basis, the application of the collection percentage on real estate sales contracts for the years presented in the financial statements.
 - ii) For the actual recognition of revenues, we tested the application of percentage-of-completion method by ascertaining the qualifications and objectivity of the project engineers who certified the stage of completion of the projects. We performed physical inspection on selected projects under development and compared our independent observations of the physical stage of completion with the cost-to-cost budget estimate. In addition, we evaluated the reasonableness of the estimated contract costs with reference to the subcontractors' and suppliers' quotes and historical costs of similar and recently completed projects. Finally, on a sampling basis, we tested the appropriateness of the computation of revenues recognized by the Group using the percentage-of-completion used by management and determined their reasonableness.
 - iii) To further corroborate our testing of the Group's revenue recognition, we have also examined, on a sampling basis, the existence of contracts receivables that pertain to real estate sales of the Group by obtaining confirmation from buyers and, as an alternative audit procedure, for those buyers who did not confirm their obligation to the Group, we examined subsequent collections and original source documents.
 - iv) As part of our audit strategy, we have obtained an understanding and performed testing of the design effectiveness of the Group's internal control related to revenue existence and measurement.

Existence and Valuation of Real Estate Inventories

Description of the Matter

Real estate inventories amounted to P3.3 billion which accounts for 34% of total current assets of the Group as of December 31, 2017. The Group's real estate inventories comprise of condominium units, subdivision units, construction-in-progress, and raw land inventory which are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price less costs to complete and sell. More details on the Group's policy for existence and valuation of real estate inventories, and an analysis of the components of inventories are disclosed in Notes 2 and 7, respectively, to the financial statements.

In consideration of the volume of the real estate projects undertaken by the Group, an assessment of the net realizable value of real estate inventories is carried out at each reporting date. For this same reason, it is also necessary to establish the existence of inventories because of the asset's material effect on the financial statements should it be proven otherwise. In addition, the valuation of the asset is also hinged on its existence. The determination of its net realizable value requires estimation of selling prices that consider recent market prices and conditions, and costs to complete and sell, which are subject to market conditions in respect of materials and subcontractor's cost and construction issues. Accordingly, a change in the Group's estimation of selling prices and estimated cost to complete and sell could have a material impact on the carrying value of real estate inventories in the financial statements.

How the Matter was Addressed in the Audit

We performed ocular inspection of selected real estate projects near the reporting date to confirm their existence and examined documents such as land titles, progress reports, accomplishment billings among others to corroborate with other procedures. Moreover, we checked the mathematical accuracy and reasonableness of the Group's schedule of lower of cost and net realizable value of real estate inventories, and tested on a sampling basis the estimated selling price and costs to complete and sell. We tested the assumptions used by management in estimating the selling price by comparing it with the contract price of recently sold real estate projects and considering the market values of properties in the same location; the estimated cost to complete using recent projects of the Group and historical data on restoration costs, among others; and estimated cost to sell by analyzing selling expenses such as commissions and other related expenses.

As part of our audit strategy, we have obtained an understanding and performed testing of the design effectiveness of the Group's internal control related to inventory existence and valuation.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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, 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 audits resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO



By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 6616009, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-1 (until May 11, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 19, 2018

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(With Corresponding Figures of Parent Company as of January 1, 2016)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>December 31,</u> <u>2017</u>	<u>December 31, 2016</u> <u>(As Restated -</u> <u>See Note 2)</u>	<u>January 1, 2016</u> <u>(As Restated -</u> <u>See Note 2)</u>
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 1,206,637,796	P 90,617,743	P 123,644,624
Receivables - net	6	3,986,630,869	1,975,847,754	853,031,631
Real estate inventory	7	3,338,919,413	1,657,553,805	1,529,425,090
Deposits on land for future development	8	919,936,119	259,897,127	77,559,615
Advances to related parties - net	23	92,459,144	26,739,222	171,583,998
Prepayments and other current assets	9	160,144,660	102,631,805	98,262,868
Total Current Assets		9,704,728,001	4,113,287,456	2,853,507,826
NON-CURRENT ASSETS				
Receivables - net	6	698,476,436	189,781,636	58,922,774
Available-for-sale financial assets	10	55,633,275	54,133,275	49,768,275
Deposits on land for future development	8	25,091,650	-	-
Investments in joint ventures and associates	13	522,235,524	242,935,316	12,680,055
Property and equipment - net	11	150,080,717	164,166,429	75,260,214
Investment properties - net	12	323,945,511	297,664,109	327,660,513
Other non-current assets - net	14	32,136,717	22,878,048	12,183,334
Total Non-current Assets		1,807,599,830	971,558,813	536,475,165
TOTAL ASSETS		P 11,512,327,831	P 5,084,846,269	P 3,389,982,991
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans	15	P 1,080,635,599	P 787,980,146	P 532,768,097
Trade and other payables	16	1,487,627,790	456,254,171	326,075,728
Customers' deposits	17	273,062,313	326,954,126	301,499,226
Income tax payable		105,466	-	-
Reserve for property development	7	792,219,041	267,029,632	207,227,320
Total Current Liabilities		3,633,650,209	1,838,218,075	1,367,570,371
NON-CURRENT LIABILITIES				
Interest-bearing loans	15	2,607,056,619	1,604,059,047	801,653,906
Trade and other payables	16	73,026,935	16,956,129	21,810,990
Post-employment defined benefit obligation	21	11,363,514	2,105,858	5,023,696
Deferred tax liabilities - net	22	241,241,856	100,169,356	43,224,654
Total Non-current Liabilities		2,932,688,924	1,723,290,390	871,713,246
Total Liabilities		6,566,339,133	3,561,508,465	2,239,283,617
EQUITY				
Equity attributable to shareholders of Parent Company	24			
Capital stock		1,714,000,000	1,284,000,000	837,690,000
Additional paid-in capital		1,608,917,974	-	-
Revaluation reserves		(4,319,093)	(625,202)	(2,718,140)
Retained earnings		1,533,484,459	239,963,006	315,727,514
		4,852,083,340	1,523,337,804	1,150,699,374
Non-controlling interest		93,905,358	-	-
Total Equity		4,945,988,698	1,523,337,804	1,150,699,374
TOTAL LIABILITIES AND EQUITY		P 11,512,327,831	P 5,084,846,269	P 3,389,982,991

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Consolidated		Parent Company
			2016	2015
	Notes	2017	(As Restated - See Note 2)	(As Restated - See Note 2)
REVENUES				
Sale of real estates	2	P 3,869,007,064	P 2,321,887,719	P 1,317,143,743
Rental	26	45,647,337	38,870,444	12,555,220
Management fees		14,008,440	375,000	-
		3,928,662,841	2,361,133,163	1,329,698,963
COST OF SALES AND SERVICES	18	(1,885,689,516)	(1,124,034,649)	(583,855,081)
GROSS PROFIT		2,042,973,325	1,237,098,514	745,843,882
OPERATING EXPENSES	19	(513,517,914)	(335,809,363)	(268,561,092)
OTHER OPERATING INCOME	20	28,435,777	17,150,070	13,012,072
OPERATING PROFIT		1,557,891,188	918,439,221	490,294,862
FINANCE COSTS	20	(31,364,653)	(16,572,078)	(10,258,035)
OTHER LOSSES	20	(16,935,266)	(11,897,711)	-
OTHER GAINS	12	-	6,353,291	-
FINANCE INCOME	20	5,198,995	477,973	366,416
PROFIT BEFORE TAX		1,514,790,264	896,800,696	480,403,243
TAX EXPENSE	22	(219,795,962)	(116,471,747)	(54,553,377)
NET PROFIT		P 1,294,994,302	P 780,328,949	P 425,849,866
Net profit attributable to:				
Parent Company's shareholders		P 1,293,521,453	P 780,328,949	P 425,849,866
Non-controlling interests	24	1,472,849	-	-
		P 1,294,994,302	P 780,328,949	P 425,849,866
Earnings per Share:				
Basic and diluted	25	P 0.86	P 0.91	P 0.53

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Consolidated		Parent Company
		2017	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
	<i>Notes</i>			
NET PROFIT		P 1,294,994,302	P 780,328,949	P 425,849,866
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Loss on remeasurements of post-employment defined benefit obligation	21	(6,776,987)	(510,088)	(7,267,345)
Tax income	22	2,033,096	153,026	2,180,203
		(4,743,891)	(357,062)	(5,087,142)
Item that will be reclassified subsequently to profit or loss				
Fair value gains on available-for-sale financial assets	10	1,500,000	3,500,000	3,500,000
Tax expense	22	(450,000)	(1,050,000)	(1,050,000)
		1,050,000	2,450,000	2,450,000
Other Comprehensive Income (Loss) - net of tax		(3,693,891)	2,092,938	(2,637,142)
TOTAL COMPREHENSIVE INCOME		P 1,291,300,411	P 782,421,887	P 423,212,724
Total comprehensive income attributable to:				
Parent Company's shareholders		P 1,289,827,562	P 782,421,887	P 423,212,724
Non-controlling interests		1,472,849	-	-
		P 1,291,300,411	P 782,421,887	P 423,212,724

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

Notes	Attributable to Parent Company's Shareholders					Non-controlling Interests	Total
	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Retained Earnings	Total		
Consolidated (see Note 2)							
	Balance at January 1, 2017						
	P	P	(P)	P	P	P	P
	1,284,000,000	-	625,202	254,863,720	1,538,238,518	-	1,538,238,518
2	-	-	-	(14,900,714)	(14,900,714)	-	(14,900,714)
	1,284,000,000	-	(625,202)	239,963,006	1,523,337,804	-	1,523,337,804
Transactions with owners							
24	430,000,000	1,608,917,974	-	-	2,038,917,974	-	2,038,917,974
	-	-	-	-	-	76,933,842	76,933,842
	-	-	-	-	-	15,498,667	15,498,667
	430,000,000	1,608,917,974	-	-	2,038,917,974	92,432,509	2,131,350,483
Total comprehensive income for the year							
	-	-	-	1,293,521,453	1,293,521,453	1,472,849	1,294,994,302
24	-	-	(3,693,891)	-	(3,693,891)	-	(3,693,891)
	-	-	(3,693,891)	1,293,521,453	1,289,827,562	1,472,849	1,291,300,411
	P 1,714,000,000	P 1,608,917,974	(P 4,319,093)	P 1,533,484,459	P 4,852,083,340	P 93,905,358	P 4,945,988,698
Balance at January 1, 2016							
	P	P	(P)	P	P	P	P
	837,690,000	-	2,718,140	408,633,223	1,243,605,083	-	1,243,605,083
2	-	-	-	(92,905,709)	(92,905,709)	-	(92,905,709)
	837,690,000	-	(2,718,140)	315,727,514	1,150,699,374	-	1,150,699,374
Transactions with owners							
24	400,000,000	-	-	-	400,000,000	-	400,000,000
	46,310,000	-	-	-	46,310,000	-	46,310,000
	-	-	-	(856,093,457)	(856,093,457)	-	(856,093,457)
	446,310,000	-	-	(856,093,457)	(409,783,457)	-	(409,783,457)
Total comprehensive income for the year							
	-	-	-	780,328,949	780,328,949	-	780,328,949
24	-	-	2,092,938	-	2,092,938	-	2,092,938
	-	-	2,092,938	780,328,949	782,421,887	-	782,421,887
	P 1,284,000,000	P -	(P 625,202)	P 239,963,006	P 1,523,337,804	P -	P 1,523,337,804
Parent Company (see Note 2)							
Balance at January 1, 2015							
	P	P	(P)	P	P	P	P
	537,690,000	-	80,998	373,462,991	911,071,993	-	911,071,993
2	-	-	-	18,414,657	18,414,657	-	18,414,657
	537,690,000	-	(80,998)	391,877,648	929,486,650	-	929,486,650
Transactions with owners							
24	300,000,000	-	-	(300,000,000)	-	-	-
	-	-	-	(202,000,000)	(202,000,000)	-	(202,000,000)
	300,000,000	-	-	(502,000,000)	(202,000,000)	-	(202,000,000)
Total comprehensive income for the year							
	-	-	-	425,849,866	425,849,866	-	425,849,866
24	-	-	(2,637,142)	-	(2,637,142)	-	(2,637,142)
	-	-	(2,637,142)	425,849,866	423,212,724	-	423,212,724
	P 837,690,000	P -	(P 2,718,140)	P 315,727,514	P 1,150,699,374	P -	P 1,150,699,374

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

		Consolidated		Parent Company
		2017	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
	Notes			
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,514,790,264	P 896,800,696	P 480,403,243
Adjustments for:				
Depreciation and amortization	11, 12, 14	50,715,785	31,307,074	12,546,762
Day one loss net of amortization	20	11,589,073	2,319,730	2,381,803
Interest expense on loans	20	19,247,371	13,757,757	7,431,405
Share in net losses of associates and joint ventures	13	16,487,226	10,307,539	-
Interest income	5	(5,198,995)	(477,973)	(366,416)
Net gains on sale of investment properties	12	-	(4,762,807)	-
Operating profit before working capital changes		1,607,630,724	949,252,016	502,396,797
Increase in receivables		(2,531,066,988)	(1,255,994,715)	(343,228,053)
Increase in real estate inventory		(1,681,365,608)	(130,152,464)	(270,191,077)
Increase in deposits on land for future development		(685,130,642)	(182,337,512)	(32,559,615)
Increase in prepayments and other current assets		(134,119,716)	(4,368,937)	(33,291,799)
Increase in other non-current assets		(8,784,950)	(10,749,667)	(3,917,169)
Increase (decrease) in trade and other payables		1,179,954,094	122,623,941	(46,708,909)
Increase (decrease) in customers' deposits		(53,891,813)	25,454,900	117,541,223
Increase in income tax payable		105,466	-	-
Increase in reserve for property development		525,189,409	59,802,312	48,328,705
Increase (decrease) in post-employment defined benefit obligation		2,480,669	(3,427,926)	(4,981,047)
Cash used in operations		(1,778,999,355)	(429,898,052)	(66,610,944)
Cash paid for taxes		(533,505)	(52,965)	(30,176,714)
Net Cash Used in Operating Activities		(1,779,532,860)	(429,951,017)	(96,787,658)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of equity interest in associates and joint ventures	13	(311,286,101)	(240,562,800)	(1,620,124)
Advances to related parties	23	(85,962,818)	(112,515,599)	(176,050,124)
Acquisitions of investment properties	12	(40,233,386)	(6,782,161)	-
Acquisitions of property and equipment	11	(21,591,063)	(108,088,253)	(17,562,058)
Cash from newly controlled and consolidated entities	13	19,406,862	-	-
Collections of advances to related parties	23	20,242,896	260,494,232	185,365,657
Interest received	5	5,198,995	477,973	366,416
Acquisitions of computer software	14	(1,560,745)	(777,195)	(384,285)
Proceeds from sale and disposal of investment properties	12	-	32,272,233	-
Acquisitions of available-for-sale financial assets	10	-	(865,000)	(5,657,142)
Net Cash Used in Investing Activities		(415,785,360)	(176,346,570)	(15,541,660)

