



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, 2019**

\_\_\_\_\_  
(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, 2019**
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  
**10<sup>th</sup> 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
<b>COMMON SHARES</b>	<b>1,659,180,000</b>

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: **P2,207,534,980** as of December 31, 2019

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## **PART I – BUSINESS AND GENERAL INFORMATION**

### **Item 1 Business**

#### **Background**

Cebu Landmasters, Inc. was incorporated on September 26, 2003. On June 2, 2017, the Company was listed on the PSE with “CLI” as its ticker symbol. A total of 430,000,000 shares were issued and fully subscribed at ₱5.00 per share.

After 16 years of operations, the Company has diversified its portfolio to better match the myriad demands of the VisMin property sector. As of year-end 2019, CLI has a total of 65 projects in different stages of development which include 17 residential subdivisions, 25 residential condominiums, 5 offices, 6 hotels, 6 retail locations, 6 mixed-use and an estate development that was recently launched.

CLI opened its first hotel development in September 2019 and began to recognize a new stream of revenue from this promising segment. Citadines Cebu City, the 180-room condotel, is operated and managed by Ascott International Management Pte Ltd., one of the leading international lodging owner-operators. This is the first of several hotel developments being built by CLI that will be managed by Ascott and other world-renowned hotel operators.

In a recent 2019 study conducted by the market research firm, Santos Knight Frank, CLI leads the VisMin housing sector accounting for 12% of the total supply in aggregate for both vertical and horizontal developments. The research covers major cities of Metro Cebu, Dumaguete, Bacolod, Bohol, Iloilo, Davao, and Cagayan de Oro.

CLI continues to expand its land bank to support its expansion plans. As of December 31, 2019, the Company has a total of 1,245,485 sq.m. of developable land in 10 growth centers in Visayas and Mindanao.

During the 7th Annual Property Guru Philippines Property Awards on July 5, 2019, CLI was awarded as the Best Developer in the Philippines of 2019. Other honors were also given to the Company’s projects. 38 Park Avenue was named as the Best High-End Condominium Development in Cebu, Casa Mira Towers Labangon was awarded as the Highly Commended for Best Affordable Condominium Development in Cebu, and MesaTierra Garden Residences was named as the Best Condominium Development in Davao. CLI also received special recognition in corporate social responsibility.

CLI has several strategic land acquisitions lined up in greater Cebu, Bacolod, and Davao, with new expansion areas such as Iloilo, Butuan, and General Santos City also on the horizon.

#### **CLI Visayas – Mindanao Presence**

Since its incorporation, CLI has grown its portfolio to include residential subdivision and condominiums, offices, hotels, retail locations and recently, mixed-use and estate developments.

The Company designs its projects to meet the needs of different market segments. Its brands are carefully planned and priced to provide excellent value for the particular segment it serves.

The Premier Series includes projects such as Baseline Premier, 38 Park Avenue and Astra Center that are designed to meet the taste of the high-end market. The Garden Series projects, like Mivesa Garden Residences and Velmiro Heights cater to the middle market. The Casa Mira brand, on the other hand, is for the affordable housing segment and the Villa Casita brand is for the socialized housing market.

All of the Company’s projects are discussed in detail in the succeeding sections.

In 2018, CLI started to venture into larger scale developments with the launch of Davao Global Township (“DGT”), a 22-hectare estate located in Matina, Davao. Site development is ongoing and the first project on the site is scheduled for launch in 2020.

Aside from DGT, the Company has ongoing negotiations with land owners in Cebu, Bacolod and CDO for future estate projects.

The Company endeavors to sustain its growth momentum by launching 27 new projects in the next two years across Visayas and Mindanao.

#### Real estate development overview

As of the year-end 2019, CLI has a total of 65 projects in different stages of development. The company's projects are located in Cebu, Bacolod, Dumaguete CDO and Davao.

From a single residential project in 2003, Cebu Landmasters has diversified its product portfolio to Residential, Office, Hotel Retail and now estates. Likewise, CLI is also present in the different market levels, providing housing needs to the High-end, Middle, Economic and Socialized housing segment.

#### Completed projects

In 2019, Cebu Landmasters was able to complete and turnover Casa Mira south phase 2, MesaVerte Garden Residences towers. During the year, CLI opened its first hotel development in September 2019 and began to recognize a new stream of revenue from this promising segment. Citadines Cebu City, the 180-room condotel, is operated and managed by Ascott International Management Pte Ltd., one of the leading international lodging owner-operators. This is the first of several hotel developments being built by CLI that will be managed by Ascott and other world-renowned hotel operators.

The Company's 28 completed developments are a mix of vertical and horizontal residential projects, office, retail and its first hotel project, Citadines Cebu City. Below is a list of the Company's completed projects to date.

No .	Project	Location	Constructi on	Type	Use	No. of Units	Sold Units	Year of Completion
1	San Jose Maria Village – Balamban	Balamban, Cebu	Horizontal	Residential	Mid-Market	231	198	2006
2	San Jose Maria Village – Minglanilla	Minglanilla, Cebu	Horizontal	Residential	Mid-Market	145	145	2008
3	San Jose Maria Village – Talisay	Talisay City, Cebu	Horizontal	Residential	Mid-Market	96	96	2012
4	San Jose Maria Village – Toledo	Toledo City, Cebu	Horizontal	Residential	Mid-Market	144	98	2010
5	Villa Casita	Balamban, Cebu	Horizontal	Residential	Socialized Housing	101	100	2015
6	Midori Plains	Minglanilla, Cebu	Horizontal	Residential	Mid-Market	370	370	2014
7	Asia Premier Residences	Cebu City	Vertical	Residential	High-End	88	88	2012
8	Baseline Residences	Cebu City	Vertical	Residential	High-End	201	201	2013
9	Midori Residences	Mandaue City, Cebu	Vertical	Residential	Mid-Market	396	396	2014
10	Park Centrale Tower	Cebu City	Vertical	Office	Office	50	50	2015
11	Mivesa Garden Residences (Phase 1)	Cebu City	Vertical	Residential	Mid-Market	479	479	2016
12	Mivesa Garden Residences (Phase 2)	Cebu City	Vertical	Residential	Mid-Market	459	459	2016

13	Velmiro Heights (Phase 1)	Minglanilla, Cebu	Horizontal	Residential	Mid-Market	347	346	2016
14	Casa Mira Linao	Minglanilla, Cebu	Horizontal	Residential	Economic Housing	725	725	2016
15	Casa Mira Towers Labangon Tower 1	Labangon, Cebu	Vertical	Residential	Economic Housing	272	272	2018
16	Casa Mira Towers Labangon Tower 2	Labangon, Cebu	Vertical	Residential	Economic Housing	414	413	2019
17	Casa Mira South Phase 1A	Cebu City	Horizontal	Residential	Economic Housing	1753*	1568**	2018
18	Casa Mira South Phase 1B	Cebu City	Horizontal	Residential	Economic Housing			2018
19	Casa Mira South Phase 2A	Cebu City	Horizontal	Residential	Economic Housing			2019
20	Casa Mira South Phase 2B	Cebu City	Horizontal	Residential	Economic Housing			2019
21	MesaVerte Residences Tower 1	CDO	Vertical	Residential	Mid-Market	252	252	2019
22	MesaVerte Residences Tower 2	CDO	Vertical	Residential	Mid-Market	252	252	2019
23	Baseline Retail	Cebu City	Vertical	Retail	Retail	5,918 sq.m		2019
24	Citadines Cebu City	Cebu City	Vertical	Hotel	Hotel	81	81	2019
25	Base Line Center	Cebu City	Vertical	Mixed-Use	Mixed-Use	***	***	2019
26	Base Line HQ	Cebu City	Vertical	Office	Office	54	48	2019
27	Base Line Premier	Cebu City	Vertical	Residential	High-end	379	378	2019
28	MesaVerte Residences Tower 3	CDO	Vertical	Residential	Mid-Market	252	252	2019

Ongoing projects (under construction)

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

No.	Project	Location	Construction	Type	Use	No. of Units	Sold Units	Target Year of Completion
1	Base Line Prestige	Cebu City	Vertical	Residential	High-end	351	347	2023
2	Base Line Lyf	Cebu City	Vertical	Hotel	Hotel	153	***	2021
3	Astra Center	Mandaue City, Cebu	Vertical	Mixed-Use	Mixed-Use	**	**	2023
4	Astra Corporate Center	Mandaue City, Cebu	Vertical	Office	Office	15,906 sq.m		2023
5	Astra Lifestyle Mall	Mandaue City, Cebu	Vertical	Retail	Retail	13,464 sq.m		2022
6	Radisson Red	Mandaue City, Cebu	Vertical	Hotel	Hotel	146	***	2022
7	One Astra Place Residences 1	Mandaue City, Cebu	Vertical	Residential	High-end	478	456	2023
8	One Astra Place Residences 2	Mandaue City, Cebu	Vertical	Residential	High-end	533	188	2023
10	Mivesa Garden Residences (Phase 3)	Cebu City	Vertical	Residential	Mid-market	576	569	2020

11	MesaTierra Garden Residences	Davao City	Vertical	Residential	Mid-market	677	674	2021
12	Latitude Corporate Center	Cebu City	Vertical	Office	Office	54	54	2020
13	Casa Mira Coast	Cebu City	Horizontal	Residential	Economic Housing	543	543	2020
14	MesaVirre Building A	Bacolod City	Vertical	Residential	Mid-market	294	294	2021
15	MesaVirre Building B	Bacolod City	Vertical	Residential	Mid-market	442	440	2021
16	MesaVirre Building C	Bacolod City	Vertical	Residential	Mid-market	442	252	2023
17	38 Park Avenue Mixed-Use	Cebu City	Vertical	Mixed-Use	Mixed-Use	**	**	2022
18	38 Park Avenue	Cebu City	Vertical	Residential	High-end	756	745	2022
19	The Park @ 38 Park Avenue	Cebu City	Vertical	Retail	Retail	1,899 sq.m		2022
20	Casa Mira Towers Guadalupe Tower 1	Cebu City	Vertical	Residential	Economic Housing	544	544	2021
21	Velmiro Uptown CDO	CDO	Horizontal	Residential	Mid-Market	396	364	2021
22	Villa Casita Bogo	Bogo, Cebu	Horizontal	Residential	Socialized Housing	480	217	2020
23	Velmiro Plains Bacolod	Bacolod City	Horizontal	Residential	Mid-Market	342	48	2020
24	Casa Mira Bacolod	Bacolod City	Horizontal	Residential	Economic Housing	431	104	2023
25	Davao Global Township	Davao	Estate	Estate	Estate	**	**	
26	Paragon Center	Davao City	Vertical	Mixed-Use	Mixed-Use	6,650 sq.m.****		2023
27	One Paragon Convention center	Davao City	Vertical	Hotel	Hotel			2023
28	Paragon Retail	Davao City	Vertical	Retail	Retail			2022
29	Citadines Paragon	Davao City	Vertical	Hotel	Hotel	132*	59	2023
30	One Paragon Place	Davao City	Vertical	Residential	High-end	554	475	2022
31	Casa Mira Towers CDO Tower 1	CDO	Vertical	Residential	Economic Housing	542	430	2023
32	Casa Mira Towers CDO Tower 2	CDO	Vertical	Residential	Economic Housing	542	133	2023
33	Casa Mira Towers Mandaue Tower 1	Mandaue City, Cebu	Vertical	Residential	Economic Housing	821	487	2023
34	Patria de Cebu Retail	Cebu City	Vertical	Retail	Retail	5,186 sq.m.*****		2022
35	Patria de Cebu Office	Cebu City	Vertical	Office	Office			2022
36	Patria de Cebu Hotel	Cebu City	Vertical	Hotel	Hotel			2022
37	Citadines Bacolod	Bacolod City	Vertical	Hotel	Hotel	200	***	2022
38	Mivela Garden Residences Tower 1 to 4	Cebu City	Vertical	Residential	Mid-Market	1,536	1006	2022