Forward

		Consolidated		Parent Company
			2016	2015
	Notes	2017	(As Restated - See Note 2)	(As Restated - See Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of stock	24	P 2,150,000,000	P 400,000,000	P -
Proceeds of interest-bearing loans	15	2,068,688,273	1,603,789,687	1,578,575,935
Repayments of interest-bearing loans	15	(773,035,248)	(546,172,497)	(1,244,082,519)
Stock issuance costs charged to additional paid-in capital	24	(111,082,026)	-	-
Additional investment from non-controlling shareholders	24	76,933,842	-	-
Interest paid	20	(100,166,568)	(71,429,170)	(7,431,405)
Cash dividends paid	24	-	(856,093,457)	(202,000,000)
Collection of subscriptions receivable	24	-	46,310,000	-
Repayments of advances from related parties	23	-	(3,133,857)	(4,689,776)
Advances from related parties	23	-	-	1,119,250
		3,311,338,273	573,270,706	121,491,485
NET INCREASE (DECREASE)				
IN CASH AND CASH EQUIVALENTS				
		1,116,020,053	(33,026,881)	9,162,167
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF YEAR				
		90,617,743	123,644,624	114,482,457
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 1,206,637,796	P 90,617,743	P 123,644,624

Supplemental Information for Non-cash Investing and Financing Activities:

- 1) The Group made certain reclassifications which are as follows (see Notes 7, 11 and 12):
 - a) In 2017, parking units amounting to P3.4 million from Property and Equipment account to the Investment Property account.
 - b) In 2016, condominium units amounting to P4.6 million and P2.0 million from the Property and Equipment and Real Estate Inventory accounts, respectively, to the Investment Property account.
 - c) In 2015, properties from the Real Estate Inventory account amounting to P41.4 million and P264.6 million to Property and Equipment and Investment Property accounts, respectively.
- 2) Certain investment in associates amounting to P11.0 million were acquired in 2015 through offsetting of account with a related party (see Note 13).
- 3) In 2015, the Company issued P300.0 million stock dividends (see Note 24).

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARIES
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (the Parent Company or CLI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. CLI's real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

On January 6, 2017, the Board of Directors (BOD) approved CLI's application for the registration of 1,714 million of its common shares with the SEC and application for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval also covered the planned initial public offering (IPO) of 430 million unissued common shares of CLI. CLI's shares were listed in the Philippine Stock Exchange on June 2, 2017.

In 2016, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the ultimate parent company of CLI.

ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

In July 2016, CLI applied for the change in its office address with the SEC and it was approved on October 24, 2016. CLI's new registered office address, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines. Its former registered office address was Salvador Street, Labangon, Cebu City.

1.2 Subsidiaries, Joint Ventures and Associates

The Parent Company holds ownership interests in the following subsidiaries, joint ventures and associates:

Entity	Note	Effective Percentage of Ownership	
		2017	2016
Subsidiaries			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100	100
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100	N/A
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100	N/A
BL CBP Ventures, Inc. (BL Ventures)	(d)	50	N/A
Yuson Excellence Soberano, Inc. (YES)	(e)	50	N/A

Forward

Entity	Note	Effective Percentage of Ownership	
		2017	2016
Joint Ventures			
BL CBP Ventures, Inc. (BL Ventures)	(d)	N/A	50
Yuson Excellence Soberano, Inc. (YES)	(e)	N/A	50
Yuson Huang Excellence Soberano, Inc. (YHES)	(f)	50	N/A
Davao Matina Project (Unincorporated)	(g)	N/A	N/A
Pagtambayayong Socialized Housing (Unincorporated)	(h)	N/A	N/A
Associates			
Mivesa Garden Residences, Inc. (MGR)	(i)	45	N/A
El Camino Developers Cebu, Inc. (El Camino)	(j)	35	35
Magspeak Nature Park, Inc. (Magspeak)	(k)	25	25
Ming-mori Development Corporation (MDC)	(l)	20	20

The Parent Company and the subsidiaries (the Group), and the joint ventures and associates of the Parent Company are incorporated and operate in the Philippines. All of them, except CPM, are in the same line of business as the Parent Company. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly-owned subsidiary of the Parent Company and has not yet started commercial operations as of December 31, 2017. The registered office address and principal place of business of CPH is located at 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- (b) CPM was incorporated in 2017 as a wholly-owned subsidiary of the Parent Company. CPM is engaged in the management of condominium corporations and housing associations affiliated with the Parent Company. CPM has started commercial operations on September 1, 2017. The registered office address and principal place of business of CPM is located at 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where the Parent Company initially holds 40% ownership interest. The Parent Company acquired all the ownership interest of its business partners at the end of 2017 which made ASF its wholly-owned subsidiary as of December 31, 2017. The registered office address and principal place of business of ASF is located at 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- (d) BL Ventures is a joint venture between the Parent Company and Borromeo Bros. Estate, Inc. to construct and operate Latitude Corporate Center. The registered office address and principal place of business of BL Ventures is located at AB Soberano Bldg., Salvador Extention, Labangon, Cebu City.
- (e) YES is a joint venture between the Parent Company and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Riverside, Davao. The registered office address and principal place of business of YES is located at Suite A, 204 Pladez de Luisa Complex, 140 R. Magsaysay Ave., Brgy. 30-C, Davao City.

- (f) YHES is a joint venture between the Parent Company and Yuson Comm. Investments, Inc. to convert Riverside, Davao into a mixed-used project. The registered office address and principal place of business of YHES is located at Mesatierra Garden Residences Showroom, E. Quirino Ave., Brgy. 11-B, Davao City, Philippines.
- (g) This is a joint venture agreement between the Parent Company to convert the golf course in Matina, Davao to a central business district. This entity is not yet incorporated with the SEC as of December 31, 2017.
- (h) This is a joint venture agreement between the Parent Company to do socialized housing projects in Cebu City.

The registered office and principal place of business of the associates of the Group are as follows:

- (i) MGR – 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- (j) El Camino – 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City;
- (k) Magspeak – Don Carlos A. Gothong Port Centre, Quezon Blvd Pier 4, North Reclamation Area, Cebu City; and,
- (l) MDC – 10th Floor Park Centrale, Jose Ma. Del Mar St., Cebu IT Park, Apas, Cebu City.

1.3 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2017 (including the comparative consolidated financial statements of the Group for the year ended December 31, 2016, the financial statements of the Parent Company for the year ended December 31, 2015 and the corresponding figures as at January 1, 2016) were authorized for issue by the BOD on March 19, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements as at and for the year ended December 31, 2016 is the first consolidated financial statements of the Group because prior to 2016, the Parent Company has no subsidiaries yet. The comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2015 are that of the Parent Company only.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of profit or loss.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2017, the Group changed its accounting policy for recognition of revenue on its real estate sales which resulted in material prior period adjustments. Because of this, the comparative statements for the years ended December 31, 2016 and 2015 and the corresponding figures as at January 1, 2016 have been restated (see Note 2.2). Accordingly, the Group presents a third statement of financial position as at January 1, 2016 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Change in Revenue Recognition Policy

In 2017, the Group changed its accounting policy for revenue recognition on real estate sales from full accrual method to percentage-of-completion (POC) method based on the old standard in order to make it more comparable with the key players in the real estate industry. The balance of Retained Earnings of the Group as of December 31, 2016 and January 1, 2016, has been restated from the amount previously reported to account for the Group's change in accounting policy. Because of the restatements, the 2016 and 2015 comparative financial statements contained in these financial statements differ from those previously presented in the Group's financial statements as at and for the year ended December 31, 2016, including the comparatives presented with it.

The analyses of the impact on the affected accounts in the Group's consolidated financial position as of December 31, 2016 are presented below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Changes in current assets:			
Receivables - net	P 2,069,449,137	(P 93,601,383)	P 1,975,847,754
Real estate inventory	1,831,424,419	<u>(173,870,614)</u>	1,657,553,805
Decrease in current assets		(267,471,997)	
Change in non-current asset:			
Receivables - net	184,374,872	<u>5,406,764</u>	189,781,636
Decrease in total assets		<u>(P 262,065,233)</u>	
Changes in liabilities:			
Trade and other payables	P 487,447,566	(P 31,193,395)	P 456,254,171
Customers' deposits	456,968,051	(130,013,925)	326,954,126
Reserve for property development	327,236,408	<u>(60,206,776)</u>	267,029,632
Decrease in current liabilities		(221,414,096)	
Change in non-current liability:			
Deferred tax liabilities - net	125,919,779	<u>(25,750,423)</u>	100,169,356
Decrease in total liabilities		<u>P 247,164,519</u>	
Change in equity:			
Retained earnings	P 254,863,720	<u>(14,900,714)</u>	P 239,963,006
Decrease in equity		<u>(P 14,900,714)</u>	

The analysis of the impact on the affected accounts in the statement of financial position as at January 1, 2016 are presented below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Changes in current assets:			
Receivables - net	P 1,206,274,995	(P 353,243,364)	P 853,031,631
Real estate inventory	1,439,841,508	<u>89,583,582</u>	1,529,425,090
Decrease in current assets		(263,659,782)	
Change in non-current asset:			
Receivables - net	56,183,701	<u>2,739,073</u>	58,922,774
Decrease in total assets		<u>(P 260,920,709)</u>	

Forward

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Changes in liabilities:			
Trade and other payables	P 357,055,481	(P 30,979,753)	P 326,075,728
Customers' deposits	423,651,373	(122,152,147)	301,499,226
Reserve for property development	205,620,988	<u>1,606,332</u>	207,227,320
Decrease in current liabilities		(151,525,568)	
Change in non-current liability:			
Deferred tax liabilities - net	59,714,086	(<u>16,489,432</u>)	43,224,654
Decrease in total liabilities		(<u>P 168,015,000</u>)	
Change in equity:			
Retained earnings	P 408,633,223	(<u>P 92,905,709</u>)	P 315,727,514
Decrease in equity		(<u>P 92,905,709</u>)	

The analysis of the affected line items in the consolidated statement of comprehensive income of the Group for the year ended December 31, 2016 are shown below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Revenues			
Real estate sales	P 2,139,479,877	P 182,407,842	P 2,321,887,719
Cost of Sales and Services	1,010,348,131	(113,686,518)	1,124,034,649
Operating Expenses	(335,832,043)	22,680	335,809,363
Tax Expense	(125,732,738)	<u>9,260,991</u>	(116,471,747)
Decrease in net income		<u>P 78,004,995</u>	

The analysis of the affected line items in the statement of comprehensive income of the Parent Company for the year ended December 31, 2015 are shown below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Revenue			
Real estate sales	P 1,532,930,791	(P 215,787,048)	P 1,317,143,743
Cost of Sales and Services			
Cost of real estate sales	(668,092,663)	87,977,250	(583,855,081)
Tax Expense	(71,042,809)	<u>16,489,432</u>	(54,553,377)
Decrease in net income		(<u>P 111,320,366</u>)	

The analysis of the affected line items in the consolidated statement of cash flows of the Group for the year ended December 31, 2016 are shown below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<i>Change cash flows from operating activities:</i>			
Profit before tax	P 828,056,692	P 68,744,004	P 896,800,696
Operating profit before working capital changes	880,508,012	68,744,004	949,252,016
Increase in receivables	(993,685,043)	(262,309,672)	(1,255,994,715)
Increase in real estate inventories	(393,606,660)	263,454,196	(130,152,464)
Increase in trade and other payables	65,166,170	(213,642)	64,952,528
Increase in customers' deposits	33,316,678	(7,861,778)	25,454,900
Increase in reserve for property development	121,615,420	(<u>61,813,108</u>)	59,802,312
Cash used in operations		<u>P -</u>	

The analysis of the affected line items in the statement of cash flows of the Parent Company for the year ended December 31, 2015 are shown below.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
<i>Change cash flows from operating activities:</i>			
Profit before tax	P 608,213,041	(P 127,809,798)	P 480,403,243
Operating profit before working capital changes	630,206,595	(127,809,798)	502,396,797
Increase in receivables	(471,037,851)	<u>127,809,798</u>	(343,228,053)
Cash used in operations		<u>P -</u>	

2.3 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle) PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale

Discussed below are the relevant information about these amendments and improvements.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 30.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment had no impact on the financial statements because the Group has no debt instruments measured at fair value.
- (iii) PFRS 12 (Annual improvement), *Disclosure of Interest in Other Entities*. The improvement clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale.

(b) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 40 (Amendment), *Investment Property – Reclassification to and from investment property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment will have no significant impact on the Group's consolidated financial statements.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects that majority of the Group's receivables to continue to be accounted for at amortised cost.
 - The expected credit loss model will apply to the Group's receivables and and AFS financial assets. For receivables, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.
 - The Group's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.
- (iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

- (iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) Interpretation 13, *Customer Loyalty Programmes*, IFRIC Interpretation 15, *Agreement for the Construction of Real Estate*, IFRIC Interpretation 18, *Transfers of Assets from Customers* and Standing Interpretations Committee Interpretation 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee (PIC) Question & Answer No. 2016-04, *Application of PFRS 15, “Revenue from Contracts with Customers,” on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction (i.e. using POC). However, the PIC is yet to issue the official guideline on the application of POC in recognizing real estate sales as at the date of issuance of the financial statements.