Notes:

\*Citadines Paragon – 263 units of which 132 units are for sale; Citadines Cebu City – 180 units of which 81 units are for sale

\*\*Mixed-use – individual components already describe its respective number of units, hotel keys and gross leasable area

\*\*\*Not applicable as the project relates to pure hotel operations

\*\*\*\*Total for item #s 26 to 28s

\*\*\*\*\*Total for item #s 34 to 35

## **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 the leading residential developer in Visayas and Mindanao and it 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 on the other hand is priced within the range of P480,000 to P3 million. Meanwhile, to qualify as socialized housing, the housing units must be sold at a price not exceeding P480,000.

The list below categorizes the projects according to market segments:

### Horizontal (Subdivision) Projects:

- Socialized: Villa Casita Bogo, Villa Casita Balamban, Guadalupe Pinamalayan Socialized Housing Project
- Economic: Casa Mira Linao and Casa Mira South in Cebu, Casa Mira Coast in Dumaguete and Casa Mira Bacolod
- Mid-Market: San Jose Maria Villages, Midori Plains, Velmiro Heights in Cebu, Velmiro Greens Bohol, Velmiro Uptown CDO and Velmiro Plains Bacolod

### Vertical (Condominium) Projects:

- Economic : Casa Mira Towers Labangon, Casa Mira Towers Guadalupe and Casa Mira Mandaue in Cebu, Casa Mira Towers CDO
- Mid-Market : Midori Residences, Mivesa Garden Residences, MesaVerte Garden Residences CDO, MesaTierra Garden Residences Davao, MesaVirre Garden Residences Bacolod and Mivela Garden Residences
- 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 Balamban*

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 694 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. The project is completed and turnover to unit owners is currently on-going.

### *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.

### *Casa Mira Bacolod*

Casa Mira Bacolod is the 7th Casa Mira project of CLI with 431 house and lot units. The development offers generous open spaces and well-planned amenities where families can spend quality time together. With its accessible location, homeowners enjoy more the conveniences brought by business establishments, malls, schools, churches and major institutions. It also creates an ideal home space to suit your family's desired comfort.

### *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 ₱5.3 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.m 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

### *Casa Mira Towers Labangon*

Launched in 2016, this is CLI's primary venture 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. Construction for the development started in 2016 and completed in 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.

### *Casa Mira Towers Mandaue*

Launched in 2019, Casa Mira Towers Mandaue is a four-tower mid-rise condominium located in Marciano Quizon, St, Mandaue City, Cebu, walking distance to malls, schools and hotels. The project offers a mix of studio and one-bedroom units with prices ranging from ₱75,000 to ₱80,000 per square meter (sq.m). The 1<sup>st</sup> phase of the development is allocated with 659 units while 736 units is with the second phase. The project is expected to be delivered and turned over by 2022.

### *Casa Mira Towers CDO*

Located within the progressive city of Cagayan de Oro, Casa Mira towers CDO is a 2-tower residential condominium with 1,084 units offering an upgraded lifestyle for the Filipino family. The first tower was launched in the 2<sup>nd</sup> quarter of 2019 and is currently 80% sold out. Due to the robust take-up, tower 2 was opened in quarter 4 with 25% absorption rate as of December 31, 2019.

The development also has its own retail spaces on the ground floor area providing utmost convenience to its residents. With more space and more amenities, Casa Mira Towers CDO prides in giving its residents more value for their homes.

### *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 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 2<sup>nd</sup> quarter of 2020.

### *MesaVerte Residences*

Launched in 2015, this is CLI's initial 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. The development is fully sold and is completed with turn-over to unit owners on-going.

### *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 3<sup>rd</sup> 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 two towers consisting of 736 units is currently sold-out paving the way to launch the 3<sup>rd</sup> tower in the 2<sup>nd</sup> half of 2019. 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 2021.

### *Mivela Garden Residences*

Mivela Garden Residences is a 5.3 billion project with four towers located in Banilad, Cebu City. The Best-Selling Garden Series development has generated overwhelming buyer interest as it is 80 percent sold out after 3 weeks of selling. The project is close to major establishments providing urban comforts within near distance while maintaining its serene and refreshing ambiance. Construction immediately started and will be completed by the first half of 2023.

### *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 was completed in 2018.

### *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 sq.m, One-bedroom 54 to 56 sq.m, Two-bedroom 80 sq.m, Three-Bedroom 111 to 137 sq.m and the biggest units are the Penthouses 320 to 420 sq.m. The project is expected to be completed by the fourth quarter of 2021.

### *Baseline Prestige*

Located in Juana Osmena St., Kamputhaw Cebu City, this 3,600-sq m Residential Condominium the final tower to rise in the Base Line Center. With 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.

### *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 at 95% take-out that comes with a wide range of world-class amenities and features. During the last quarter of 2019, the second residential tower was launched with 35% take-up as of year-end. The development is scheduled to be completed on the 2nd Quarter of 2021.

### **Office development**

CLI capitalized on the growth of the BPO sector in Cebu when it launched its first office project, Park Centrale in IT Park Cebu way back in 2013. Today, Part of CLI's strategy is to significantly grow its recurring income projects to deliver 200,000 sq.m. of Gross leasable area in the next three to four years.

During 2019, the company turned over Base Line HQ located in prime Cebu City while construction is on-going for Latitude Corporate Center, a Grade A office tower at the Cebu Business Park with a GFA of 35,000 sq.m , Astra Corporate Center with 28,000 GFA and Patria de Cebu Office with 4,033 sq.m. of GFA.

Office Buildings: Park Centrale Tower, Base Line HQ, Latitude Corporate Center, Astra Corporate Center and Patria de Cebu Office

#### *Park Centrale Tower*

Park Centrale Tower is CLI's first office development. Located at the Cebu IT Park, the 19-storey Grade B 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. Sixty percent of the office spaces were offered for lease, while the rest were fully sold as office condo units. In 2014, the project was awarded as the Best Commercial Development (Cebu) during the 2014 Philippines Property Awards.

#### *Base Line HQ*

This project is the office component of the Base Line Center, a major mixed-used development of CLI. Similar to the company's successful Park Centrale, the said project also caters to both BPOs and executive offices. CLI offers for sale 60% of the 74 office units, while 40% was retained for the company's growing leasing business. The strategic location attracted customers in the medical, legal, government and outsourcing services.

#### *Latitude Corporate Center*

Latitude 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, Latitude 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.

#### *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 2023.

### *Patria de Cebu office*

In 2018, Cebu Landmasters announced its partnership through a 40-year lease with the Archdiocese of Cebu to develop and operate a mixed-use project in the 6,670 sq.m property. The project will be a redevelopment of the existing Patria de Cebu, an old Spanish establishment to accommodate hotel, retail and offices. It will have approximately 21,000 sq.m of gross floor area, with 4,400 sq.m of office spaces. The project is expected to be completed and fully operational by year 2022.

### **Hotel and recreational development**

Aside from residential and office developments, CLI has recently entered the hospitality business starting with the completion of its' first hotel, Citadines Cebu City in September 2019.

#### *Citadines Cebu City*

Citadines Cebu City started operations in September 2019. The project is is an international serviced residence with 180 rooms of which 92 units were offered for sale and 88 units is retained by the Company for recurring revenue. Citadines is part of the mixed-use Base Line Center located in Juana Osmeña St, Cebu City, Cebu. It complies with international hospitality standards as it operates under the management of The Ascott Limited, the world's largest international serviced residence owner-operator.

#### *Radisson Red*

Cebu Landmasters expands partnership with international hotel brands by signing a management contract with Radisson Hotel Group, one of the world's largest and most dynamic hotel groups, for the first Radisson RED in the Philippines. Radisson RED will be part of the Astra Centre, a major mixed-use development of the Cebu Landmasters, Inc. along A.S. Fortuna St. in Mandaue City, Cebu. The 146 guest rooms of Radisson RED, with its unique design and upscale select service offering, injects life into the hotel through informal services.

#### *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 Paragon Davao*

Located at General Douglas MacArthur 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 Paragon is set to open on 2023.

#### *Citadines Bacolod*

Citadines Bacolod will be the first internationally branded hotel of Bacolod managed by Ascott Limited, a member of CapitaLand, Singapore., The international hotel will provide 200 hotel units, an events hall, function rooms, meeting rooms, restaurants, bar and various hotel amenities within a 4,502 sq.m property. The project is scheduled to open and start contributing to hotel revenue by 2023.

The company is working on the following pipeline projects for its hotel portfolio: Patria de Cebu Hotel, Abaca Resort Mactan Cebu, Lowaii Hotel Cebu, CBP Hotel Cebu

### **Mixed-use developments and Townships**

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. The project was completed in 2019.

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, hotel and retail boulevard

In 2017, CLI launched another major mixed-used development, the 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.

Another mixed-use development by CLI is the Paragon Center, a joint venture project in Davao that was launched in 2018. The development comprises of the premier condominium, One Paragon Place, Citadines Davao Hotel, a convention center and a lifestyle retail strip.