Based on an assessment and comprehensive study of the Group’s revenue streams as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that its three current sources of revenues, i.e. real estate sales—which is most significant among the three and is expected to be most significantly affected by this new standard, rental and management fees will remain to be the same. Real estate sales are expected to be significantly affected even when the Company has already changed its revenue recognition policy to POC based the existing standard (see Note 2.2); i.e. prior to the adoption of PFRS 15, because of the major changes in the application of PFRS 15, especially the POC method, that the FRSC is expected to issue.

In view of PFRS 15, real estate sales, rental and management fees are distinct performance obligations. The revenue from the real estate sales which are from pre-completion contracts shall be recognized upon the stage of completion provided that the collection threshold set by the Group is met. Revenue from rental shall be recognized on a straight-line basis over the term of the contract. Revenues from management fees shall be recognized over time as the Group performs the management services and as the customer consumes and receives the related benefit.

- (v) IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.
- (vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018). The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no material impact on the Group's consolidated financial statements.
- (vii) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this new standard in its consolidated financial statements.
- (viii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard in its consolidated financial statements.

- (ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right of use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management assessed that the new standard does not have a significant impact on the consolidated financial statements because the Group is a lessor of properties and is a lessee under short-term cancellable arrangements.

- (x) IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its consolidated financial statements.

- (xi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group are expected to have no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
 - PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.4 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, joint ventures, associates and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) Investments in Associates

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the consolidated financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the equity in net earnings (losses) of associates and joint venture under Other Losses in the statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Investments in Joint Ventures*

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to whose economic activities are jointly controlled by the Group and by other venturers independent of the Group (joint venturers).

Investments in joint ventures are accounted for using the equity method of accounting. Under this method, on initial recognition, the investment in joint venture is recognized at cost and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Subsequent changes to the ownership interest in the equity of the joint ventures, if any, are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint ventures are credited or charged against the equity in net earnings (losses) of associates and joint ventures account under Other Losses in the statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investments in joint ventures will not be recovered.

Changes resulting from other comprehensive income of the joint ventures or items recognized directly in the joint venture's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the joint ventures are accounted for as a reduction of the carrying value of the investment.

(d) *Transactions with Non-controlling Interests*

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.5 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.6 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the Group's financial assets are categorized as loans and receivables and AFS financial assets. A more detailed description of the two categories of financial assets follows.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables (except for advances to subcontractors and advances to officers and employees), Advances to Related Parties, and as part of Other Non-current Assets (with respect to refundable deposits) in the statement of financial position. Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as AFS Financial Assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets consist of golf club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effect, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as discussed:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, except those arising from operating activities, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the statement of profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.7 Real Estate Inventory

This pertains to cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. Interest incurred during the development of the project is capitalized (see also Note 2.16).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property, if any. The estimated expenditures for the completion of sold real estate property, as determined by the project engineers, are charged to cost of real estate sales with a corresponding credit to the Reserve for Property Development account.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

Any portion of the Group's real estate inventory that are not yet to be developed within 12 months are classified as noncurrent assets in the statement of financial position. Currently, none of the Group's inventory of land remains idle over a period of 12 months.

2.8 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to the Real Estate Inventory account.

Any portion of the Group's inventory of land for future development that are expected to be used for a project or development beyond 12 months are classified as noncurrent assets in the statement of financial position.

2.9 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.10 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see also Note 2.16).

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Construction-in-progress is not depreciated until the completion of the constructed asset.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.11 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see also Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.17). Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.12 Financial Liabilities

Financial liabilities, which include interest-bearing loans and trade and other payables [except government-related obligations, advance rental and deferred output value-added tax (VAT) and output VAT], are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability, except those that are capitalized, are recognized as Finance Costs in the statement of profit or loss.

Interest-bearing loans are raised for support of funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer) or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.13 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT, if applicable, and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the specific recognition criteria that follows must also be met before revenue is recognized:

(a) *Sale of real estates* – The Group uses the POC method of revenue recognition for its real estate sales. Under the POC method, realization of real estate sales is recognized by reference to the stage of development of the properties, that is in the period in which the work is performed provided that the collectability of the sales price is reasonable assured [see also Note 3.1(a)].

If the transaction does not qualify yet as sale, cash collections from buyers are accounted for using the deposit method and are recorded as Customers' Deposits which is presented under current liabilities in the consolidated statements of financial position.

Subsequent cancellations of prior year sales are deducted from real estate sales and the related costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

(b) *Rental income* – Revenue is recognized on a straight-line basis over the lease term (see also Note 2.17).

(c) *Management fee* – Revenue is recognized when service is rendered. This pertains to the management services rendered to homeowners' associations and condominium corporation.

(d) *Other income* – Revenue is recognized when earned. This includes foregone reservation fees from customers which is reverted to income, mark-up on utilities charged to lessees, and penalties for late payment by customers. These are presented as Other Operating Income in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see also Note 2.16).

2.16 Borrowing Costs

Borrowing costs are recognized in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investment in associates and joint ventures, computer software and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment, if any.

(b) Post-Employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e. Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Performance Bonus

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity within the Group.

2.21 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group 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 parties include: (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; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, its chief operating decision maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's geographical location, which represent the main products and services provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments* are the same as those used in its consolidated financial statements, except post-employment benefit expenses in arriving at the operating profit of the operating segments:

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital represents the proceeds in excess of the par value of shares issued less directly attributable costs in relation to the issuance of the shares.

Revaluation reserves comprise gains and losses arising from the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

Non-controlling interest represents equity in consolidated entities that are not attributable, directly or indirectly to the Parent Company. This increases by equity investments from non-controlling shareholders, share in profit or loss and share in each component of other comprehensive income in the consolidated entities. This decreases by dividends declared to non-controlling shareholders.

The Group adjusts the carrying amount of non-controlling interest to reflect the changes in their relative interests in the consolidated entities when the proportion of the equity held by non-controlling interest changes. The Group directly recognize in equity any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received, and attribute it to the shareholders of the Parent Company.

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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 financial statements:

(a) Determination that Collection of Sales Price is Reasonably Assured

The application of the POC method in recognizing real estate revenues requires that the collection of the sales price is reasonably assured. In determining whether sales prices are collectible, the Group considers the paying capacity of the buyer and an initial and continuing investment by the buyer of a certain percentage of the contract price would demonstrate the buyer's commitment to fulfil the obligations of the Group. Management's evaluation of historical and expected sales cancellation rate is a very important factor in its determination of the appropriate collection rate that it uses as benchmark in determining that collection is reasonably assured.

Management regularly assess the factors that it considers in determining that collection is reasonably assured to adjust to changing times and circumstances. Major changes in management's assumptions or its failure to make the right judgment could potentially have a significant impact on the financial statements.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management has assessed that no impairment loss is required to be recognized for the years ended December 31, 2017, 2016 and 2015. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

(d) *Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements as a lessor and a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that all of its lease agreements qualify under operating leases (see Note 2.17).

(e) *Accounting for Equity Ownership Investee*

In classifying its equity acquisitions as either investment in associates or joint ventures, the Group evaluates whether significant influence or joint control exists. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. 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.

In 2017, the Group was able to demonstrate control over the operations of BL Ventures and YES. Accordingly, both companies are now consolidated subsidiaries and are included in the consolidation of the Group as of December 31, 2017 (see Note 13).

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition Using the Percentage of Completion Method

The Group uses the POC method in accounting for its real estate sales. The use of the POC method requires the Group to evaluate the stage of completion of the project or development using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and inputs from its engineers, contractors and other experts.

Management's failure to make a reasonable estimate of the stage of completion of its projects or developments could potentially have a material impact on the financial statements.

(b) Impairment of Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with its related and third parties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The carrying values of receivables and advances to related parties and the related allowance for impairment on such financial assets are shown in Notes 6 and 23.1.

(c) Determination of Net Realizable Value of Real Estate Inventory

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 7 is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventory within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventory for sale are determined to be higher than their related costs.

(d) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 10.

(e) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software*

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 11, 12 and 14, respectively. Based on management's assessment as at December 31, 2017 and 2016, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(f) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on its significant non-financial assets, especially property and equipment and investment properties as at December 31, 2017, 2016 and 2015.

(g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit as well as the significant assumptions used in estimating such obligation are presented in Note 21.2.

(b) *Estimation of Reserve for Property Development*

In determining the reserve for property development as at the end of each reporting date requires the estimation of the cost to complete the development of real estate property already sold, as determined by project engineers, as of those dates. At the end of each reporting period, these estimates are reviewed and updated if expectations differ from previous estimates. The estimated total costs to be incurred at the end of the projects for units sold are shown in Note 7.

Management's failure to make a reasonable estimate of the reserve could potentially have a significant impact on the financial statements.

(i) *Fair Value Measurement for Investment Properties*

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation disclosed in the consolidated financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which 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. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2017 and 2016 is disclosed in Notes 12 and 28.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating segments are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's real estate segment covers the development and sale of residential and office developments. Its rental segment includes leasing of office and commercial spaces and its management services segment focuses on the management of real estate projects and upkeep. Segment accounting policies are the same as the policies described in Note 2.22. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation, if any.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2017, 2016 and 2015 and certain asset and liability information regarding segments as at December 31, 2017 and 2016:

2017

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 3,891,326,833	P 45,647,337	P 14,008,440	(P 22,319,769)	P 3,928,662,841
Intersegment sales	-	-	8,160,343	(8,160,343)	-
Total revenues	<u>P 3,891,326,833</u>	<u>P 45,647,337</u>	<u>P 22,168,783</u>	<u>(P 30,480,112)</u>	<u>P 3,928,662,841</u>
COSTS AND EXPENSES					
Costs of sales and services	P 1,878,922,012	P 18,459,088	P 847,243	(P 12,538,827)	P 1,885,689,516
Operating expenses	512,000,434	1,161,144	356,336	-	513,517,914
Total costs and expenses	<u>2,390,922,446</u>	<u>19,620,232</u>	<u>1,203,579</u>	<u>(12,538,827)</u>	<u>2,399,207,430</u>
Segment results	<u>P 1,500,404,387</u>	<u>P 26,027,105</u>	<u>P 20,965,204</u>	<u>(P 17,941,285)</u>	1,529,455,411
Other operating income					28,435,777
Finance costs					(31,364,653)
Finance income					5,198,995
Other losses					(16,935,266)
Tax expense					(219,795,962)
Net profit					<u>P 1,294,994,302</u>
ASSETS AND LIABILITIES					
Segment assets	<u>P 11,185,947,050</u>	<u>P 326,188,568</u>	<u>P 2,476,385</u>	<u>P -</u>	<u>P 11,514,612,003</u>
Segment liabilities	<u>P 6,568,623,305</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 6,568,623,305</u>

2016

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 2,321,887,719	P 38,870,444	P 375,000	P -	P 2,361,133,163
Intersegment sales	-	-	-	-	-
Total revenues	<u>P 2,321,887,719</u>	<u>P 38,870,444</u>	<u>P 375,000</u>	<u>P -</u>	<u>P 2,361,133,163</u>
COSTS AND EXPENSES					
Costs of sales and services	P 1,107,175,722	P 16,836,247	P 22,680	P -	P 1,124,034,649
Operating expenses	334,796,026	1,003,654	9,683	-	335,809,363
Total costs and expenses	<u>1,441,971,748</u>	<u>17,839,901</u>	<u>32,363</u>	<u>-</u>	<u>1,459,844,012</u>
Segment results	<u>P 879,915,971</u>	<u>P 21,030,543</u>	<u>P 342,637</u>	<u>P -</u>	901,289,151
Other operating income					17,150,070
Finance costs					(16,572,078)
Finance income					477,973
Other gains					6,353,291
Other losses					(11,897,711)
Tax expense					(116,471,747)
Net profit					<u>P 780,328,949</u>
ASSETS AND LIABILITIES					
Segment assets	<u>P 4,785,645,753</u>	<u>P 299,185,835</u>	<u>P 14,681</u>	<u>P -</u>	<u>P 5,084,846,269</u>
Segment liabilities	<u>P 3,561,508,465</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 3,561,508,465</u>

2015

	<u>Real Estate</u>	<u>Rental</u>	<u>Management Services</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES					
Sale to external customers	P 1,317,143,743	P 12,555,220	P -	P -	P 1,329,698,963
Intersegment sales	-	-	-	-	-
Total revenues	<u>P 1,317,143,743</u>	<u>P 12,555,220</u>	<u>P -</u>	<u>P -</u>	<u>P 1,329,698,963</u>
COSTS AND EXPENSES					
Costs of sales and services	P 580,115,413	P 3,739,668	P -	P -	P 583,855,081
Operating expenses	<u>268,234,051</u>	<u>327,041</u>	<u>-</u>	<u>-</u>	<u>268,561,092</u>
Total costs and expenses	<u>848,349,464</u>	<u>4,066,709</u>	<u>-</u>	<u>-</u>	<u>852,416,173</u>
Segment results	<u>P 468,794,279</u>	<u>P 8,488,511</u>	<u>P -</u>	<u>P -</u>	477,282,790
Other operating income					13,012,072
Finance costs					(10,258,035)
Finance income					366,416
Tax expense					(54,553,377)
Net profit					<u>P 425,849,866</u>

The Group currently has no geographical segments.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>2017</u>	<u>2016</u>
Cash on hand	P 300,006	P 245,000
Cash in banks	568,337,790	82,918,355
Short-term placements	<u>638,000,000</u>	<u>7,454,388</u>
	<u>P1,206,637,796</u>	<u>P 90,617,743</u>

Cash in banks (savings and demand deposits) generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying period from 10 to 90 days and earn effective interest ranging from 0.38% to 1.50% per annum for all years presented.

Interest income earned from cash and cash equivalents amounted to P5,198,995, P477,973 and P342,282 in 2017, 2016 and 2015, respectively (see Note 20.3).

6. RECEIVABLES

This account includes the following:

	<u>Note</u>	<u>2017</u>	2016 (As Restated - See Note 2)
Current:			
Contracts receivables			
Third parties		P 3,358,345,796	P 1,799,585,725
Related parties	23.4, 23.7	240,855,231	97,771,848
Advances to co-venturers		139,216,667	-
Advances to subcontractors		130,608,784	66,922,721
Advances to officers and employees		37,146,231	5,069,748
Loans to employees		12,735,905	7,935,635
Management fee receivable		1,788,027	-
Other receivables		68,641,923	1,269,773
		3,989,338,564	1,978,555,449
Allowance for impairment		(2,707,695)	(2,707,695)
		3,986,630,869	1,975,847,754
Non-current:			
Contracts receivables - net		698,476,436	189,781,636
		P 4,685,107,305	P 2,165,629,390

All of the Group's receivables have been reviewed for indicators of impairment. Certain contract receivables and other receivables, which are mostly due from various customers but with small amounts, were found to be impaired; hence, adequate amount of allowance for impairment has been recognized.

A reconciliation of the allowance for impairment at the beginning and end of 2017 and 2016 is shown below.

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 2,707,695	P 302,806
Impairment losses	19	<u>-</u>	<u>2,404,889</u>
Balance at end of year		P 2,707,695	P 2,707,695

Buyers of real estate properties are given two to three years to complete the amortization of their down payment which ranges from 15% to 20% of the contract price of the real estate being purchased. Contracts receivables, which are all covered by postdated checks, are only recognized upon meeting the criteria for revenue recognition (see Note 2.15). Generally, full payment by buyers of their equity payments is made within 24 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Non-current contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on non-current contracts receivables amounts to P16,290,606 and P4,701,533 as at December 31, 2017 and 2016, respectively. Day one loss on non-current contracts receivables, net of amortization amounted to P11,589,073, P2,319,730 and P2,381,803 in 2017, 2016 and 2015, respectively, and is presented as part of Finance Costs in the statements of profit or loss (see Note 20.2).

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid in behalf of subcontractors. These are applied against the progress billings of subcontractors.

Loans to employees are usually personal loans such as medical loans and emergency cash loans which has a term of less than one year. These are unsecured and noninterest-bearing loans that are settled through salary deduction.

7. REAL ESTATE INVENTORY

This account includes the following:

	<u>2017</u>	2016 (As Restated - See Note 2)
Condominium units	P 40,216,235	P 54,995,751
Subdivision units	<u>49,941,990</u>	<u>436,932</u>
	<u>90,158,225</u>	<u>55,432,683</u>
Construction-in-progress (CIP):		
Condominium building costs	1,559,553,983	866,821,704
Land development costs	1,146,210,823	398,702,216
Housing costs	<u>213,115,749</u>	<u>192,620,253</u>
	<u>2,918,880,555</u>	<u>1,458,144,173</u>
Raw land inventory	<u>329,880,633</u>	<u>143,976,949</u>
	<u>P3,338,919,413</u>	<u>P1,657,553,805</u>

An analysis of the cost of real estate inventory included in cost of sales for the year is presented in Note 18.

Condominium building costs consist of the cost of and acquisition of land and the cost to construct the units of the vertical projects of the Group.

Land development costs pertain to the cost of land acquisition, and site development costs of subdivision projects and other future site projects of the Group.

Housing costs pertain to the cost of house construction for the horizontal projects of the Group.

Raw land inventory consists of parcels of land located in various locations owned by the Group. These are expected to be developed within 12 months from reporting period, hence, presented as part of current assets. In 2017 and 2016, the Group reclassified deposits on land for future development amounting to P391,495,239 and P77,559,615 to raw land inventory, i.e. applied as part of the payment for the land acquisitions that were consummated (see Note 8).

Real estate inventory includes capitalized borrowing costs of P80,919,197 and P57,671,413 as at December 31, 2017 and 2016, respectively, which represents the general and specific borrowing costs incurred on loans obtained to fund the construction projects (see Note 15). Capitalization rate used for general borrowings ranges from 2.00% to 5.50% for the years ended December 31, 2017 and 2016.

At the end of the reporting period, the Group estimates the costs to complete the units that are already sold and recognizes the corresponding obligation to complete the units. The estimated obligation amounts to P792,219,041 and P267,029,632 as at December 31, 2017 and 2016, respectively, and is presented as Reserve for Property Development in the statements of financial position (see Note 26.3).

In 2016, the Group sold a parcel of land costing P46,512,297 to BL Ventures, a related party that became a subsidiary in 2017 but a joint venture in 2016 (see Note 23.4). The cost of raw land inventory was presented as part of Cost of Sales and Rental in the statement of profit or loss for the year ended December 31, 2016 (see Note 18). There are no similar transactions in 2017 and 2015.

The Group reclassified various real estate inventories totaling P2,023,749 to investment properties in 2016 (see Note 12).

Certain real estate inventory amounting to P2,462,459,649 and P1,437,639,878 as at December 31, 2017 and 2016, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15).

8. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account pertains to advance payments for acquisitions of certain parcels of land which are intended for future development.

The Parent Company made advance payments totaling P1,076,625,881 and P259,897,127 in 2017 and 2016, respectively, for the acquisition of parcels of land in various locations in Visayas and Mindanao that are intended for housing and condominium projects.

In 2017, the management determined that deposits totaling P25,091,650 that were made during the year for the acquisition of properties that may not be consummated within the next financial reporting year because of prolonged negotiations in the acquisition. Accordingly, such was presented under non-current asset in the 2017 consolidated statement of financial position. All other transactions are expected by management to be consummated the following year when the advance payments were made. The total carrying value of the assets are fully recoverable as at December 31, 2017 and 2016 based on management's assessment.

A reconciliation of the deposits on land for future development is presented below.

	<u>2017</u>	<u>2016</u>
Balance at the beginning of year	P 259,897,127	P 77,559,615
Additions	1,076,625,881	259,897,127
Applied as settlement	(391,495,239)	(77,559,615)
Balance at end of year	<u>P 945,027,769</u>	<u>P 259,897,127</u>

The deposits on land for future development is presented in the consolidated statements of financial position as follows:

	<u>2017</u>	<u>2016</u>
Current	P 919,936,119	P 259,897,127
Non-current	<u>25,091,650</u>	<u>-</u>
Balance at end of year	<u>P 945,027,769</u>	<u>P 259,897,127</u>

9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2017</u>	<u>2016</u>
Input VAT and deferred input VAT	P 118,678,315	P 54,459,317
Prepaid income tax	20,177,235	23,471,294
Retention receivable	12,278,866	13,884,943
Prepaid expenses	8,969,739	10,816,251
Performance bond	<u>40,505</u>	<u>-</u>
	<u>P 160,144,660</u>	<u>P 102,631,805</u>

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Group.

Prepaid expenses include advance payment for insurance and rent.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These AFS financial assets are investments in proprietary membership club shares and in shares of non-publicly traded companies acquired by the Group. These are composed of both quoted and unquoted local shares.

An analysis of the movements in carrying amounts of the Group's AFS financial assets is presented below.

	Note	<u>2017</u>	<u>2016</u>
Balance at the beginning of year		P 54,133,275	P 49,768,275
Additions		-	865,000
Unrealized fair value gains	24.2	<u>1,500,000</u>	<u>3,500,000</u>
Balance at end of year		<u>P 55,633,275</u>	<u>P 54,133,275</u>

An analysis of the quoted and unquoted equity securities of the Group is presented below.

	<u>2017</u>	<u>2016</u>
Quoted	P 49,000,000	P 47,500,000
Unquoted	<u>6,633,275</u>	<u>6,633,275</u>
	<u>P 55,633,275</u>	<u>P 54,133,275</u>

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2017 and 2016 are shown below.

	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leashold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2017							
Cost	P 119,350,139	P 47,076,085	P 33,730,848	P 19,010,873	P 2,305,996	P 603,709	P 222,077,650
Accumulated depreciation and amortization	(24,251,066)	(11,464,270)	(25,207,083)	(9,319,204)	(1,755,310)	-	(71,996,933)
Net carrying amount	<u>P 95,099,073</u>	<u>P 35,611,815</u>	<u>P 8,523,765</u>	<u>P 9,691,669</u>	<u>P 550,686</u>	<u>P 603,709</u>	<u>P 150,080,717</u>
December 31, 2016							
Cost	P 114,633,594	P 40,368,231	P 30,222,508	P 16,398,805	P 2,305,994	-	P 214,901,752
Accumulated depreciation and amortization	(5,053,894)	(6,788,583)	(21,294,049)	(5,983,360)	(642,817)	-	(39,762,703)
Net carrying amount	<u>P 109,579,700</u>	<u>P 33,579,648</u>	<u>P 8,928,459</u>	<u>P 10,415,445</u>	<u>P 1,663,177</u>	<u>P -</u>	<u>P 164,166,429</u>
January 1, 2016							
Cost	P 50,712,684	P 9,911,176	P 29,206,387	P 8,274,395	P 2,773,394	-	P 100,878,036
Accumulated depreciation and amortization	(1,185,161)	(3,023,876)	(16,664,120)	(3,999,144)	(745,521)	-	(25,617,822)
Net carrying amount	<u>P 49,527,523</u>	<u>P 6,887,300</u>	<u>P 12,542,267</u>	<u>P 4,275,251</u>	<u>P 2,027,873</u>	<u>P -</u>	<u>P 75,260,214</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2017 and 2016 is shown below.

	Building	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Balance at January 1, 2017							
net of accumulated depreciation and amortization	P 109,579,700	P 33,579,648	P 8,928,459	P 10,415,445	P 1,663,177	P -	P 164,166,429
Additions	8,159,091	6,707,856	3,508,340	2,612,067	-	603,709	21,591,063
Reclassifications	(3,442,545)	-	-	-	-	-	(3,442,545)
Depreciation and amortization charges for the year	(19,197,173)	(4,675,689)	(3,913,034)	(3,335,843)	(1,112,491)	(-)	(32,234,230)
Net carrying amount	<u>P 95,099,073</u>	<u>P 35,611,815</u>	<u>P 8,523,765</u>	<u>P 9,691,669</u>	<u>P 550,686</u>	<u>P 603,709</u>	<u>P 150,080,717</u>
Balance at January 1, 2016							
Net of accumulated depreciation and amortization	P 49,527,523	P 6,887,300	P 12,542,267	P 4,275,251	P 2,027,873	P -	P 75,260,214
Additions	68,490,668	30,457,054	1,016,121	8,124,410	-	-	108,088,253
Reclassifications	(4,569,759)	-	-	-	-	-	(4,569,759)
Depreciation and amortization charges for the year	(3,868,732)	(3,764,706)	(4,629,929)	(1,984,216)	(364,696)	(-)	(14,612,279)
Net carrying amount	<u>P 109,579,700</u>	<u>P 33,579,648</u>	<u>P 8,928,459</u>	<u>P 10,415,445</u>	<u>P 1,663,177</u>	<u>P -</u>	<u>P 164,166,429</u>

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 19).

Building and improvements with a total carrying amount of P77,920,329 and P63,091,067 as at December 31, 2017 and 2016, respectively are used as collateral for certain interest-bearing loans and borrowings (see Note 15).

In 2017 and 2016, the Group reclassified various property and equipment to investment property totaling P3,442,545 and P4,569,759, respectively, to investment properties because of change in the intended use for the assets (see Note 12).

As at December 31, 2017 and 2016, the cost of the Company's fully-depreciated property and equipment that are still used in operations amounted to P22,679,896 and P13,786,857, respectively.

12. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for undetermined future use and, condominium units and retail building. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2017 and 2016 are shown below.

	Land	Condominium Units	Retail Building	Total
December 31, 2017				
Cost	P -	P 316,631,530	P 45,228,005	P 361,859,535
Accumulated depreciation	-	(28,699,565)	(9,214,459)	(37,914,024)
Net carrying amount	<u>P -</u>	<u>P 287,931,965</u>	<u>P 36,013,546</u>	<u>P 323,945,511</u>
December 31, 2016				
Cost	P -	P 273,125,756	P 45,057,848	P 318,183,604
Accumulated depreciation	-	(13,628,163)	(6,891,332)	(20,519,495)
Net carrying amount	<u>P -</u>	<u>P 259,497,593</u>	<u>P 38,166,516</u>	<u>P 297,664,109</u>
January 1, 2016				
Cost	P 15,532,582	P 283,108,533	P 40,211,290	P 338,852,405
Accumulated depreciation	-	(6,371,706)	(4,820,186)	(11,191,892)
Net carrying amount	<u>P 15,532,582</u>	<u>P 276,736,827</u>	<u>P 35,391,104</u>	<u>P 327,660,513</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2017 and 2016 is shown below.

	<u>Land</u>	<u>Condominium Units</u>	<u>Retail Building</u>	<u>Total</u>
Balance at January 1, 2017 net of accumulated depreciation	P -	P 259,497,593	P 38,166,516	P 297,664,109
Additions	-	33,171,897	7,061,489	40,233,386
Reclassifications	-	3,442,545	-	3,442,545
Depreciation charges for the year	-	(8,180,070)	(2,214,459)	(17,394,529)
Balance at December 31, 2017 net of accumulated depreciation	<u>P -</u>	<u>P 287,931,965</u>	<u>P 36,013,546</u>	<u>P 323,945,511</u>
Balance at January 1, 2016 net of accumulated depreciation	P 15,532,582	P 276,736,827	P 35,391,105	P 327,660,513
Additions	5,840,351	941,810	-	6,782,161
Disposals	(15,592,582)	(11,916,844)	-	(27,509,426)
Reclassifications	(5,780,351)	7,527,301	4,846,558	6,593,508
Depreciation charges for the year	-	(13,791,501)	(2,071,146)	(15,862,647)
Balance at December 31, 2016 net of accumulated depreciation	<u>P -</u>	<u>P 259,497,593</u>	<u>P 38,166,516</u>	<u>P 297,664,109</u>

The Group reclassified various property and equipment in 2017 and 2016 to investment properties (see Note 11) and various real estate inventories in 2016 (see Note 7) to investment properties and because of change in the intended use for the assets.