CLI further entered into another joint venture to develop a central business district in Matina, Davao. The 22-hectare estate, called Davao Global Township will be developed into a large-scale self-contained community with office, residential, mall and institutional uses.

Mixed-Use and township Developments: Base Line Center, Astra Center, Park Avenue, Paragon Center and Davao Global Township

### **COMPETITIVE STRENGTHS**

#### **Leading property developer in Cebu with a distinguished brand and reliable track record of project execution**

CLI is the leading VisMin property developer from Cebu with extensive knowledge and experience of the local markets, a strong relationship with the local broker community, a trusted brand by its buyers and end-users, and a preferred partner of landowners as demonstrated by its successful JV partnerships.

CLI has 12% market share in the Visayas and Mindanao areas in terms of the total supply for residential units for both vertical and horizontal projects, followed by Ayala Land, Inc. (10%) and Vista Land (8%). This makes CLI the leading residential developer in Visayas and Mindanao.

CLI has responded well to the increasing market demands of VisMin, outpacing other developers in finishing construction and delivering completed units to its customers. On the average, CLI can convert raw land to a turned-over 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), Midori Residences, and Casa Mira Labangon were delivered to the buyers in two years, as committed by the Company in its marketing materials.

The Company adopted a rigorous project management team approach, wherein key personnel from each business unit are given a regular platform to monitor project milestones, and discuss important synergies and shared deliverables among business units.





**Strategic location selection to provide value-for-money proposition to customers**

CLI has stringent location selection criteria. The Company consistently seeks locations with high-value appreciation potential. Whether for a high-end condominium project or an economic housing project, CLI’s location selection has always been a driver for its outstanding sales performance. In Cebu City alone, CLI has projects in the most valuable real estate locations – Cebu IT Park, Cebu Business Park, Salinas Drive (Lahug), Astra Center (Mandaue), Base Line (midtown Cebu). For its mid-market and economic housing projects, the Company targets sites within a two-kilometer distance from the nearest highway. The Company has improved the neighborhood infrastructure around some of its housing projects. This has always proven to result in a win-win situation for both the residents and the neighboring community.

As a homegrown developer, CLI’s familiarity with the area and its communities enables the Company to choose the best locations for its developments and to address the needs and preferences of the market. CLI’s first development, San Jose Maria Village - Balamban, was conceived because the founder, Mr. Jose R. Soberano III, knew that there was a ready market composed of employees of the industrial companies in Balamban for affordable housing.

Because of CLI’s proven track record, landowners who wish to sell or develop their properties find it easier to approach and work together with the Company. This is evidenced by the number of proposals from landowners regularly received by CLI to buy or develop their properties.

CLI gives its clients more value for their investment. Its properties are distinguished by the quality of its locations, award-winning planning and design, generous amenities, timely and quality construction, and industry-best customer care, after-sales and property management support at very competitive prices. The Company has a strong pipeline in various affordability levels, and will strive to continuously improve its products’ value proposition. As a success criterion and as practiced, CLI has always projected its initial pre-selling prices to appreciate by at least 20-25% by the time the construction is completed. As an indication of the positive market response, a number of its projects have set selling records in the markets they are launched. 97% of the inventory from its completed projects have been sold out. CLI’s MesaVirre Garden Residences in Bacolod and Mivela Garden Residences in Cebu for example, were respectively 100% and 80% sold out in three weeks.

**Diversified portfolio of projects and socio-economic markets**

CLI caters to several real estate categories such as residential, offices, retail and hospitality.

The 2019 growth in revenue was mainly driven by its Garden Series, the brand catering to the mid-market segment, representing 37% of revenues. The Premier Series on the other hand posted the highest growth for the year particularly driven by 38 Park Avenue in Cebu.

Because of the Company’s diverse portfolio of projects addressing the needs of customers from all socio-economic classes, the Company should be less affected by negative economic trends that impact a certain segment of the market. The Company is also able to harness the full potential of the market with its capability to supply whatever the market demands.

## **Experienced management team and organizational culture**

The Company aims to grow its workforce in line with high standards of professionalism, as it has over the last 16 years. The Company has grown from two employees to a dynamic team of 415 executives, managers, officers and staff, who have contributed to the Company's culture of excellence and strong corporate governance values. CLI's customer-first attitude and family-oriented team enables the Company to achieve high stakeholder satisfaction and establish strong brand equity.

CLI is led by a family of real estate professionals. Its founder, Chairman of the Board of Directors, President and CEO Jose R. Soberano III, was a former executive at Ayala Land, where he played an integral role in the development of Cebu Business Park and Cebu IT Park, the two most valuable commercial districts in Cebu City up to this day. CLI has grown its talent pool with the addition of knowledgeable accounting, finance, sales, marketing, legal and engineering professionals with extensive experience and success in their respective professional careers. A number of CLI's key executives have had prior experience in reputable companies from related industries such as real estate development, construction, power, banking, business process outsourcing, consulting and others.

CLI has recently launched a new marketing push for its brand with the tagline "We Build With You in Mind". This captures the customer-centric focus the Company has adopted since its incorporation in 2003 and shows how CLI personnel perform in every phase of the development cycle from project planning to turnover. The customer care department extends post-turnover services by assisting the tenants and unit owners in title processing and payment of real property taxes on the unit. CLI's 2018 campaign, "With You Every Step of the Way" encapsulates the solid partnership between CLI and the buyer in every stage leading to the creation of Cebu Landmasters Property Management, Inc. ("CLPM"), the property management arm of Cebu Landmasters. CLPM offers integrated property management services including building administration, subdivision maintenance, and special technical services.

## **Socially responsible development**

CLI is committed to demonstrate responsible planning and development. Wherever the Company develops, community and infrastructure improvements within the neighborhood are integral parts of the development plans. CLI has partnerships with various barangays, local government units and institutions, including Habitat for Humanity ("Habitat").

For partnerships with barangays, a fine example is the community improvements done in Barangay Lahug, Cebu City as part of its Mivesa Garden Residences project. As its gesture of goodwill for the barangay and its constituents, the Company upgraded various barangay infrastructures including the widening of the Salvador Ext. barangay road, installation of new drainage lines, and the construction of a three-storey public market in 2013. The previous market was located along the sidewalk, so the developer provided a more stable, hygienic and secure facility. This was well received by the local community and serves as a testament that private development can also generate good social works.

Cebu Landmasters also developed a tricycle terminal for Barangay Quijada Guadalupe, right beside the Casa Mira Towers-Guadalupe. The terminal was built to alleviate traffic in the area caused by the loading and unloading of tricycle passengers. The new establishment provides safety and security to both passengers and operators of Guadalupe.

Additionally, CLI collaborated with Habitat for the Pinamalayan Socialized Housing Project and Bastikville 4 Socialized Housing Project in Quezon City, where CLI served as the developer of over 338 socialized units and 266 walk-up apartments, respectively. Aside from this, the Company generously contributed to the Habitat Bohol Rebuild Program in 2015, which aimed to rebuild over 8,000 homes affected by the October 2013 earthquake.

For its partnership with Philippine Business for Social Progress ("PBSP"), CLI's current tree planting program includes over 241,836 seedlings planted over 43 hectares. CLI continues to collaborate with PBSP as part of its responsible compliance to ECC requirements for its growing number of projects.

CLI is also an advocate of green building standards with some of its projects incorporating important green building and environmentally friendly features. Recently, its Latitude Corporate Center office project was registered under BERDE, the Philippines' green building rating system that aims to promote sustainable design and operations.

### **Strategic joint venture partnerships**

CLI takes pride in its ability to collaborate with and deliver great value to its joint venture partners. CLI is the project manager and developer in all its joint ventures. These joint ventures enable the Company to position itself in strategic locations such as Cebu Business Park through BL CBP Ventures, Inc., and Cebu IT Park through El Camino Developers Cebu, Inc.

CLI's JV partnerships are typically of a closer and more collaborative nature than the norm, where it treats its JV partners as true and equal business partners. Its collaboration results in better-suited products in the markets they are launched, while benefitting from the market intelligence of its partners. Product execution and delivery are also improved by leveraging on the professional and regulatory networks of its partners.

Collaborating with a joint venture partner also facilitated the Company's forays into new markets such as Davao and Iloilo. After the success of MesaTierra, the Company entered into new partnerships with YHES Inc. to develop Paragon Center and with YHEST Realty Dev't Corp. to develop Davao Global Township.

During the year, Cebu Landmasters signed a joint venture agreement with AboitizLand, the real estate arm of Aboitiz Equity Ventures. The JV company, Cebu Homegrown Developers, Inc., is set to develop a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu as its first project.

After the success of Latitude Corporate Center, CLI and Borromeo Bros. partnered afresh to develop another project in another prime location within Cebu City. The initial plans of the joint venture is to develop a multi-tower residential condominium with retail spaces to complement the residential development.

Additionally, CLI recently signed a joint venture agreement with prominent Iloilo businessman Alfonso Tan, chairman of International Builders Corporation, for a high-rise residential tower on a prime corner lot in the city's downtown area. The tower will be the first condominium offering in the highly accessible downtown area.

The Company's successful JV partnerships in its past and present projects underscores CLI's prominence as a preferred JV partner because of the priority it gives to its partners, its transparency in terms of project planning and accounting, and its quick execution and delivery of projects. The fast business development cycle it implements makes the Company attractive to its current and future JV partners.

### **Financial strength: strong profitability and prudent financial management**

Throughout its growth, the Company has consistently demonstrated strong profitability and prudent financial management. CLI's gross profit and net income posted significant growth while maintaining healthy margins and practicing prudence in its debt management. Debt to equity as of December 31, 2019 remained low at 1.23x.

For the three years ended December 31, 2019, 2018 and 2017, CLI's consolidated revenues amounted to ₱8.50 billion, ₱6.76 billion and ₱3.93 billion, respectively. Its consolidated net income increased from ₱1.26 million in 2017 to ₱2.44 billion in 2019, representing a compounded annual growth rate (CAGR) of 39.02%. Net income attributable to Parent on the other hand grew from ₱1.29 million in 2017 to ₱2.01 billion in 2019 with a CAGR of 25.05%.

For the year ending December 31, 2019, CLI generated a consolidated NIAT growth of 12% to ₱2.44 billion versus ₱2.17 billion year-on-year (y-o-y). Parent NIAT on the other hand is at ₱2.01 million, a 21% y-o-y increase from ₱1.67 billion in 2018. This translates to Earnings Per Share (EPS) of ₱1.21 for the year.

The Company also prides itself in its cost discipline. While CLI hires contractors for its projects, it purchases its own raw materials to ensure that the quality and cost are according to the Company's specifications.