Income and expenses from investment properties for the years ended December 31, 2017, 2016 and 2015 are presented below.

	<u>Notes</u>	<u>Consolidated</u>		<u>Parent Company 2015</u>
		<u>2017</u>	<u>2016</u>	
Rental income	26.1	<u>P 45,647,337</u>	<u>P 38,870,444</u>	<u>P 12,555,220</u>
Expenses:				
Depreciation		<u>P 17,394,529</u>	P 15,862,647	P 3,461,768
Real property taxes		<u>1,064,559</u>	<u>973,600</u>	<u>277,900</u>
	18	<u>P 18,459,088</u>	<u>P 16,836,247</u>	<u>P 3,739,668</u>

The expenses are included as part of Cost of Sales and Rental in the statements of profit or loss in 2017, 2016 and 2015 (see Note 18).

In 2016, the Group sold certain investment property to ABS at a net gain of P4,762,807. The properties have a total carrying value of P27,509,426 at the time of sale. The gain on sale of these properties to ABS is presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Note 23.4). There is no similar transaction in 2017 and 2015.

Investment properties have a total fair value of P983,012,000 and P667,894,000 as at December 31, 2017 and 2016, respectively, based on the appraisal done by an independent expert [see Note 28.3(d)]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2017 and 2016 [see also Note 3.2(i)].

Investment property with a total carrying amount of P309,972,541 and P291,099,338 as at December 31, 2017 and 2016, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 15).

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This account comprises the following as at December 31:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Investments in joint ventures	13.1	P 110,632,870	P 15,498,667
Deposits for joint ventures		198,042,601	-
Investments in associates	13.2	<u>213,560,053</u>	<u>227,436,649</u>
		<u>P 522,235,524</u>	<u>P 242,935,316</u>

Deposits for joint ventures pertains to investments made in two unincorporated ventures for the Davao Matina Project and Pagtambayayong Socialized Housing Project that are yet to be incorporated as at December 31, 2017.

A reconciliation of the carrying amounts of investments in joint ventures and associates at the beginning and end of 2017 and 2016 is shown below.

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Balance at beginning of year		P 242,935,316	P 12,680,055
Investments during the year	13.1, 13.2	311,286,101	240,562,800
Included in consolidation		(15,498,667)	-
Investments in associates	20.4	<u>(16,487,226)</u>	<u>(10,307,539)</u>
		<u>P 522,235,524</u>	<u>P 242,935,316</u>

13.1 Investments in Joint Ventures

An analysis of the carrying amount of investment in joint venture including deposits in the unincorporated ones, as at December 31, 2017 is shown below.

	<u>YHES</u>	<u>Unincorporated</u>		<u>Total</u>
		<u>Davao Matina</u>	<u>PSH</u>	
Investments during the year	P 112,118,500	P 189,555,167	P 8,487,434	P 310,161,101
Equity in net loss during the year	<u>(1,485,630)</u>	-	-	<u>(1,485,630)</u>
Net carrying amount	<u>P 110,632,870</u>	<u>P 189,555,167</u>	<u>P 8,487,434</u>	<u>P 308,675,471</u>

An analysis of the carrying amount of investment in joint venture as at December 31, 2016 is shown below.

	<u>BL Ventures</u>	<u>YES</u>	<u>Total</u>
Investment made during the year	P 12,500,000	P 6,250,000	P 18,750,000
Equity in net loss during the year	<u>(2,783,111)</u>	<u>(468,222)</u>	<u>(3,251,333)</u>
Net carrying amount	<u>P 9,716,889</u>	<u>P 5,781,778</u>	<u>P 15,498,667</u>

In 2017, the Group was able to demonstrate control over the operations of BL Ventures and YES. Accordingly, both companies are now consolidated subsidiaries and are included in the consolidation of the Group as of December 31, 2017.

Significant information on the financial position and financial performance of YHES as at and for the year ended December 31, 2016 are as follows:

	<u>2017</u>
Cash	P 224,237,000
Other current non-financial assets	<u>3,516,750</u>
Total assets	<u>P 227,753,750</u>
Current financial liabilities	<u>P 6,488,010</u>
Total liabilities	<u>P 6,488,010</u>

YHES did not have any revenue, depreciation, interest income, interest expense, tax expense in 2017. Net loss and total comprehensive loss in 2017 amounted to P2,971,260 in 2017.

Davao Matina and PHS are not yet incorporated with the SEC as of December 31, 2017.

A reconciliation of the above summarized financial information to the carrying amount of the investment in YHES is shown below.

	<u>2017</u>
Net assets	P 221,265,740
Proportion of equity interest by the Group	<u>50%</u>
Carrying value of investment	<u>P 110,632,870</u>

13.2 Investments in Associates

An analysis of the carrying amount of investments in associates as at December 31, 2017 is shown below.

	<u>MGR</u>	<u>El Camino</u>	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost					
Balance at beginning of year	P -	P 217,812,800	P 5,135,096	P 11,600,000	P 234,547,896
New and additional investments	<u>1,125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125,000</u>
Balance at end of year	<u>1,125,000</u>	<u>217,812,800</u>	<u>5,135,096</u>	<u>11,600,000</u>	<u>235,672,896</u>
Accumulated equity in net losses					
Balance at beginning of year	-	(3,522,328)	(60,617)	(3,528,302)	(7,111,247)
Equity in net losses during the year	<u>(508,428)</u>	<u>(12,928,524)</u>	<u>(19,565)</u>	<u>(1,545,079)</u>	<u>(15,001,596)</u>
Balance at end of year	<u>(508,428)</u>	<u>(16,450,852)</u>	<u>(80,182)</u>	<u>(5,073,381)</u>	<u>(22,112,843)</u>
	<u>P 616,572</u>	<u>P 201,361,948</u>	<u>P 5,054,914</u>	<u>P 6,526,619</u>	<u>P 213,560,053</u>

An analysis of the carrying amount of investments in associates as at December 31, 2016 is shown below.

	<u>MGR</u>	<u>El Camino</u>	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost					
Balance at beginning of year	P -	P -	P 5,135,096	P 7,600,000	P 12,735,096
New and additional investments	<u>-</u>	<u>217,812,800</u>	<u>-</u>	<u>4,000,000</u>	<u>221,812,800</u>
Balance at end of year	<u>-</u>	<u>217,812,800</u>	<u>5,135,096</u>	<u>11,600,000</u>	<u>234,547,896</u>
Accumulated equity in net losses					
Balance at beginning of year	-	-	(55,041)	-	(55,041)
Equity in net losses during the year	<u>-</u>	<u>(3,522,328)</u>	<u>(5,576)</u>	<u>(3,528,302)</u>	<u>(7,056,206)</u>
Balance at end of year	<u>-</u>	<u>(3,522,328)</u>	<u>(60,617)</u>	<u>(3,528,302)</u>	<u>(7,105,671)</u>
	<u>P -</u>	<u>P 214,290,472</u>	<u>P 5,074,479</u>	<u>P 8,071,698</u>	<u>P 227,436,649</u>

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2017 are as follows:

	<u>MGR</u>	<u>El Camino</u>	<u>Magspeak</u>	<u>Ming-mori</u>
Current assets	P 90,230,127	P 2,076,218,337	P 2,373,870	P 32,647,637
Non-current assets	<u>-</u>	<u>54,563,784</u>	<u>17,845,784</u>	<u>-</u>
Total assets	<u>P 90,230,127</u>	<u>P 2,076,218,337</u>	<u>P 2,373,870</u>	<u>P 32,647,637</u>
Current liabilities	P 88,859,966	P 141,590,601	P -	P 14,544
Non-current liabilities	<u>-</u>	<u>1,413,871,668</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>P 88,859,966</u>	<u>P 1,555,462,269</u>	<u>P -</u>	<u>P 14,544</u>
Revenues	<u>P -</u>	<u>P 1,413,871,668</u>	<u>P -</u>	<u>P -</u>
Net loss	P 1,129,839	P 36,938,639	P 78,260	P 7,725,396
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>P 1,129,839</u>	<u>P 36,938,639</u>	<u>P 78,260</u>	<u>P 7,725,396</u>

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2016 are as follows:

	<u>MGR</u>	<u>El Camino</u>	<u>Magspeak</u>	<u>Ming-mori</u>
Current assets	P -	P 1,873,497,829	P 3,087,598	P 35,531,068
Non-current assets	<u>-</u>	<u>4,318,101</u>	<u>17,210,316</u>	<u>4,839,819</u>
Total assets	<u>P -</u>	<u>P 1,877,815,930</u>	<u>P 20,297,914</u>	<u>P 40,370,887</u>
Current liabilities	P -	P 5,557,439	P -	P 12,398
Non-current liabilities	<u>-</u>	<u>1,260,000,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>P -</u>	<u>P 1,265,557,439</u>	<u>P -</u>	<u>P 12,398</u>
Revenues	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Net loss	P -	P 10,063,794	P 22,304	P 17,641,510
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>P -</u>	<u>P 10,063,794</u>	<u>P 22,304</u>	<u>P 17,641,510</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates is shown below.

	<u>MGR</u>	<u>El Camino</u>	<u>Magspeak</u>	<u>Ming-mori</u>
December 31, 2017				
Net assets	P 1,370,161	P 575,319,852	P 20,219,654	P 32,633,093
Proportion of equity interest				
By the Group	<u>45%</u>	<u>35%</u>	<u>25%</u>	<u>20%</u>
Carrying value of investment	<u>P 616,572</u>	<u>P 201,361,948</u>	<u>P 5,054,914</u>	<u>P 6,526,619</u>
December 31, 2016				
Net assets	P -	P 612,258,491	P 20,297,914	P 40,358,489
Proportion of equity interest				
By the Group	<u>0%</u>	<u>35%</u>	<u>25%</u>	<u>20%</u>
Carrying value of investment	<u>P -</u>	<u>P 214,290,472</u>	<u>P 5,074,479</u>	<u>P 8,071,698</u>

Share in net losses of associates and joint ventures totaling P16,487,226 and P10,307,539 was recognized in 2017 and 2016, respectively, in the statement of profit or loss.

There were no dividends received from the Group's associates and joint venture in 2017 and 2016.

14. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>2017</u>	<u>2016</u>
Refundable deposits	P 23,829,166	P 21,256,293
Deposit for purchased properties	6,212,076	-
Computer software - net of accumulated amortization	1,727,921	1,254,201
Others	<u>367,554</u>	<u>367,554</u>
	<u>P 32,136,717</u>	<u>P 22,878,048</u>

Refundable deposits pertain to recoverable payments by the Group which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

Deposit for purchased properties pertains to the condominium units purchased by the Group under pre-completed contracts.

Total additions to computer software amounted to P1,560,745 and P777,195 in 2017 and 2016, respectively. The amortization expense on the computer software amounted to P1,087,026, P832,148 and P775,901 in 2017, 2016 and 2015, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

15. INTEREST-BEARING LOANS

Interest-bearing loans availed from local commercial banks are classified in the statements of financial position as follows:

	<u>2017</u>	<u>2016</u>
Current	P1,080,635,599	P 787,980,146
Non-current	<u>2,607,056,619</u>	<u>1,604,059,047</u>
	<u>P3,687,692,218</u>	<u>P2,392,039,193</u>

An analysis of the movements in the balance of interest-bearing loans is presented below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P2,392,039,193	P1,334,422,003
Proceeds or drawdowns	2,068,688,273	1,603,789,687
Repayments	(<u>773,035,248</u>)	(<u>546,172,497</u>)
Balance at end of year	<u>P3,687,692,218</u>	<u>P2,392,039,193</u>

The loans bear interest rates per annum ranging from 3.00% to 5.50% in both 2017 and 2016 and 3.50% to 5.47% in 2015. Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders (see Note 23.6) and the rest are secured by the specific projects for which the loans were obtained. The cost of such projects aggregating to P2,850,418,888 and P1,818,914,549 as at December 31, 2017 and 2016, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the statements of financial position (see Notes 7, 11 and 12).

In 2017 and 2016, the Group availed of new loans from various commercial banks, which have outstanding balances totaling P2,830,501,128 and P1,379,797,999 as at December 31, 2017 and 2016, respectively, loans obtained in 2017 bear interest ranging from 3.25% to 5.50% with maturity dates ranging from one to ten years while those obtained in 2016 bear annual interest rates ranging from 3.00% to 5.13% with maturity dates ranging from one to nine years.

Prior to 2016, the Parent Company obtained secured loans from various commercial banks with an aggregate outstanding balance of P542,191,090 and P752,241,194 as at December 31, 2017 and 2016, respectively. These loans are expected to mature in 2023, 2014 and 2015. These loans bear interest rates ranging from 3.50% to 5.25% per annum.

The Group also has various 90-day short term loans from other commercial banks. Interests on these loans are payable monthly at an annual interest rate ranging from 3.25% to 3.50% in 2017 and 3.00% to 4.00% in 2016. The outstanding balance of these loans amounts to P315,000,000 and P260,000,000 as at December 31, 2017 and 2016, respectively.

The Group is required to maintain a debt-to-equity ratio of 75:25 based on its registration with the Board of Investments (BOI) and agreement with banks on term loans. As at December 31, 2017 and 2016, the Group is compliant with this requirement (see Note 29).

Total interest incurred from the foregoing loans amounted to P100,166,568, P71,429,170, and P39,515,394 in 2017, 2016 and 2015, respectively. The Group capitalized borrowing costs from interest-bearing loans specifically obtained for the construction of its projects. As at December 31, 2017 and 2016, capitalized borrowing costs amounting to P80,919,197 and P57,671,413, respectively, are included as part of real estate inventory (see Note 7).

The total interest expense, included as part of Finance Costs in the statements of profit or loss, amounted to P19,247,371, P13,757,757, and P7,431,405 in 2017, 2016 and 2015, respectively (see Note 20.2).

16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>2017</u>	2016 (As Restated - See Note 2)
Current:		
Trade payables	P1,082,882,472	P 240,965,785
Deferred output VAT and output VAT	146,763,200	45,265,164
Retention payable	133,580,653	95,080,755
Payable to co-venturers	34,828,500	-
Government-related obligations	17,233,430	15,586,345
Accrued expenses	10,698,018	7,387,417
Advance rental	7,549,688	7,568,388
Other payables	<u>54,091,829</u>	<u>44,400,318</u>
	<u>1,487,627,790</u>	<u>456,254,171</u>
Non-current:		
Retention payable	71,880,015	15,809,208
Other payables	<u>1,146,920</u>	<u>1,146,921</u>
	<u>73,026,935</u>	<u>16,956,129</u>
	<u>P1,560,654,725</u>	<u>P 473,210,300</u>

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Other payables include construction bonds from various subcontractors.

17. CUSTOMERS' DEPOSITS

This account is composed of the following:

	<u>2017</u>	2016 (As Restated - See Note 2) <u> </u>
Advances from buyers	P 260,372,246	P 299,622,617
Reservation fees	<u>12,690,067</u>	<u>27,331,509</u>
	<u>P 273,062,313</u>	<u>P 326,954,126</u>

Advances from buyers for contract price represent collections from customers whose contract price revenue are not yet recognized because the criteria for revenue recognition are yet to be met. Those that relate to transfer charges, which are cost to be incurred for the transfer of title to the buyers of real estate properties, are collections from customers for various variable and fixed charges shouldered by them. The Group requires a reservation fee from its prospective buyers for the reservation of the properties they wanted to own. The reservation fee will form part of the payments for the contract price collections if the buyer will pursue the purchase of the properties. Reservation fees foregone by prospective buyers amounted to P3,281,608, P4,444,906, and P2,475,754 in 2017, 2016 and 2015, respectively are reported as part of Other Operating Income in the statements of profit or loss (see Note 20.1).

18. COST OF SALES AND SERVICES

Components of costs of sales and services are analyzed below (see also Note 19).

	<u>Consolidated</u>		Parent Company
	<u>2017</u>	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
Cost of real estate sales:			
Actual costs	P1,700,330,211	P 804,892,468	P 536,062,042
Estimated costs	<u>166,052,974</u>	<u>302,283,254</u>	<u>44,053,371</u>
	<u>1,866,383,185</u>	<u>1,107,175,722</u>	<u>580,115,413</u>
Cost of rental services:			
Depreciation	17,394,529	15,862,647	3,461,768
Real property taxes	<u>1,064,559</u>	<u>973,600</u>	<u>277,900</u>
	<u>18,459,088</u>	<u>16,836,247</u>	<u>3,739,668</u>
Cost of management services:			
Salaries and wages	<u>847,243</u>	<u>22,680</u>	<u>-</u>
	<u>P1,885,689,516</u>	<u>P1,124,034,649</u>	<u>P 583,855,081</u>

Cost of real estate sales are further broken down as follows:

	<u>Consolidated</u>		Parent Company
	<u>2017</u>	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
Contracted services	P1,207,559,183	P 716,348,187	P 433,136,332
Land cost	628,610,135	372,904,067	143,651,321
Borrowing costs	28,371,386	16,830,472	3,327,760
Other costs	<u>1,842,481</u>	<u>1,092,996</u>	<u>-</u>
	<u>P1,866,383,185</u>	<u>P1,107,175,722</u>	<u>P 580,115,413</u>

19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below:

	Notes	<u>Consolidated</u>		Parent
		<u>2017</u>	2016 (As Restated - See Note 2)	Company 2015 (As Restated - See Note 2)
Contracted services	18	P1,207,559,183	P 716,348,187	P 433,136,332
Land cost	18	628,610,135	372,904,067	143,651,321
Salaries and employee benefits	21.1	156,240,895	94,070,907	72,896,822
Commissions		84,142,327	61,497,077	72,539,570
Advertising		73,127,833	43,601,475	26,610,546
Depreciation and amortization	11, 12, 14	49,370,004	31,307,074	12,546,762
Taxes and licenses		35,538,374	34,649,272	21,383,557
Interest	7, 18, 20.2	28,371,386	16,830,472	3,327,760
Donations		22,850,641	4,118,240	16,891,709
Professional and legal fees		18,937,469	13,042,750	4,853,281
Transportation and travel		16,393,312	8,604,697	3,650,314
Rent	23.3, 26.2	11,959,694	5,934,124	1,689,668
Utilities		8,440,916	7,210,755	5,008,028
Insurance		6,940,446	4,660,057	4,017,422
Representation and entertainment		6,255,182	10,530,312	4,547,290
Supplies		5,343,017	3,029,883	2,019,768
Repairs and maintenance		4,868,649	3,702,214	4,035,967
Communications		4,121,488	1,901,850	1,808,888
Security services		3,747,659	2,419,546	1,363,586
Fuel and lubricants		2,156,116	1,390,283	1,497,101
Penalties		272,672	10,187,686	8,391,563
Trainings and seminars		385,565	678,316	595,228
Impairment loss	6	-	2,404,889	-
Others		23,574,467	8,819,879	5,953,690
		<u>P2,399,207,430</u>	<u>P1,459,844,012</u>	<u>P 852,416,173</u>

A portion of donations in 2015 pertains to donation to Habitat for Humanity, an accredited non-government organization, which focuses on building houses for the average and low income earners in urban and rural areas.

Interest pertains to those that were initially capitalized as part of real estate inventory but expensed when the related asset was sold.

The expenses are classified in the statements of profit or loss as follows:

		<u>Consolidated</u>		Parent Company
		2017	2016	2015
	Note		(As Restated - See Note 2)	(As Restated - See Note 2)
Cost of sales and services	18	P 1,885,689,516	P 1,124,034,649	P 583,855,081
Operating expenses		<u>513,517,914</u>	<u>335,809,363</u>	<u>268,561,092</u>
		<u>P 2,399,207,430</u>	<u>P 1,459,844,012</u>	<u>P 852,416,173</u>

20. OTHER OPERATING INCOME, FINANCE COSTS AND FINANCE INCOME

20.1 Other Operating Income

This account is composed of the following:

		<u>Consolidated</u>		Parent Company
	Note	2017	2016	2015
Reversal of payables		P 14,650,062	P 5,673,748	P 2,534,344
Administrative charges		5,693,135	3,806,725	4,342,064
Reservation fees foregone	17	3,281,608	4,444,906	2,475,754
Late payment penalties charged to customers		1,524,971	1,322,193	1,882,341
Documentation fee		1,356,339	1,123,866	-
Water income		925,514	-	-
Referral incentive		112,056	107,890	-
Others		<u>892,092</u>	<u>670,742</u>	<u>1,777,569</u>
		<u>P 28,435,777</u>	<u>P 17,150,070</u>	<u>P 13,012,072</u>

Reversal of payables pertains to recoveries from cancelled contracts with certain building contractors.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

20.2 Finance Costs

This is composed of the following:

	Notes	<u>Consolidated</u>		Parent Company 2015
		<u>2017</u>	<u>2016</u>	
Interest expense on:				
Loans	15	P 19,247,371	P 13,757,757	P 7,431,405
Post-employment defined benefit obligation	21.2	97,922	92,178	135,775
Day one loss, net of amortization of non-current contracts receivables	6	11,589,073	2,319,730	2,381,803
Bank charges		<u>430,287</u>	<u>402,413</u>	<u>309,052</u>
		<u>P 31,364,653</u>	<u>P 16,572,078</u>	<u>P 10,258,035</u>

Interest expense on loans is the portion not capitalized as part of real estate inventory (see Notes 7 and 15).

20.3 Finance Income

This is composed of the following:

	Notes	<u>Consolidated</u>		Parent Company 2015
		<u>2017</u>	<u>2016</u>	
Bank deposits	5	P 5,198,995	P 477,973	P 342,282
In-house financing	6	<u>-</u>	<u>-</u>	<u>24,134</u>
		<u>P 5,198,995</u>	<u>P 477,973</u>	<u>P 366,416</u>

20.4 Other Losses

This is composed of the following:

	Note	<u>Consolidated</u>		Parent Company 2015
		<u>2017</u>	<u>2016</u>	
Equity in net losses of associates and joint ventures	12	P 16,487,226	P 10,307,539	P -
Foreign exchange loss		448,040	-	-
Loss on sale of asset		<u>-</u>	<u>1,590,172</u>	<u>-</u>
		<u>P 16,935,266</u>	<u>P 11,897,711</u>	<u>P -</u>

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 19) are presented below.

		<u>Consolidated</u>		Parent Company
	Notes	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits		P 153,858,148	P 92,591,011	P 71,013,644
Post-employment defined benefit	20.2	<u>2,382,747</u>	<u>1,479,896</u>	<u>1,883,178</u>
	19	<u>P 156,240,895</u>	<u>P 94,070,907</u>	<u>P 72,896,822</u>

21.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

Starting 2015, the Parent Company maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Parent Company. The trustee bank manages the fund in coordination with the Parent Company's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Parent Company's BOD. Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	<u>2017</u>	<u>2016</u>
Present value of the obligation	P 23,664,131	P 14,178,215
Fair value of plan assets	<u>(12,300,617)</u>	<u>(12,072,357)</u>
	<u>P 11,363,514</u>	<u>P 2,105,858</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 14,178,215	P 12,023,696
Current service cost	2,382,747	1,479,896
Interest cost	659,287	439,166
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	3,356,230	193,880
Changes in demographic assumptions	(836,418)	(-)
Experience adjustments	<u>3,924,070</u>	<u>41,577</u>
Balance at end of year	<u>P 23,664,131</u>	<u>P 14,178,215</u>

The movements in the fair value of plan assets are presented below.

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	P 12,072,357	P 7,000,000
Contributions to the plan	-	5,000,000
Interest income	561,365	346,988
Return on plan assets (excluding amounts included in net interest)	(<u>333,105</u>)	(<u>274,631</u>)
Balance at end of year	<u>P 12,300,617</u>	<u>P 12,072,357</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	P 3,538,496	P 7,370
Government securities - AFS	5,408,812	-
Unitized investment funds - AFS	<u>3,353,309</u>	<u>12,064,987</u>
	<u>P 12,300,617</u>	<u>P 12,072,357</u>

The fair values of the above unitized investment funds are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations. The plan assets recognized a return of P0.23 million, P0.07 million and nil in 2017, 2016 and 2015, respectively.

The components of amounts recognized in profit or loss and in other comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows:

	<u>Consolidated</u>		Parent Company
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Recognized in profit or loss:</i>			
Current service cost	P 2,382,747	P 1,479,896	P 1,883,178
Interest expense on defined benefit obligation	<u>97,922</u>	<u>92,178</u>	<u>135,775</u>
	<u>P 2,480,669</u>	<u>P 1,572,074</u>	<u>P 2,018,953</u>
<i>Recognized in other comprehensive income (loss):</i>			
Actuarial losses (gains) arising from changes in:			
Financial assumptions	(P 3,356,230)	(P 193,880)	(P 61,610)
Experience adjustments	(3,924,070)	(41,577)	(8,438,481)
Demographic assumptions	836,418	-	1,232,746
Return on plan assets (excluding amounts included in net interest expense)	(333,105)	(274,631)	-
	<u>(P 6,776,987)</u>	<u>(P 510,088)</u>	<u>(P 7,267,345)</u>

The net interest expense is included in Finance Costs in profit or loss (see Note 20.2).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Discount rates	5.70%	4.65%	4.87%
Salary increase rates	10.00%	5.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 23.7 both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are follows.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	<u>Impact on Post-employment Defined Benefit Obligation</u>		
	<u>Changes in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
December 31, 2017			
Discount rate	+/-1.00%	(P 1,364,439)	P 1,636,838
Salary increase rate	+/-1.00%	1,326,838	(1,123,746)
December 31, 2016			
Discount rate	+/-1.00%	(P 826,464)	P 976,361
Salary increase rate	+/-1.00%	860,034	(745,001)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P32,334,536 and P5,675,494 for the years ended December 31, 2017 and 2016, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-Liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Expected Contributions and Funding Arrangements

The Group does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	<u>2017</u>	<u>2016</u>
Within one year	P 15,403,796	P 4,185,287
More than one year to five years	6,427,619	6,677,251
More than five years to ten years	<u>6,635,637</u>	<u>9,585,557</u>
	<u>P 28,467,052</u>	<u>P 20,448,095</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.3 years.