Moreover, CLI has one of the most disciplined and responsive accounts receivable monitoring teams in the industry. Its delinquency rate averages at less than 2%, which can be attributed to CLI's proactive approach in managing its accounts receivable. Only less than 1% of delinquent accounts end up in cancellations, as the Company's accounts receivable team works closely with the sales and marketing team to ensure that the Company's customers' accounts get updated. CLI also has a dedicated team who facilitates the process of turning over unit ownership, whether through a bank mortgage or a cash payout for the contract balance.

### **Operational excellence**

CLI has a fully-integrated real estate set-up encompassing different areas, namely, acquisitions, business development, technical planning, engineering and project management, sales and marketing, documentation and licensing, legal services, customer care, and property management. The Company prides itself on its hands-on and personalized approach, which allows itself to respond effectively to its clients and industry partners.

#### *Construction*

For each horizontal and vertical development, CLI engages various general and specialty contractors with both local and national experience. With over 93 engineers in its roster, CLI handles the project and construction management aspect of every project, and manages the various contractors and sub-contractors that are utilized. By serving as the project manager of its projects, CLI is able to control delivery of its projects with priority on promptness, quality and professionalism. CLI does not have any in-house construction or any affiliated general contracting business.

#### *Sales*

CLI has one of the industry-leading sales support teams. With over 44 sales support personnel, this team collaborates, coordinates and supports the over 11,000-strong accredited broker/agent network of CLI. This is CLI's strategy in working harmoniously with the seller community by assisting the brokers 24/7 from sales origination to closing. CLI works alongside brokers in addressing the client inquiries until closing.

### **KEY STRATEGIES**

#### **Expansion to key cities in the Visayas and Mindanao**

In 2015, CLI embarked on its regional expansion when it launched MesaVerte Garden Residences in CDO. This is the mid-market condominium offering of CLI with three 15-storey residential towers having a total of 798 units which almost sold out in less than a year of pre-selling. The Company then introduced its Mid-Market Horizontal project in the same city – Velmiro Uptown. The subdivision's master plan shows an inventory of 392 units intended to meet the housing demand in the area.

In CDO, the Company set up its first satellite sales, administrative and engineering offices. The Company finds a unique advantage in being homegrown, as it can distinguish itself further in these new regional markets with similar local dynamics as Cebu.

In 2016, CLI successfully set its foothold in Davao by launching MesaTierra Garden Residences, a 22-storey residential condominium.

In 2017, CLI strengthened its market presence in Davao by entering into two new joint ventures to develop the Paragon Center and Davao Global Township, a 22-hectare estate project. The Company then launched Casa Mira Coast, a five-hectare property in Sibulan, Negros Oriental. After the successful launch of its first Casa Mira brand outside Cebu, CLI expanded its footprint from Negros Oriental to Negros Occidental by introducing MesaVirre Garden Residences, a three-tower residential condominium project in Bacolod City.

In 2018, the Company launched Astra Center, its first mixed-used building in Mandaue, Cebu. The Astra Centre is composed of Astra Centre Mall, Radisson RED, One Astra Place and Astra Corporate Centre.

In 2019, the Company acquired Abaca Resorts Mactan and Lowaii Marine Cebu Resort in Mactan, Cebu to increase revenues from its hotel segment. CLI entered into a joint venture with Aboitiz Land, Inc., the real estate arm of Aboitiz Equity Ventures, to develop a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu. CLI also received a notice of interest from Xavier University (“XU”) to develop the latter’s property in CDO into a campus town. The proposed development is currently undergoing a final review for approval from the Jesuit Superior General in Vatican.

CLI has several strategic land acquisitions lined up in greater Cebu, Bacolod and Davao, with new expansion areas such as Iloilo, Butuan and General Santos City also on the horizon.

CLI continues to pursue its aggressive plans to establish and deliver quality developments across the Visayas and Mindanao region.

Regional Developments:

Bohol	: Velmiro Plains Bohol
Dumaguete	: Casa Mira Coast
Bacolod	: MesaVirre Garden Residences, Casa Mira Granada, Velmiro Plains
Iloilo	: Casa Mira Iloilo
CDO	: MesaVerte Garden Residences, Velmiro Uptown CDO, Casa Mira Towers
Davao City	: MesaTierra Garden Residences, The Paragon Center, Davao Global Township

**Building recurring income developments**

As CLI sets its sight on a long-term growth trajectory, the Company is committed to growing its recurring income portfolio. In 2013, CLI launched its first office building in Cebu IT Park. The project, Park Centrale Tower, was designed to host both BPO and executive offices (office condominium units). With its Grade A design and features, Park Centrale Tower was awarded as the Best Commercial Development in Cebu in the 2014 Philippines Property Awards.

In 2015, CLI made another significant step in growing its recurring income portfolio when it launched phase 1 of Base Line Center, a redevelopment of one of the largest remaining properties in the prime midtown Cebu area. The project is a mix of retail, office, hotel and residential project.

In 2016, CLI launched Latitude Corporate Center, a joint venture development under BL CBP Ventures Inc. This is a 24-storey Grade A office building offering future-ready spaces for businesses with a 11,620.11 sq.m. gross leasable area.

In 2017, the Company launched 38 Park Avenue, a residential high-rise project with 3,000 sq.m of retail space located in the last 1.18-hectare patch of green in Cebu I.T. Park, one of the Philippines’ top 20 prime real estate property.

In 2018, the Company launched Astra Center, a mixed-use development located in Mandaue City designed to have a boutique mall, hotel, office and residential tower adding over 30,000 sq.m. of gross leasable area.

The first hotel business of the Company started operations in September 2019 allowing CLI to recognize a new stream of revenue from the segment. Citadines Cebu City, the 180-room condotel, is operated and managed by Ascott International Management Pte Ltd., the world’s largest international serviced residence owner-operator.

CLI’s current recurring income assets include BPO floor space, executive office space, residential units, and various commercial and retail units in its condominium projects. These assets are now delivering an annual lease income to CLI of close to ₱50 million with their combined gross leasable area of 13,806 sq.m.

At present, the Company has a number of commercial developments that will further boost its recurring income. This includes Latitude Corporate Center, Astra Lifestyle Mall, and Baseline Center.

The new developments in Davao, Phase 1 of Davao Global Township and Paragon Center, are also designed to boost the recurring income of the company by 2023 by integrating a hotel, commercial center, office and residential tower into one development.

### **Vertical integration – property management**

In April 20, 2017, Cebu Landmasters Property Management, Inc. (“CLPM”), a wholly-owned subsidiary of the Company, was incorporated to provide property management services to housing and condominium projects developed by the Company. With the goal of making CLPM a self-sustaining and revenue generating business unit, CLPM is envisioned to eventually offer and expand its services to outside clients.

### **Growth of economic housing brand (Casa Mira)**

The Casa Mira brand of Cebu Landmasters is designed to answer the underserved demand in the affordable housing sector. The fastest selling brand has both subdivision and condominium types of development. Unit prices range from ₱800,000 to ₱3 million. Correspondingly, the monthly amortizations range from as low as ₱6,000 to as high as ₱15,000. This caters to households with monthly incomes of ₱15,000 to ₱30,000.

CLI has five projects in Cebu under this brand, namely: (1) Casa Mira Linao, (2) Casa Mira South, (3) Casa Mira Towers Guadalupe, (4) Casa Mira Towers Labangon, and (5) Casa Mira Towers Mandaue. Other Casa Mira projects were also launched in Sibulan Negros and Bacolod. In 2020, CLI will roll out this brand in Iloilo, Dumaguete and Davao.

The Company sees this as a great opportunity to tap into the class B, C and D markets where a majority of the working population belongs. With the Philippines’ young and growing workforce, the need for affordable permanent housing options will continue to escalate.

### **Capitalizing on pipeline projects**

CLI has positioned itself well for the next two years with key pipeline projects in Metro Cebu, and key cities in Visayas and Mindanao. CLI intends to grow its current product offerings with new vertical residential and mixed-use developments in Metro Cebu, which are expected to generate revenues and recurring income for the Company. CLI targets to replicate its success in Cebu as it introduces its economic and mid-market housing format in Dumaguete, Bacolod and Iloilo and its mixed-use developments in Davao and Bacolod.

### **Establish and leverage strategic partnerships, alliances joint ventures and cooperation**

CLI will also continue to pursue local partnerships that will serve to enhance its expansion plans. The Company has proven that strategic alliances can provide a winning formula for securing strategic locations and entering new markets for as long as the joint ventures are executed with best practices. Its existing joint venture are BL CBP Ventures, Inc. (“BL Ventures”), Yuson Excellence Soberano Inc. (“YES”), Mivesa Garden Residences Inc. (“MGR”) and Yuson Huang Excellence Soberano Inc. (“YHES”), YHEST Realty and Development Corporation (“YHEST”), CCLI Premier Hotels (“CCLI”), and El Camino Developers Cebu, Inc. (“El Camino”). Cebu Homegrown Developers, Inc. (“CHD”), BL Ramos Ventures, Inc., and GGTT Realty Corporation (“GGTT”) are in the pipeline.

## CORPORATE ORGANIZATION

CLI is presently engaged in real estate-related activities such as real estate development, sales, leasing and property management. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as hotels, office projects, retail spaces and townships.

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

On January 6, 2017, the board of directors 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 PSE. The board of directors' approval also covered the planned initial public offering of 430 million unissued common shares of CLI. CLI's shares were listed in the PSE on June 2, 2017.

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.

## SUBSIDIARIES AND AFFILIATES

The Company holds ownership interests in the following subsidiaries and associates:

Entity	Effective Percentage of Ownership	
	2019	2018
<i>Subsidiaries</i>		
CLI Premier Hotels Int'l. Inc. ("CLIPH")	100	100
Cebu Landmasters Property Management, Inc. ("CLIPM")	100	100
A.S. Fortuna Property Ventures, Inc. ("ASF")	100	100
BL CBP Ventures, Inc. ("BL Ventures")	50	50
Yuson Excellence Soberano, Inc. ("YES")	50	50
Yuson Huang Excellence Soberano, Inc. ("YHES")	50	50
YHEST Realty and Development Corporation ("YHEST")	50	50
CCLI Premier Hotels, Inc. ("CCLI")	50	50
Cebu Homegrown Developers, Inc. ("CHDI")	50	-
Mivesa Garden Residences, Inc. ("MGR")	45	45
El Camino Developers Cebu, Inc. ("El Camino")	35	35
<i>Associates</i>		
Magspeak Nature Park, Inc. ("Magspeak")	25	25
Ming-mori Development Corporation ("MDC")	20	20

**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.**, 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.** 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 Astra 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 at 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City.