22. CURRENT AND DEFERRED TAXES

The components of tax expense (income) relating to profit or loss and other comprehensive loss (income) are as follows:

	<u>Consolidated</u>		Parent Company
	2017	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 76,606,861	P 60,371,054	P 32,980,982
Final tax at 20% and 7.5%	<u>533,505</u>	<u>52,965</u>	<u>57,345</u>
	<u>77,140,366</u>	60,424,019	33,038,327
Deferred tax expense relating to origination and reversal of temporary differences	<u>142,655,596</u>	<u>56,047,728</u>	<u>21,515,050</u>
	<u>P 219,795,962</u>	<u>P 116,471,747</u>	<u>P 54,553,377</u>
<i>Reported in other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>(P 1,583,096)</u>	<u>P 896,974</u>	<u>(P 1,130,203)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	<u>Consolidated</u>		Parent Company
	2017	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)
Tax on pretax profit at 30%	P 454,437,079	P 269,040,209	P 144,120,973
Adjustments for income subject to lower tax rate	(1,026,022)	(47,920)	(45,340)
Tax effects of:			
Pre-tax profit of exempt sales	(36,558,067)	(66,288,720)	(155,841,727)
Non-deductible expenses	7,904,118	9,928,817	3,881,253
Changes in net-operating loss carry-over	2,893,169	-	-
Timing difference from tax exempt real estate sales	(209,235,271)	(96,160,639)	62,438,218
Tax expense	<u>P 219,795,962</u>	<u>P 116,471,747</u>	<u>P 54,553,377</u>

The net deferred tax liability relates to the following as of December 31:

	<u>2017</u>	<u>2016</u> (As Restated - See Note 2)
Deferred tax assets:		
Allowance for impairment	P 812,308	P 812,308
Post-employment benefit obligation	3,409,053	631,755
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	(242,756,617)	(99,356,819)
Change in fair value of AFS financial assets	(2,706,600)	(2,256,600)
	(P 241,241,856)	(P 100,169,356)

The components of deferred tax expense (income) are as follows:

	<u>Statements of Profit or Loss</u>					
	<u>2017</u>	2016 (As Restated - See Note 2)	2015 (As Restated - See Note 2)	<u>Statements of Comprehensive Income</u>		
				<u>2017</u>	<u>2016</u>	<u>2015</u>
Deferred tax assets:						
Allowance for impairment	P -	P 812,308	P -	P -	P -	P -
Post-employment benefit obligation	744,202	(1,028,378)	(1,494,315)	2,033,097	153,026	2,180,203
Deferred tax liabilities						
Difference between tax reporting base and financial reporting base used in sales recognition	(143,399,798)	(55,831,658)	(20,020,735)	-	-	-
Changes in fair value of AFS	-	-	-	(450,000)	(1,050,000)	(1,050,000)
Deferred Tax Income (Expense)	(P 142,655,596)	(P 56,047,728)	(P 21,515,050)	P 1,583,097	(P 896,974)	P 1,130,203

The Parent Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. CPH, CPM, ASF, BL Ventures and YES are not yet subject to MCIT. No MCIT was reported in 2017, 2016 and 2015 as the RCIT of the Parent Company was higher than MCIT in the years presented.

The Group opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34(b) of the NIRC; hence, there are no deferred taxes related to the transaction.

The Group opted to claim itemized deductions in computing their income tax due for the years ended December 31, 2017, 2016 and 2015.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, unconsolidated joint ventures, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.20.

A summary of the Group's transactions and outstanding balances with related parties is presented below.

	Notes	Amount of Transaction			Outstanding Balance	
		Consolidated		Parent Company	2017	2016
		2017	2016	2015		
Shareholders						
Advances to	23.1	P -	(P 130,233,234)	(P 4,448,704)	P -	P -
Advances from	23.2	-	(3,133,857)	(3,570,526)	-	-
Rental	23.3	-	-	339,916	-	-
Sale of property	23.4	-	32,272,232	28,000,000	-	-
Transfer of rights	23.5	-	-	1,050,000	-	-
Sale of condominium	23.7	158,359,074	-	-	149,339,940	-
Entities under Common Ownership						
Net collections	23.1	(6,411,964)	(20,242,632)	(15,926,760)	17,830,025	24,241,989
Associates						
Advances to (collections)	23.1	68,101,812	39,297	-	68,141,109	39,297
Joint Ventures						
Advances to	23.1	4,030,074	2,457,936	-	6,488,010	2,457,936
Sale of property	23.4	49,491,000	45,642,857	-	47,016,450	48,837,857
Key Management Personnel						
Sale of real estate	23.8	80,834,073	48,703,620	29,524,677	91,515,291	48,933,991
Compensation	23.8	85,886,192	22,590,730	21,286,486	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2017 and 2016. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash or offsetting of accounts within one year from end of the reporting period.

Details of the transactions follow.

23.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership, associates and joint ventures. An analysis of such advances in 2017 and 2016 is presented below.

	Shareholders	Entities under common ownership	Associates	Joint Ventures	Total
Balance at January 1, 2017	P -	P 24,241,989	P 39,297	P 2,457,936	P 26,739,222
Collections	-	(8,880,464)	(8,904,496)	(2,457,936)	(20,242,896)
Additional advances	-	<u>2,468,500</u>	<u>77,006,308</u>	<u>6,488,010</u>	<u>85,962,818</u>
Balance at December 31, 2017	<u>P -</u>	<u>P 17,830,025</u>	<u>P 68,141,109</u>	<u>P 6,488,010</u>	<u>P 92,459,144</u>
Balance at January 1, 2016	P 130,233,234	P 44,484,621	P -	P -	P 174,717,855
Collections	(243,147,126)	(17,096,247)	(250,859)	-	(260,494,232)
Additional advances	90,205,427	19,562,080	290,156	2,457,936	112,515,599
Reclassification	<u>22,708,465</u>	(<u>22,708,465</u>)	-	-	-
Balance at December 31, 2016	<u>P -</u>	<u>P 24,241,989</u>	<u>P 39,297</u>	<u>P 2,457,936</u>	<u>P 26,739,222</u>

23.2 Advances from Related Parties

In prior years, the Parent Company obtained cash advances from ABS for working capital purposes. Net payments to this cash advances amounting to nil, P3,133,857 and P3,570,526 in 2017, 2016 and 2015, respectively. There is no outstanding balance as of December 31, 2017 and 2016 relating to this transaction.

23.3 Rental of Office Space

ABS has been charging the Parent Company for its usage of a portion of the office compound owned by the former (see Note 26.2). Rent expense incurred in 2015 amounted to P339,916. This is shown as part of rent expense which is presented under Operating Expenses in the statements of profit or loss (see Notes 19 and 26.2). The lease ended in 2015.

23.4 Sale and Purchase of Property

In 2017, the Parent Company sold a parcel of land at a selling price of P49,491,000 to MGR, a related party (see Note 7). The sale was recorded as part of Sale of Real Estate in the consolidated statement of profit or loss. As at December 31, 2017, the outstanding balance from this sale transaction amounted to P47,016,450.

In 2016, the Parent Company sold a parcel of land and condominium units in cash to ABS with a total contract price of P32,272,232. The Parent Company realized a net gain of these transactions with ABS amounting to P4,762,807 and are presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Note 12). In addition, the Parent Company sold a parcel of land in cash to BL Ventures with a selling price of P45,642,857 (see Notes 7 and 13). The sale was recorded as part of Sale of Real Estate in the consolidated statement of profit or loss for the year ended December 31, 2016 and the outstanding receivable of P48,837,857 is recorded as part of Contracts Receivables under the Receivables account in the 2016 consolidated statement of financial position (see Note 6).

In 2015, ABS sold a parcel of land to the Parent Company with a contract price of P28,000,000 for a future project. The said transaction resulted in a decrease in advances to related parties because advances from a related party corresponding to the contract price is applied as payment for the asset.

23.5 Transfer of Acquired Rights

In January 2015, the Parent Company transferred to ABS for P1,050,000, payable in the year of transfer, all of its acquired rights from its acquisition of a franchise of a coffee company in 2014.

There is no outstanding balance pertaining to this transaction as at December 31, 2017 and 2016 and there is no similar transaction in 2017 and 2016.

23.6 Parent Company Loans Secured by Stockholders' Properties

Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders of the Parent Company at no cost to the Group (see Note 15).

23.7 Sale of Real Estate to Ultimate Parent Company

In 2017, CLI sold to condominium units to ABS totaling P158,359,074. The outstanding balance related to this transaction amounted to P149,339,940 as at December 31, 2017 and is presented as part of Contracts Receivable under the Receivable account in the 2017 consolidated statement of financial position (see Note 6).

23.8 Sale of Real Estate to Key Management Personnel

In 2017, 2016 and 2015, the Parent Company sold condominium units totaling P80,834,073, P48,703,620 and P29,524,677, respectively, to key management personnel. Outstanding balance related to these transactions amounts to P91,515,291 and P48,933,991 as at December 31, 2017 and 2016, respectively. These are presented as part of Contracts Receivables under the Receivables account in the statements of financial position (see Note 6).

23.9 Key Management Personnel Compensation

The composition of compensation of key management personnel for the years ended December 31, 2017, 2016 and 2015 is shown below.

	<u>Consolidated</u>		Parent Company
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Short-term benefits	P 83,813,957	P 21,761,025	P 15,778,448
Post-employment benefits	<u>2,072,235</u>	<u>829,705</u>	<u>5,508,038</u>
	<u>P 85,886,192</u>	<u>P 22,590,730</u>	<u>P 21,286,486</u>

23.10 Retirement Fund

The Parent Company's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2017 and 2016 consists of the contributions to the plan and interest earned (see Note 21.2). The plan assets do not comprise investment in any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

24. EQUITY

24.1 Capital Stock

On July 1, 2016, the stockholders and BOD of the Parent Company approved the proposed increase in authorized capital stock of the Parent Company, including a stock split on its existing unissued shares and outstanding capital stock, which was approved by the SEC on October 24, 2016. The stock split was made to effect by reducing the P100 par value per share of common stock and preferred stock to P1.0 per share and P0.10 per share, respectively. Upon approval by the SEC, the authorized common stock of the Parent Company increased from P1,000,000,000 divided into 10,000,000 shares at P100 par value to P2,400,000,000 divided into 2,400,000,000 shares at P1 par value. Its preferred stock remained the same at P100,000,000 but increased in number of shares from 1,000,000 shares to 1,000,000,000 shares at P0.10 par value per share. There are no issued and outstanding preferred shares as at December 31, 2017 and 2016.

As disclosed in Note 1.1, the Parent Company made successful IPO of 430 million unissued common shares at an offer price of P5 on June 2, 2017. Accordingly, the Group recognized additional paid-in capital of P1,608,917,974 after deducting related issuance costs of P111,082,026 in the 2017 consolidated statement of financial position.

The share price closed at P4.88 per share on December 29, 2017, the last trading day in 2017.

The Group has no other listed securities as at December 31, 2017 and 2016.

An analysis of the common stock is shown below.

	Shares		Amount	
	2017	2016	2017	2016
Authorized - P1 par value				
Balance at beginning of year	2,400,000,000	10,000,000	P 2,400,000,000	P 1,000,000,000
Increase during the year:				
Stock split	-	990,000,000	-	-
Regular increase	-	1,400,000,000	-	1,400,000,000
Balance at end of year	<u>2,400,000,000</u>	<u>2,400,000,000</u>	<u>P 2,400,000,000</u>	<u>P 2,400,000,000</u>
Issued				
Balance at beginning of year	1,284,000,000	800,000,000	P 1,284,000,000	P 800,000,000
Issued during the year	<u>430,000,000</u>	<u>484,000,000</u>	<u>430,000,000</u>	<u>484,000,000</u>
Balance at end of year	<u>1,714,000,000</u>	<u>1,284,000,000</u>	<u>1,714,000,000</u>	<u>1,284,000,000</u>
Subscribed				
Balance at beginning of year	-	84,000,000	-	84,000,000
Issued during the year	-	(84,000,000)	-	(84,000,000)
Balance at end of year	-	-	-	-
Less subscription receivable				
Balance at beginning of year	-	-	-	46,310,000
Collection during the year	-	-	-	(46,310,000)
Balance at end of year	-	-	-	-
			<u>P 1,714,000,000</u>	<u>P 1,284,000,000</u>

As at December 31, 2017 and 2016, the Parent Company has 12 (including nominee accounts) and 7 stockholders, respectively, owning 100 or more shares each of the Parent Company's capital stock.

The shares held under nominee accounts totaled 708,126,800 shares or 41% of the Parent Company's issued and outstanding shares as of December 31, 2017.

24.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	Post-employment Defined Benefit Obligation	AFS Financial Assets	Total
Balance as of January 1, 2017		(P 5,890,602)	P 5,265,400	(P 625,202)
Loss on remeasurement of post-employment defined benefit obligation	21.2	(6,776,987)	-	(6,776,987)
Fair value gains on AFS financial assets	10	-	1,500,000	1,500,000
Other comprehensive income (loss) before tax		(6,776,987)	1,500,000	(5,276,987)
Tax income (expense)	22	2,033,096	(450,000)	1,583,096
Other comprehensive income (loss) after tax		(4,743,891)	1,050,000	3,693,891
Balance as of December 31, 2017		(P 10,634,493)	P 6,315,400	(P 4,319,093)
Balance as of January 1, 2016		(P 5,533,540)	P 2,815,400	(P 2,718,140)
Loss on remeasurement of post-employment defined benefit obligation	21.2	(510,088)	-	(510,088)
Fair value gains on AFS financial assets	10	-	3,500,000	3,500,000
Other comprehensive income (loss) before tax		(510,088)	3,500,000	2,989,912
Tax income (expense)	22	153,026	(1,050,000)	896,974
Other comprehensive income (loss) after tax		(357,062)	2,450,000	2,092,938
Balance as of December 31, 2016		(P 5,890,602)	P 5,265,400	(P 625,202)
Balance as of January 1, 2015		(P 446,398)	P 365,400	(P 80,998)
Loss on remeasurement of post-employment defined benefit obligation	21.2	(7,267,345)	-	(7,267,345)
Fair value gains on AFS financial assets	10	-	3,500,000	3,500,000
Other comprehensive income (loss) before tax		(7,267,345)	3,500,000	(3,767,345)
Tax income (expense)	22	2,180,203	(1,050,000)	1,130,203
Other comprehensive income (loss) after tax		(5,087,142)	2,450,000	2,637,142
Balance as of December 31, 2015		(P 5,533,540)	P 2,815,400	(P 2,718,140)

24.3 Retained Earnings

There were no cash dividend declarations in 2017. Details of the Company's cash dividend declarations for 2016 and 2015 are as follows:

2016			
Date of Declaration	Date of Record	Date of Payment	Amount Declared and Paid
April 1, 2016	March 31, 2016	April 20, 2016	P 20,000,000
September 2, 2016	August 31, 2016	September 14, 2016	52,943,457
September 16, 2016	September 15, 2016	September 21, 2016	38,150,000
October 7, 2016	September 30, 2016	October 11, 2016	15,000,000
November 22, 2016	November 21, 2016	November 24, 2016	650,000,000
December 2, 2016	December 1, 2016	December 9, 2016	40,000,000
December 2, 2016	December 1, 2016	December 9, 2016	<u>40,000,000</u>
			<u>P 856,093,457</u>
2015			
Date of Declaration	Date of Record	Date of Payment	Amount Declared and Paid
March 6, 2015	February 28, 2015	March 19, 2015	P 42,000,000
June 5, 2015	June 15, 2015	July 1, 2015	60,000,000
October 2, 2015	October 15, 2015	October 28, 2015	50,000,000
December 4, 2015	December 15, 2015	December 17, 2015	<u>50,000,000</u>
			<u>P 202,000,000</u>

The BOD of the Parent Company also approved the declaration of P300,000,000 stock dividends on December 15, 2015 to stockholders on record as at December 15, 2015. There were no similar transactions in 2017 and 2016.