**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.

**YES, 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 venture 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.

**YHES, Inc.** was incorporated on November 10, 2017 to develop the Paragon Davao, 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. Its principal office is located in R. Magsaysay Avenue, Davao City.

**YHEST Realty and Development, Inc.** was incorporated on December 11, 2017 to develop the Davao Global Township. YHEST Realty and Development is 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. Its principal address is at 425 Ramon Magsaysay Avenue, Davao City.

**CCLI Premier Hotels, Inc.** was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines Hotel in Bacolod City. The Citadines Hotel is planned to be managed by Ascott. The principal place of business of CCLI is located in Bacolod City.

**Mivesa Garden Residences, Inc. ("MGR")** 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 under the JV's name. Its principal office is located at 10th Floor, Park Centrale Tower, Josemaria del Mar St., Cebu IT Park, Brgy. Apas, Cebu City. CLI holds a 45% stake in MGR.

**El Camino Developers, Inc.** was incorporated on August 15, 2016 to develop a 1.17-hectare property inside the Cebu IT Park, and to construct (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.

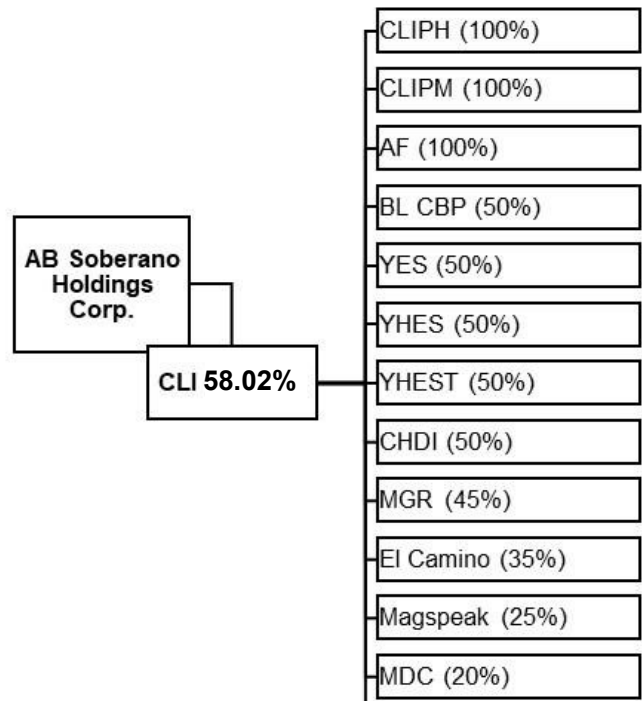


**Cebu Homegrown Developers, Inc.**, a joint venture of Aboitizland and CLI, was recently incorporated on September 20, 2019 to develop a high-rise mixed-use condominium complex, with sellable and leasable units, in a 12,405-sq.m. lot area in Mandaue City, Cebu. The Company has a 50% stake in this JV. As at September 30, 2019, CHDI is still pending registration with the SEC.

**Magspeak Nature Park, Inc.** (“Magspeak”) 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.

**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 20% in Ming-Mori Development Corporation.

As a result of the above-described transactions, CLI’s corporate structure as of date is as follows:



## COMPETITION

A 2019 real estate market study by Santos Knight Frank (SKF) reveals that CLI is the number 1 developer of residential projects in VisMin. The SKF market study that covered 10 key cities and included both national and local developers in the VisMin areas named CLI as “the leading residential developer in VisMin”.

The study shows that CLI leads the residential market with a 12% market share, delivering close to 18,000 units in eight cities of the 10 covered by the SKF study. These are based on actual and current market supply offering. The listed company bested Sta. Lucia Land and Vista Land which tied at second, each garnering 8% market share. Avida Land and Filinvest Land captured 5% and 4%, respectively. Other developers accounted for 64% of the market share.

In Metro Cebu, CLI has the largest market share of vertical residential developments at 23%, according to the SKF study. The company’s absorption rate registered at 96% or significantly above the 80% industry average in Metro Cebu indicating high demand for its products. Recently, for instance, it launched Mivela Garden Residences, which sold out more than 80% of units in less than three weeks from market launch.

The firm’s take-up rate at 24 per month and absorption rate at almost 60% in Davao City is way above the industry average in the market. In Cagayan de Oro, CLI is able to absorb high sales take-up at 217 per month against its main competitors whose average is 52.

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 contractors and suppliers:

<b>SUPPLIER</b>	<b>PRODUCT / SERVICE</b>
Young Builders Corporation	General Contractor
ZAKRAM Construction	General Contractor
Kevlar Development Corporation	General Contractor
Dakay Construction & Development Corporation	General Contractor
UKC Builders, Inc.	General Contractor
J.E. Abraham C. Lee Construction	General Contractor

Cigin Construction	General Contractor
Castrete Builders	General Contractor
PLD Construction & Development Inc.	General Contractor
CYC Construction	General Contractor
DVS Construction Supplies and Services	General Contractor
A.V. Pamatong Trading & Construction, Inc.	General Contractor
Carwill Construction Incorporated	General Contractor
Vic Enterprises	Supplier
Cemex Apo	Supplier
Holcim	Supplier
SteelAsia	Supplier
Worldwide Steel Group, Inc	Supplier
Bacolod Triumph Hardware	Supplier
Cebu Oversea Hardware Company, Inc.	Supplier

## CUSTOMERS

CLI caters to several real estate categories – residential, retail, offices and hotels. Among the four categories, the Company’s experience in the industry has been primarily focused on residential development which comprises 98% of total current projects.

Of the Company’s residential developments, **37%** 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 P8,000 to P15,000 and an annual income of P400,000 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 P15,000 to P20,000 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 **29%** of the Company’s total revenues from its residential projects. High-end residential developments are at **30%**, 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.

Employment Profile	%	Citizenship	%	Marital Status	%
<b>Local</b>	<b>42%</b>	Filipino	96%	Married	60%
<b>OFW</b>	<b>39%</b>	Foreigner	4%	Single	39%
<b>Self-Employed</b>	<b>8%</b>			Others	1%
<b>Entrepreneur</b>	<b>5%</b>				
<b>Others</b>	<b>6%</b>				

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 415 employees, broken down per department as follows:

<b>Department</b>	<b>Number of Employees</b>
Engineering	106
Accounting and Finance	74
Sales	46
Permits and Licenses	22
Accounts Management	18
Property Management	18
Business Development	24
Treasury	27
Human Resources and Admin	19
Marketing	12
Customer Care	11
Purchasing	10
IT	6
Legal	5
Corporate Finance	5
Leasing	5
Internal Audit	4
Top Management	3
<b>Total</b>	<b>415</b>

## 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 Visayas and Mindanao 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 as of December 31, 2019.

Project	Location	Use	Land Area (in sq.m.)	Ownership
Minglanila, Cebu	Cebu	Residential	18,369	Company
Naga, San Fernando, Cebu	Cebu	Residential	115,437	Company
Cebu IT Park, Lahug Cebu City	Cebu	Retail	3,389	Title registered under El Camino Developers, Inc.(35%-owned by CLI)
A.S. Fortuna St. Mandaue City	Mandaue	Office	5,569	Company
Matina, Davao	Davao	Central Business District	220,000	Title registered under YHEST, Inc. (50%-owned by CLI)
Riverside, Davao	Davao	Residential	10,687	Title registered under YHES, Inc.(50%-owned by CLI)
Linao, Talisay Cebu	Cebu	Residential	31,760	Company
Jaro, Iloilo	Iloilo	Residential	151,040	Company
Lyceum Property, Davao City	Davao	Residential	10,976	Company
Bohol, Biking	Bohol	Residential	36,998	Company
Ibabao mandaue, Cebu	Mandaue	Residential	11,413	Company
Lacson st. Bacolod city	Bacolod	Hotel	10,000	Title registered under CCLI Premier Hotels, Inc.
Junob, Dumaguete	dumaguete	Residential	71,181	Company
Misamis Oriental, Cagayan de Oro	CDO	Residential	121,915	Company
Lapu-Lapu City, Cebu	Mactan	Resort	18,413	Company
Ormoc	Ormoc	Residential	90,100	Company
Punta Engano Rd, Lapu-Lapu City, Cebu	Mactan	Resort	4,328	Company
Guadalupe, Cebu	Cebu	Residential	1,915	Company
Magtuod, Davao	Davao	Residential	285,842	Company
Lacson st. Bacolod city	Bacolod	Residential	11,209	Company
Tipolo, Mandaue City Cebu	Cebu	Residential	12,405	Title registered under CHDI (50%-owned by CLI)
Guadarama, Iloilo	Iloilo	Residential	2,539	Title registered under GGTT (50%-owned by CLI)
<b>TOTAL</b>			<b>1,245,485</b>	

CLI continues to expand its land bank in Visayas and Mindanao by looking into areas with high growth potential. Acquisition of land maybe done through direct purchase or via joint ventures. These JV partnerships allows the company to access high-value sites without requiring intensive capital outlay. Furthermore, CLI also benefits from the partner’s expertise and established presence in new markets.

## 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:

<b>Project</b>	<b>Location</b>	<b>Type</b>	<b>Total Area Available for Lease (in sq.m.)</b>
Asia Premier Residences	Cebu IT Park, Apas, Lahug, Cebu City	Retail	924.96
Base Line Residences 1	Juana Osmeña St., Brgy. Kamputhaw, Cebu City	Retail	292.54
Base Line Center	Juana Osmeña St., Brgy. Kamputhaw, Cebu City	Retail	6,688.56
Casa Mira Towers	Salvador Ext., Labangon Cebu City	Retail	1,123.92
Midori Residences	AS. Fortuna-Banilad, Mandaue City	Retail	86.00
Mivesa Garden Residences	Lahug, Cebu City	Retail	339
Park Centrale Tower	Cebu IT Park, Apas, Lahug, Cebu City	Office	5,164.50
<b>TOTAL</b>			<b>14,619.48</b>

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:

<b>Assets</b>	<b>Cost</b>	<b>Accum. Depreciation</b>	<b>Book Value as of 12/31/2019</b>
Property and Equipment			
Land	139,794,060	-	139,794,060
Building	150,489,581	(67,392,431)	83,097,150
Leasehold improvements	2,330,639	(2,232,938)	97,701
Furnitures and fixtures	26,199,329	(16,034,935)	10,164,394
Transportation equipment	41,012,555	(29,791,431)	11,221,124
Office equipment	62,335,052	(23,669,191)	38,665,861
Construction in progress	72,080,690	-	72,080,690
<b>Total Property</b>	<b>494,241,906</b>	<b>(139,120,926)</b>	<b>355,120,980</b>
Investment Property			

Land	5,256,263,217	-	5,256,263,217
Retail Building	100,228,005	(15,112,259)	85,115,746
Condominium units	285,413,555	(55,981,489)	229,432,066
Parking Units	31,371,804	(4,393,726)	26,978,078
Construction in progress	3,303,621,915	-	3,303,621,915
<b>Total Investment Property</b>	<b>8,976,898,496</b>	<b>(75,487,474)</b>	<b>8,901,411,022</b>

#### 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	Staffhouse	264,000	Jan-21	Renewable
Bacolod	Staffhouse	216,000	Aug-20	Renewable
Bacolod	Staffhouse	300,000	Oct-20	Renewable
Bacolod	Office	1,617,72	Nov-20	Renewable
Dumaguete	Office	420,000	Mar-21	Renewable
Dumaguete	Staffhouse	220,320	Aug-20	Renewable
Iloilo	Staffhouse	201,600	Nov-20	Renewable
Iloilo	Office	598,476	July 2020	Renewable
Bohol	Office	638,760	Apr-25	Renewable
<b>TOTAL</b>		<b>4,476,883</b>		

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
Cardinal Rosales Avenue, Cebu Business Park, Cebu City	2,939	BDO
Juana Osmena St., Cebu City	5,102	BPI
Sibulan, Dumaguete City, Negros Oriental	53,031	BPI
Upper, Cagayan de Oro, Misamis Oriental	143,452	BPI
Juana Osmena St., Cebu City	5,074	BPI
Cebu IT Park, Cebu City	11,798	BPI
Brgy Camalig, Jaro, Iloilo City	151,040	BPI
Salinas Dr Ext, Cebu City	12,619	Chinabank
Osmena St., Cagayan de Oro, Misamis Oriental	10,440	Chinabank

Salinas Dr Ext, Cebu City	13,176	Chinabank
Brgy Kauswagan, Cagayan de Oro, Misamis Oriental	6,315	Chinabank
AS Fortuna, Mandaue City	12,338	DBP
V. Rama Ave., Cor. Quijada St., Gudalupe, Cebu City	5,358	PNB
Arellano St., Poblacion District, Davao City, Davao del Sur	5,094	PNB
Mac-Arthur Highway, Matina, Davao City, Davao del Sur	10,687	PNB
Lacson St., Bacolod City	6,951	RCBC

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 pending material litigation, arbitration or other legal proceedings, and no litigation or claim of material importance is known to the management and 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 Annual Stockholders Meeting of CLI on 28 May 2019 held in Cebu City:

#### **A. Review and Approval of Previous Minutes of the Annual Stockholders Meeting**

Action Taken: On motion duly seconded, the minutes of the Annual Stockholders Meeting on 30 May 2018 was approved by majority of shareholders voting in person or by proxy.

#### **B. Report of Chief Finance Officer**

Action Taken: On motion duly seconded, the report of Stephen A. Tan was unanimously approved by shareholders voting in person or by proxy.

#### **C. Report of Chief Operating Officer**

Action Taken: On motion duly seconded, the report of Jose Franco B. Soberano was unanimously approved by shareholders voting in person or by proxy.

#### **D. Report of the Chairman / President**

Action Taken: On motion duly seconded, the report of Jose R. Soberano III was unanimously approved by shareholders voting in person or by proxy.

#### **E. Approval of Audited Financial Statements as of 31 December 2018**

Action Taken: On motion duly seconded, the Audited Financial Statements for the year-ending 31 December 2018 was unanimously approved by shareholders voting in person or by proxy.

#### **F. Ratification of all Acts of the Board of Directors in 2018**

Action Taken: On motion duly seconded, the shareholders voting in person or by proxy unanimously ratified all the acts of the Board of Directors in 2018.

#### **G. Election of Directors for the 2019-2020 Term**

Action Taken: On motion duly seconded, the shareholders voting in person or by proxy elected the following to serve on the Board of Directors for the 2019-2020 Term:

- Jose R. Soberano III
- Ma. Rosario B. Soberano
- Jose Franco B. Soberano
- Joanna Marie S. Bergundthal
- Stephen A. Tan
- Beauregard Grant L. Cheng
- Rufino Luis T. Manotok
- Ma. Aurora D. Geotina-Garcia
- M. Jasmine S. Oporto

#### **H. Appointment of Independent Auditor for Calendar Year 2019**

Action Taken: On motion duly seconded, the shareholders voting in person or by proxy unanimously adopted the recommendation by the Audit Committee to re-appoint Punongbayan & Araullo as independent auditor for Fiscal Year 2019

#### **I. Summary of Votes**

Below is the summary of votes for each of the items submitted to shareholders for approval during the 2019 Annual Stockholders Meeting. The ballots for these were distributed as part of the Definitive Information Statement and at the venue prior to the start of the meeting.

<b>ITEMS</b>	<b>YES</b>	<b>NO</b>	<b>ABSTAIN</b>	<b>TOTAL</b>
Review and Approval of Previous Minutes	1,155,550,309	-	1,005,000	<b>1,156,555,309</b>
CFO's Report	1,156,555,309	-	-	<b>1,156,555,309</b>
COO's Report	1,156,555,309	-	-	<b>1,156,555,309</b>
President's Report	1,156,555,309	-	-	<b>1,156,555,309</b>
Approval of Audited Financial Statements as of December 31, 2018	1,156,555,309	-	-	<b>1,156,555,309</b>

Ratification of All Acts of the Board of Directors in 2018	1,156,555,309	-	-	<b>1,156,555,309</b>
Appointment of Independent Auditor for Fiscal Year 2019	1,156,555,309	-	-	<b>1,156,555,309</b>

**Summary of Votes for Election of Directors**

<b>NAMES OF DIRECTORS</b>	<b>YES</b>	<b>NO</b>	<b>ABSTAIN</b>	<b>TOTAL</b>
Jose R. Soberano III	1,156,555,309	-	-	<b>1,156,555,309</b>
Ma. Rosario B. Soberano	1,156,555,309	-	-	<b>1,156,555,309</b>
Jose Franco B. Soberano	1,156,555,309	-	-	<b>1,156,555,309</b>
Joanna Marie S. Bergundthal	1,156,555,309	-	-	<b>1,156,555,309</b>
Stephen A. Tan	1,156,555,309	-	-	<b>1,156,555,309</b>
Beauregard Grant L. Cheng	1,156,555,309	-	-	<b>1,156,555,309</b>
Rufino Luis T. Manotok	1,156,555,309	-	-	<b>1,156,555,309</b>
Ma. Aurora D. Geotina-Garcia	1,156,555,309	-	-	<b>1,156,555,309</b>
M. Jasmine S. Oporto	1,156,555,309	-	-	<b>1,156,555,309</b>

## 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 ₱/ share)

	<u>High</u>	<u>Low</u>	<u>Close</u>
<b>2017</b>			
Second Quarter (month of June only)	5.98	5.13	5.34
Third Quarter	5.51	4.58	5.07
Fourth Quarter	5.17	4.59	4.88
<b>2018</b>			
First Quarter	5.12	4.21	4.70
Second Quarter	5.06	4.48	4.58
Third Quarter	4.73	4.27	4.42
Fourth Quarter	4.59	3.60	4.14
<b>2019</b>			
First Quarter	4.29	4.19	4.20
Second Quarter	4.89	4.80	4.83
Third Quarter	4.75	4.70	4.74
Fourth Quarter	4.83	4.67	4.83

The market capitalization of CLI as of end-2019, based on the closing price of P4.83/share, was approximately P8 billion.

#### Stockholders

The following are the list of **registered holders** of the common equity securities of the Company as of December 31, 2019:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1	AB Soberano Holdings Corp.	994,395,197	58%
2	PCD Nominee Corp. (Filipino)	663,934,790	39%
3	PCD Nominee Corp. (Non-Filipino)	33,864,960	2%
4	Jose R. Soberano III	14,000,000	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	Myrna P. Villanueva	25,000	0%
9	Milagros P. Villanueva	10,000	0%
10	Marietta V. Cabreza	10,000	0%
11	Lolita Siao-Ignacio	10,000	0%

12	Owen Nathaniel S Au Itf: Li Marcus Au	50	0%
13	Jesus N. Alcordo	1	0%
14	Ma. Aurora D. Geotina-Garcia	1	0%
15	Rufino Luis T. Manotok	1	0%
	<b>TOTAL</b>	<b>1,714,000,000</b>	<b>100%</b>

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

	<b>Stockholder Name</b>	<b>No. of Common Shares</b>	<b>Percentage (of common shares)</b>
1	Jose R. Soberano III	61,625,000	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	AB Soberano Holdings, Inc	2,450,001	0%
	<b>TOTAL</b>	<b>139,405,101</b>	<b>8%</b>

#### Dividends

2018	0.15	March 23, 2018	235,186,980
2019	0.20	March 26, 2019	332,590,000
2020	0.25	April 3, 2020	(est.) 414,795,000

#### 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

The year 2019 is a year of sustained growth and expansion for Cebu Landmasters, Inc. ("CLI" or the "Company") as the Company expands into promising ventures, new markets and locations. CLI's Consolidated Net Income After Tax (NIAT) increased to ₱2.52 billion, 16% y-o-y growth. Parent NIAT on the other hand grew to ₱2.10 billion, 26% y-o-y increase due to the substantial growth of revenue from purely CLI projects allowing the company to surpass its year-end target of P2 Billion.. The favorable result is driven from the construction progress of its ongoing projects.

CLI reported a 26% topline growth, to ₱8.51 billion from ₱6.76 billion, driven by the strong performance across all business units, including its leasing and hotel portfolio. The recent turnover of Casa Mira Towers Labangon and Base Line Retail and HQ, the office component of the mixed-use Base Line Center in Cebu, increased the Company's total GLA to 14,296 sq.m. from 8,952 sq.m. Citadines Cebu City, the first hotel business of CLI started operations in the third quarter of 2019 allowing the Company to recognize a new stream of recurring revenue.

The Company sustained its growth momentum with 32% y-o-y increase in consolidated reservations sales, from ₱9.61 billion to ₱12.68 billion, due to the Company's robust sales of newly launched projects in 2019 exceeding from its year-end guidance of ₱12.50 billion.