24.4 Non-controlling Interests

The non-controlling interest presented in the consolidated financial statements as of and for the year ended December 31, 2017 came from BL Ventures and YES. The movements of this account for the year is presented below.

	<u>BL Ventures</u>	<u>YES</u>	<u>Total</u>
Share in net assets when control was obtained	P 9,716,889	P 5,781,778	P 15,498,667
Issuance of shares of stock to non-controlling shareholder	-	76,933,842	76,933,842
Share in net income (loss) during the year	<u>9,121,773</u>	<u>(7,648,924)</u>	<u>1,472,849</u>
	<u>P 18,838,662</u>	<u>P 75,066,696</u>	<u>P 93,905,358</u>

25. EARNINGS PER SHARE

EPS is computed as follows:

	Consolidated		Parent Company 2015
	2017	2016 (As Restated - See Note 2)	(As Restated - See Note 2)
Income available to common stockholders	P1,293,521,453	P 780,328,949	P 425,849,866
Divided by weighted average number of outstanding common stock	<u>1,499,000,000</u>	<u>854,333,333</u>	<u>800,000,000</u>
Basic and diluted EPS	<u>P 0.86</u>	<u>P 0.91</u>	<u>P 0.53</u>

There were no other instruments that could potentially dilute basic earnings per share for years ended December 31, 2017, 2016 and 2015; hence, basic EPS is the same as diluted EPS.

26. COMMITMENTS AND CONTINGENCIES

26.1 Operating Lease Commitments - Group as Lessor

The Group is a lessor under several operating leases covering investment properties (see Note 12). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	Consolidated		Parent Company 2015
	2017	2016	2015
Within one year	P 42,122,337	P 38,815,164	P 17,238,379
After one year but not more than five years	84,734,739	117,480,689	68,353,871
More than five years	<u>-</u>	<u>9,580,865</u>	<u>18,537,375</u>
	<u>P 126,857,076</u>	<u>P 165,876,718</u>	<u>P 104,129,625</u>

Rental income amounted to P45,647,337, P38,870,444 and P12,555,220 in 2017, 2016 and 2015, respectively (see Note 12).

26.2 Operating Lease Commitments - Group as Lessee

In 2015 and prior years, ABS has been charging the Parent Company for its usage of a portion of the office compound owned by the former (see Note 23.3). The commitment is covered by a lease contract for a period of 12 months, subject to renewal. No further renewal was made after 2015.

The Group entered several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P11,959,964, P5,934,124 and P1,689,668 in 2017, 2016 and 2015, respectively, and is shown as rent under Operating Expenses in the statements of profit or loss (see Notes 19 and 23.3).

26.3 Completion of Sold Units

The Group is obligated to finish the sold units that are at a certain stage of completion at the time of sale. An accrual for estimated costs to complete amounting to P792,219,041 and P267,029,632 as at December 31, 2017 and 2016, respectively, is recorded as Reserve for Property Development in the statements of financial position (see Note 7).

26.4 Purchase of Land

As at December 31, 2017 and 2016, the Group had agreed in principle with sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land and for which the Group has made advance payments totalling P1,076,625,881 and P259,897,127, respectively (see Note 8). The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

26.5 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As at December 31, 2017 and 2016, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 28. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

The Group has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

The Group has no significant interest rate risk exposure as most of its interest-bearing financial assets and liabilities bear fixed interest rates.

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from loans and receivables from selling goods and services to customers, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	<u>2017</u>	2016 (As Restated - See Note 2)
Cash and cash equivalents	5	P 1,206,337,790	P 90,372,743
Receivables - net	6	4,139,988,087	1,998,572,768
Advances to related parties - net	23	92,459,144	26,739,222
Refundable deposits	14	<u>23,829,166</u>	<u>21,256,293</u>
		<u>P 4,256,276,397</u>	<u>P 2,136,941,026</u>

Receivables - net excludes advances to subcontractors and advances to officers and employees.

Certain financial assets of the Group are secured by collateral or other credit enhancements as discussed below.

The Group's management determined that all the foregoing financial assets that are not impaired or past due for each reporting dates are of good credit quality.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Receivables and Advances to Related Parties*

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. Receivables consist of a large number of customers. Moreover, certain receivables from trade customers are covered by post-dated checks. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good. Advances to related parties are collectible on demand.

Summarized below are the financial assets as at December 31, 2017 and 2016 that are past due (all of which are receivables) but unimpaired.

	<u>2017</u>	<u>2016</u>
Not more than 30 days	P 2,048,566	P 990,014
More than 30 days but not more than 60 days	2,101,178	996,835
More than 60 days but not more than 90 days	1,816,961	783,530
More than 90 days but not more than 120 days	1,211,794	638,668
More than 120 days	<u>4,473,695</u>	<u>3,748,761</u>
	<u>P 11,652,194</u>	<u>P 7,157,808</u>

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. It maintains sufficient cash to meet its liquidity requirements. Excess cash are invested in short-term placements.

As at December 31, 2017, the financial liabilities have contractual maturities which are presented below.

	<u>Current</u>		<u>Non-current</u>	
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
Interest-bearing loans	P 806,944,583	P 411,119,460	P2,548,293,300	P 262,005,294
Trade and other payables	<u>1,324,646,136</u>	<u>-</u>	<u>73,026,936</u>	<u>-</u>
	<u>P2,131,590,719</u>	<u>P 411,119,460</u>	<u>P2,621,320,236</u>	<u>P 262,005,294</u>

Trade and other payables exclude government-related obligations, advance rentals and deferred output VAT and output VAT.

As at December 31, 2016, the financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
Interest-bearing loans	P 742,831,341	P 134,366,909	P1,607,692,392	P 141,172,694
Trade and other payables	<u>387,834,273</u>	<u>-</u>	<u>16,956,129</u>	<u>-</u>
	<u>P1,130,665,614</u>	<u>P 134,366,909</u>	<u>P1,624,648,521</u>	<u>P 141,172,694</u>

Trade and other payables exclude government-related obligations, advance rentals and deferred output VAT and output VAT.

The foregoing contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

28.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

Notes	2017		2016		
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,206,337,790	P 1,206,337,790	P 90,372,743	P 90,372,743
Receivables - net ¹	6	<u>4,139,988,087</u>	<u>4,139,988,087</u>	1,998,572,768	1,998,572,768
Advances to related parties	23.1	<u>92,459,144</u>	<u>92,459,144</u>	26,739,222	26,739,222
Refundable deposits	14	<u>23,829,166</u>	<u>23,829,166</u>	21,256,293	21,256,293
		<u>5,462,614,187</u>	<u>5,462,614,187</u>	2,136,941,026	2,136,941,026
AFS financial asset	10	<u>55,633,275</u>	<u>55,633,275</u>	54,133,275	54,133,275
		<u>P 5,518,247,462</u>	<u>P 5,518,247,462</u>	<u>P 2,191,074,301</u>	<u>P 2,191,074,301</u>
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans	15	P 3,687,692,218	P 3,687,692,218	P 2,392,039,193	P 2,392,039,193
Trade and other payables ²	16	<u>1,389,108,408</u>	<u>1,389,108,408</u>	404,790,402	404,790,402
		<u>P 5,076,800,626</u>	<u>P 5,076,800,626</u>	<u>P 2,796,829,595</u>	<u>P 2,796,829,595</u>

¹ Receivables - net excludes advances to subcontractors and advances to officers and employees.

² Trade and other payables excludes deferred output VAT and output VAT, government-related obligations and advance rental.

See Notes 2.6 and 2.12 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the Statements of financial position		Net amount
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	
December 31, 2017						
Cash and cash equivalents	<u>P 1,206,337,790</u>	<u>P -</u>	<u>P 1,206,337,790</u>	<u>P -</u>	<u>P -</u>	<u>P 1,206,337,790</u>
Receivables - net*	<u>P 4,139,988,087</u>	<u>P -</u>	<u>P 4,139,988,087</u>	<u>P -</u>	<u>P -</u>	<u>P 4,139,988,087</u>
December 31, 2016						
Cash and cash equivalents	<u>P 90,372,743</u>	<u>P -</u>	<u>P 90,372,743</u>	<u>(P 65,802,254)</u>	<u>P -</u>	<u>P 24,570,489</u>
Receivables - net*	<u>P 1,998,572,768</u>	<u>P -</u>	<u>P 1,998,572,768</u>	<u>P -</u>	<u>P -</u>	<u>P 1,998,572,768</u>

* Receivables - net excludes advances to subcontractors and advances to officers and employees.

The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		Net amount
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	
December 31, 2017						
Interest-bearing loans	<u>P 3,687,692,218</u>	<u>P -</u>	<u>P 3,687,692,218</u>	<u>P -</u>	<u>P -</u>	<u>P 3,687,692,218</u>
Trade and other payables*	<u>P 1,389,108,408</u>	<u>P -</u>	<u>P 1,389,108,408</u>	<u>P -</u>	<u>P -</u>	<u>P 1,389,108,408</u>
December 31, 2016						
Interest-bearing loans	<u>P 2,392,039,193</u>	<u>P -</u>	<u>P 2,392,039,193</u>	<u>(P 65,802,254)</u>	<u>P -</u>	<u>P 2,326,236,939</u>
Trade and other payables*	<u>P 404,790,403</u>	<u>P -</u>	<u>P 404,790,403</u>	<u>P -</u>	<u>P -</u>	<u>P 404,790,403</u>

* Trade and other payables exclude government-related obligations, income tax payable, advance rentals and deferred output VAT and output VAT.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

28.3 Fair Value Measurements and Disclosures

(a) Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b) Level 2: 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); and,
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2017 and 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
<i>Financial assets</i>				
Equity securities				
AFS financial assets	<u>P -</u>	<u>P 49,000,000</u>	<u>P 6,633,275</u>	<u>P 55,633,275</u>
<u>December 31, 2016</u>				
<i>Financial assets</i>				
Equity securities				
AFS financial assets	<u>P -</u>	<u>P 47,500,000</u>	<u>P 6,633,275</u>	<u>P 54,133,275</u>

There were no transfers from Level 2 to Level 3 and vice versa of the fair value hierarchy as of December 31, 2017 and 2016.

(c) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2017 and 2016 statements of financial position but for which fair value is disclosed.

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 1,206,337,790	P -	P -	P 1,206,337,790
Receivables - net	-	-	4,139,988,087	4,139,988,087
Advances to related parties	-	-	92,459,144	92,459,144
Refundable deposits	-	-	23,829,166	23,829,166
	<u>P 1,206,337,790</u>	<u>P -</u>	<u>P 4,256,276,397</u>	<u>P 5,462,614,187</u>
Financial liabilities				
Interest-bearing loans	P -	P -	P 3,687,692,218	P 3,687,692,218
Trade and other payables	-	-	1,389,108,408	1,389,108,408
	<u>P -</u>	<u>P -</u>	<u>P 5,076,800,626</u>	<u>P 5,076,800,626</u>
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 90,617,743	P -	P -	P 90,617,743
Receivables - net	-	-	1,998,572,768	1,998,572,768
Advances to related parties	-	-	26,739,222	26,739,222
Refundable deposits	-	-	21,256,293	21,256,293
	<u>P 90,617,743</u>	<u>P -</u>	<u>P 2,046,568,283</u>	<u>P 2,137,186,026</u>
Financial liabilities				
Interest-bearing loans	P -	P -	P 2,392,039,193	P 2,392,039,193
Trade and other payables	-	-	404,790,403	404,790,403
	<u>P -</u>	<u>P -</u>	<u>P 2,796,829,596</u>	<u>P 2,796,829,596</u>

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management considers that the carrying amounts of those short-term financial instruments are equal to or approximate their fair values.

(d) Fair Value Measurement for Non-financial Assets

The Parent Company has no non-financial assets measured at fair value as at December 31, 2017 and 2016.

Management considers the fair value of the Group's investment properties amounting to P983,012,000 and P667,894,000 as at December 31, 2017 and 2016, respectively (see Note 12).

The table below shows the Levels within the hierarchy of investment property.

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Investment property	<u>P -</u>	<u>P 983,012,000</u>	<u>P -</u>	<u>P 983,012,000</u>
December 31, 2016				
Investment property	<u>P -</u>	<u>P 667,894,000</u>	<u>P -</u>	<u>P 667,894,000</u>

In 2017 and 2016, the fair value of the Group's Investment Properties [see Note 3.2(i)] are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(a) Fair Value Measurement for Land, Condominium Units and Retail Buildings

The Level 2 fair value of the parcels of land, condominium units and retail building under Investment Properties account was determined using the market approach and income approach. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

Under the income approach, these uses valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

On the other hand, under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Improvements under Retail Buildings

The Level 2 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2017 and 2016.

29. 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:

	<u>2017</u>	2016 (As Restated - See Note 2)
Total liabilities	P 6,566,339,133	P 3,561,508,465
Total equity	<u>4,945,988,698</u>	<u>1,523,337,804</u>
Debt-to-equity ratio	<u>1.33</u>	<u>2.34</u>

The Group's goal in capital management is to maintain a maximum debt-to-equity structure ratio of 75:25 on a monthly basis (see Note 15). This is in line with the Parent Company's compliance with requirement of the BOI and banks.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. 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.

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years ended December 31, 2017 and 2016.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities (interest-bearing loans) arising from financing activities, which includes both cash and non-cash changes [see Notes 2.3(a)(i) and 15].

Balance as of January 1, 2017	P2,392,039,193
Cash flows from financing activities	
Proceeds of drawdowns	2,068,688,273
Repayments	(<u>773,035,248</u>)
Balance as of December 31, 2017	<u>P3,687,692,218</u>