With the outstanding performance of CLI, the BOD declared cash dividend of ₱0.25 per share on February 19, 2020 with a total estimated amount of ₱414,000,000 to stockholders on record as of April 3, 2020. Such dividend will be paid on April 30, 2020.

During the year, the Company launched ₱18.0 billion worth of projects namely:

- (i) Davao Global Township – Phase 1;
- (ii) One Paragon Place in Davao;
- (iii) Citadines Paragon in Davao;
- (iv) Citadines Paragon in Bacolod;
- (v) Casa Mira Bacolod;
- (vi) MesaVirre Garden Residences C in Bacolod;
- (vii) Velmero Plains in Bacolod;
- (viii) Casa Mira Towers Cagayan de Oro (CDO);
- (ix) Pinamalayan Socialized Housing in Mindoro
- (x) Mivela Garden Residences in Cebu;
- (xi) One Astra Place Tower 2;
- (xii) Casa Mira Towers Mandaue;

CLI current landbank of 1,245,485 sq.m. will be used to roll out its major brands in new locations such as Iloilo, Bohol, Ormoc in 2020. 80% of the total land bank are 100% owned by CLI while the rest are under joint venture companies to allow the CLI access to high value locations without requiring intensive capital.

Part of its recent acquisitions is an existing resort in Mactan, Cebu with 18,000 sqm of land area. The said resort will be re-developed to integrate a residential component. The company also purchased a 9.4-hectare property in Ormoc to be developed into a residential project in 2020. Additionally, CLI purchased 28 hectares of land in Davao for its first horizontal project in the region, the development will house both the company's economic and mid-market brand, Casa Mira and Velmiro homes respectively. Cebu Landmasters also recently acquired 11,000 sqm of land in Bacolod city adjacent to its existing the three-tower condo project, MesaVirre Garden Residences. The high demand for condominiums in the area

supported the company's intent to roll-out Casa Mira towers, the economic brand of the company in Bacolod.

During the year, CLI entered into a strategic partnership with AboitizLand, the real estate arm of Aboitiz Equity Ventures. The joint venture company will develop a mid-market, mixed-use, multi-tower condominium project in Mandaue City, Cebu. CLI is also teaming up with prominent Iloilo businessman Alfonso Tan, chairman of International Builders Corporation (IBC) for a high-rise multi-tower condominium with retail spaces on a prime corner lot in Iloilo City's downtown area. Moreover, CLI and Borrromeo Brothers, after the success of Latitude Corporate Center, are also launching another joint venture to develop a two-tower residential condominium in a prime Cebu City area.

CLI recently received the notice of interest from Xavier University (XU) to develop the latter's property in CDO into a campus town. In the initial plan, CLI will be the project manager to transfer the existing XU campus to uptown Manresa. CLI will also lead the development of the future Manresa area into a university town and the transformation of the existing XU campus into a business district. The proposed development is currently undergoing a final review for approval from the Jesuit Superior General in Vatican.

Future CLI developments in Cebu City also include a mixed-use community with hotel, office and retail in a prime Cebu Business Park lot adjacent to Ayala Mall. CLI holds a 43-year lease contract for the vacant lot which is one of the last remaining undeveloped lots in the most prime of business districts in Cebu.

During the 7th Annual Property Guru Philippines Property Awards last July 5, Cebu Landmasters was awarded as the Best Developer presented by global brand Kohler. Other honors were also given to the company's projects. 38 Park Avenue development, named as Best High-End Condominium Development (Cebu), Casa Mira Towers Labangon as Highly Commended for Best Affordable Condominium Development (Cebu), and MesaTierra Garden Residences as Best Condominium Development (Davao) and special recognition for Corporate Social Responsibility.

In order to fund the company's expansion plans, Cebu Landmasters, Inc., entered into a notes facility agreement with ALFM Peso Bond Fund, Inc., and ALFM Money Market Fund, Inc. wherein CLI will issue an 18-month corporate note worth Php 2 Billion at an initial fixed rate of 4.75% to the ALFM mutual funds. The facility was arranged by BPI Capital Corporation. Proceeds of the notes will be used for capital expenditures and general corporate purposes. CLI has several strategic land acquisitions lined up in greater Cebu, Bacolod, and Davao, with new expansion areas such as Iloilo, Butuan, and General Santos City also on the horizon.

Cebu Landmasters continues to pursue its aggressive plans to establish and deliver quality developments across the Visayas and Mindanao region.

## **REVIEW ON THE COMPANY'S RESULTS OF OPERATION**

### ***FY 2019 vs FY 2018***

CLI posted a consolidated NIAT growth of 12%, from ₱2.17 billion to billion ₱2.44 billion. Net income attributable to Parent likewise increased to ₱2.01 billion, solid earnings growth of 21% y-o-y as compared to the ₱1.67 billion in 2018. The favorable result is driven from the construction progress of the following ongoing projects: MesaVirre Garden Residences in Bacolod, Velmiro Uptown in CDO, 38 Park Avenue and Casa Mira South in Cebu, and MesaTierra Garden Residences in Davao.

For 2019, CLI registered an EPS of ₱1.21 per share, a notable 24% increase from the ₱0.98 EPS in 2018. Total outstanding shares as of December 31, 2019 is 1,659,180,000 after 54,820,000 treasury shares.

### **REVENUES**

For the period ending December 31, 2019, total consolidated revenues reached ₱8.50 billion, 26% higher than from ₱6.76 billion reported y-o-y. The growth was mainly driven by its Garden Series, a mid-market segment, representing 37% of revenue, 30% for Premier Series, a high-end segment, and 30% for Casa Mira, an economic housing segment. In 2018, Garden series represented 45% of the total revenue, 28% from Casa Mira Series and 19% from Premier Series.

In 2019, 38 Park Avenue, a high-end segment project in Cebu, posted the highest revenue growth in 2019, followed by Casa Mira South, an economic housing project, and MesaVirre Garden Residences and Velmiro Uptown CDO, both mid-market projects.

In terms of location, the CLI's real estate revenue presence in Cebu remains to be strong representing 56% of the total revenues, followed by CDO's revenue of 14% and Bacolod of 12%. In 2018, Cebu's real estate revenue generated 64% of the total revenues, while Davao and CDO posted significant contributions of 12% and 11%, respectively. The Company expects to grow revenue contribution of its expansion areas such as Iloilo, Davao, Bohol and Puerto Princesa in 2020.

The rental revenue of CLI grew by 10% y-o-y from ₱57.48 million to ₱63.16 million. This is attributable to the Company's 60% increase in GLA to 14,296 sq.m. with the recent turnover of Base Line Retail (5,216 sq.m. GLA), Base Line HQ (1,721 sq.m. GLA) and Casa Mira Towers Labangon (1,124 sq.m. GLA) in Cebu. In 2020, Latitude Corporate Center in Cebu is scheduled for completion turning over a GLA of 3,263 sq.m. The project will further augment the Company's recurring portfolio by 2020.

### **COST AND EXPENSES**

CLI reported a total cost of sales of ₱4.30 billion in 2019, a 37% y-o-y increase from the prior year of ₱3.14 billion. The increase is in line with the growth of the Company's revenue.

Total operating expenses for the year amounted to ₱1.15 billion, a 28% increase from ₱893.89 million in 2018 to support the Company's expansion. The increase is primarily attributed to higher commissions and incentives and transfer taxes which resulted from the stronger sales performance as 13 projects were launched during the year. Salaries and employee benefits posted 40% growth due to increased manpower to support the CLI's increase in operations.

Borrowing costs, both booked as cost of real estate sale and outright expense, for the year decreased from ₱176.95 million to ₱169.53 million due to interest cost savings during 2019. Total interest cost capitalized as real estate inventory amounted to ₱802.55 million, from ₱242.24 million y-o-y, as more debt was availed



in 2019 to support the Company's planned capital expenditures including land banking initiative and project development. This includes the ₱2.00 billion corporate notes issued in 2019 and ₱5.00 billion corporate notes issued in 2018.

Consolidated tax expense increased to ₱743.56 million, 70% growth from ₱438.61 million in 2018, in line with the increase of the Company's consolidated net income.

### ***FY 2018 vs FY 2017***

CLI posted a consolidated net income growth of 72% from ₱1.26 billion to ₱2.17 billion. Net income attributable to Parent likewise increased to ₱1.67 billion in 2018, a solid earnings growth of 30% compared to the ₱1.29 billion of the previous year. The Company sustained its growth momentum with consolidated revenues increasing by 72%, to ₱6.76 Billion in 2018 versus ₱3.93 Billion in 2017. Revenues from the sale of real estate similarly increased by 73% to ₱6.69 billion due to robust sales performance and construction progress from projects under construction.

For 2018, CLI registered an EPS of ₱0.98 per share, a notable 15% increase from the ₱0.86 per share in 2017. Total outstanding shares as of December 31, 2018 is 1,667,500,000 after acquiring treasury shares of 46,500,000.

### **REVENUES**

Total consolidated revenues for 2018 reached ₱6.76 billion, 72% higher than ₱3.93 billion reported for the year ended December 31, 2017. Majority of the Company's revenues are from the sale of real estate which likewise grew 73% due to the robust sales performance and progress in construction of projects under construction. Developments that contributed to the growth were MesaTierra Garden Residences in Davao, Mivesa Garden Residences Phase 3, Casa Mira South, Latitude Corporate Center and MesaVirre Garden Residences.

In terms of market segment, 45% of the total revenues in 2018 came from Garden series, the Mid-Market brand. Followed by Casa Mira, its economic housing product with 28% and Premier Series with 19%. In 2017, Casa Mira accounted for 39% followed by Premier Series with 34% and Garden Series with 24%.

With respect to location, 64% of the total revenue was significantly contributed by Cebu projects. Davao and CDO on the other hand accounted for 12% and 11% respectively. The remaining allocation was generated from projects located in new expansion sites of Bacolod and Dumaguete. In 2017, aside from Cebu with 82% of the total revenue, only Cagayan de Oro has recognized revenue for the year.

In 2018, the leasing revenue of CLI grew by 26% y-o-y from ₱45.65 million to ₱57.58 million. The growth in rental revenue is attributable to the 42% increase of the Company's GLA to 8,952 sq.m. and moderate lease rate increases from existing contracts. A portion of the retail area in Baseline center was turned over to Robinsons Supermarket in December 2018.

### **COST AND EXPENSES**

CLI reported a total cost of sales of ₱3.1 billion for the period ended December 31, 2018, an increase of 66% from 2017. This is in line with the growth of the Company's revenue. As a percentage of revenue, 2018 cost rate declined from 48% to 46% due to the PFRS 15, *Revenue from Contracts with Customers*, wherein costs are recognized when billed and incurred.

Total operating expenses for the period ended 2018 amounted to ₱895 million, 58% more than the ₱566 million incurred in 2017. The increase is primarily attributed to higher commissions and incentives. Such increase resulted from the robust sales performance as more projects were launched during the year.

Interest costs for the period ended 2018 increased from ₱159 million to ₱305 million as more debt was availed during 2018. This includes the ₱3 billion of the ₱5 billion corporate notes issued in 2018 to support CLI's planned capital expenditures including land banking initiative and project development. Total capitalized interest for 2018 amounted to [₱216.5] million, higher than 2017 balance of [₱134.8] million.

Total tax expense for 2018 increased significantly from ₱202.8 million to ₱438.6 million in line with the Company's growth in net income[CL1] .

## **REVIEW ON THE COMPANY'S FINANCIAL CONDITION**

### ***As of December 31, 2019 vs December 31, 2018***

CLI's balance sheet continues to be solidly positioned to support the Company's growth plans. As of December 30, 2019, the Company reported ₱38.28 billion in total assets, a 51% growth from ₱25.43 billion as of December 31, 2018. This is driven by the increased volume in customer receivables due to increase in real estate reservation sales and revenue.

### **ASSETS**

#### *3% decrease in Cash and Cash equivalents*

Declined to ₱917.17 million from ₱949.16 million due to increase in cash outflows for purchase of land and payment to project suppliers and contractors during the year.

#### *45% increase in Receivables (including non-current portion)*

Increased to ₱5.88 billion from ₱4.04 billion is in line with increase in real estate reservation sales and revenues as construction progress of the units sold are moved to receivables accounts.

#### *63% increase in Contract assets (including non-current portion)*

Increased to ₱8.89 billion from ₱5.44 billion is in line with increase in real estate reservation sales and revenues as progress in construction of sold units. Contract assets are yet to be due once projects are fully completed.

#### *51% increase in Real Estate inventory*

This refers to the cost of land and development costs of real estate properties that are being developed, and those that are already available for sale. The increase to ₱9.45 billion from ₱6.26 billion is due to progress in construction of ongoing projects.

#### *27% decrease in Deposit on land for future development (including non-current portion)*

Decreased to ₱1.29 billion from ₱1.75 billion due to increased project developments during 2019.

#### *53% decrease in Due from related parties*

Transactions paid by CLI on behalf of its subsidiaries and affiliates decreased to ₱9.95 million from ₱21.15 million as of December 31, 2018.

#### *162% increase in Prepayments and other current assets*

Increased to ₱2.27 billion from ₱864.14 million is due to prepayments and input VAT to owner supplied materials to support 38 projects in construction in 2019 versus 24 projects in 2018.

*46% increase in Investments in associates*

Increased to ₱16.38 million from ₱11.21 million significantly due to incorporation of new joint ventures and affiliates, such as CHDI, YHESPH and TWDC, during the year.

*56% increase in Investment Properties*

Increased to ₱8.90 billion from ₱5.70 billion is attributable to the ongoing construction progress of properties held to earn rental income and/or for capital appreciation.

*100% increase in Right of uses asset and Lease liabilities*

Recognition of Right of use asset and Lease liability from the leasehold rights acquired on leased units classified as finance lease due to implementation of PFRS 16, *Leases*, starting January 1, 2019.

*100% increase in Fair value of plan assets - net*

Recognition of plan assets – net of liability due to plan contributions exceeding the present value of retirement obligation.

*99% increase in Other Non-current assets*

Increased to ₱128.87 million from ₱64.66 million due to additional purchase of computer software and long-term deposits with suppliers.

## **LIABILITIES**

*58% increase in Interest bearing loans (including non-current portion)*

Increased to ₱16.86 billion from ₱10.64 billion due to new loan availments made during the year to fund the Company's ongoing projects in construction.

*141% increase in Trade and other payables (including non-current portion)*

Increased to ₱5.78 billion from ₱2.40 billion due to increase in payables and accruals to various suppliers and contractors arising from the increased volume of projects in construction.

*22% increase in Contract Liabilities and Customers' deposits*

Contract liabilities pertain to collections from buyers that are ahead of the stage of completion while Customers' deposits pertain to collections from buyers where the revenue criteria for sales recognition has not yet met. Increased to ₱610.01 million from ₱500.70 million is in line with increase in reservation sales and project launches during the year.

*37% increase in Income tax payable*

Increased to ₱29.73 million from ₱17.73 million due to the higher taxable income.

*109% increase in Deferred tax liabilities*

Increased to ₱1.12 billion from ₱537.04 million due to increase in recognized tax liability on taxable temporary difference in net income.

## **EQUITY**

*16% increase in Treasury shares*

Increased to ₱247.19 million from ₱212.46 million due to the 8.32 million shares repurchased during the year in relation to its share buy-back program.

*47% decrease in Revaluation Reserve*

Decreased to ₱6.59 million from ₱12.43 million due to the other comprehensive income remeasurements of post-employment defined benefit plans. This is in line with the decrease in post-employment defined benefit liabilities.

*57% increase in Retained Earnings*

Increased to ₱4.62 billion from ₱2.94 billion due to the accumulation of earnings for the year after reducing the ₱332.59 million dividends paid in 2019.

*15% increase in Non-Controlling interests*

Increased to ₱6.06 billion from ₱5.28 billion is significantly due to incorporation of new joint ventures and affiliates investments during the year.

## 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:

	2019	2018	2017
Gross Profit Margin <sup>1</sup>	49%	54%	52%
Net Income Margin <sup>2</sup>	29%	32%	32%
EBITDA <sup>3</sup>	₱3.28 billion	₱2.79 billion	₱1.55 billion
EBITDA Margin <sup>4</sup>	39%	41%	39%
Return on Average Assets <sup>5</sup>	8%	11%	12%
Return on Average Equity (Parent) <sup>6</sup>	29%	31%	40%
Current Ratio <sup>7</sup>	2.56	3.66	3.16
Debt to Equity Ratio <sup>8</sup>	1.23	0.94	0.94
Interest Coverage Ratio <sup>9</sup>	4.19	9.16	9.76

<sup>1</sup> Gross Profit Margin is gross profit as a percentage of revenues

<sup>2</sup> Net Income Margin is net income as a percentage of revenues

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

<sup>4</sup> EBITDA margin is EBITDA as a percentage of revenues

<sup>5</sup> Return on Assets is net income as a percentage of assets average of the as at year-end and assets as at end of the immediately preceding year.

<sup>6</sup> 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.

<sup>7</sup> Current Ratio is current assets divided by current liabilities

<sup>8</sup> Debt to Equity Ratio is interest bearing debt over total equity

<sup>9</sup> Interest Coverage ratio is EBITDA divided by interest paid

### Item 7. Financial Statements

The 2019 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 were elected at the Company's annual stockholders' meeting held on May 28, 2019.

During the May 28, 2019 Board Meeting, Stephen A. Tan, the retired Chief Finance Officer and Beauregard Grant L. Cheng, the new CFO of CLI was elected as new members of the board of directors.

#### Members of the Board of Directors

Name	Age	Position	Citizenship
Jose R. Soberano III	64	Chairman of the Board, CEO and President	Filipino
Ma. Rosario B. Soberano	61	Director, Treasurer and Executive Vice-President	Filipino
Jose Franco B. Soberano	34	Director, Chief Operating Officer and Senior Vice-President	Filipino
Joanna Marie B. Soberano-Bergundthal	32	Director, VP-Marketing	Filipino
Beauregard Grant L. Cheng	38	Director, CFO	Filipino
Stephen A. Tan	63	Director, Assistant Treasurer	Filipino
Rufino Luis Manotok	69	Independent Director	Filipino
Ma. Aurora D. Geotina-Garcia	67	Independent Director	Filipino
Atty. M. Jasmine S. Oporto	60	Independent Director	Filipino

**Jose R. Soberano III**, 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 institution 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**, 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**, 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.

**Joanna Marie B. Soberano-Bergundthal**, 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.

**Beauregard Grant L. Cheng**, Filipino, is currently the Chief Finance Officer of Cebu Landmasters. Before joining CLI, he was a Senior Deal Manager with a rank of Vice-President at BDO Capital & Investment Corporation. He led his project teams in managing various complex capital market transactions and advised companies in a broad array of industries on corporate restructuring and reorganization. Previously, he was a private banker based in Singapore handling accounts for high net worth individuals and institutions. Grant is a registered CFA Charterholder and is a member of the CFA Philippines Society. He earned his Bachelor of Science in Manufacturing Engineering and Management as a Star Scholar from De La Salle University Manila and graduated Magna Cum Laude. He was awarded as one of the Top Ten Outstanding Students of the Philippines by the Philippine President. He earned his Masters of Science in Wealth Management with distinction from Singapore Management University and Swiss Finance Institute in Zurich.

**Stephen A. Tan**, Filipino, is a Certified Public Accountant and a holder of Master in Business Administration, with distinction, from Katholieke Universiteit te Leuven in Belgium and a Bachelor of Science

in Management Engineering from Ateneo de Manila University. Stephen is also a Hubert H. Humphrey (Fulbright) Fellow in Agricultural Economics at the University of California, Davis. He earned his degree in Accounting from the University of San Carlos. Prior to retiring from CLI as Chief Finance Officer in May 2019, Stephen has also served as Chief Finance Officer/Treasurer at various companies engaged in real estate development, construction, food, and shipbuilding, among others. For more than 30 years, he has been a part-time MBA professor in leading universities in Cebu City.

**Atty. M. Jasmine S. Oporto**, Filipino, joined the Board of Directors of Cebu Landmasters as an Independent Director in August 2018. She obtained her Bachelor of Laws (LLB) from the College of Law of the University of the Philippines, and Bachelor of Landscape Architecture from the same university. Atty. Oporto has also attended Comparative International and American Law Program of the Center for American and International Law. She is an experienced Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary and has worked in said capacity with publicly listed companies like Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation. In her legal practice, Atty. Oporto has intensive experience in working with wide network of external and in-house legal counsels for labor, commercial litigation, securities law, power industry regulation, land, infrastructure capital, and general corporate law.

**Rufino Luis Manotok**, 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**, 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	60	Treasurer and Executive Vice-President	Filipino
Jose Franco B. Soberano	33	Chief Operating Officer and Senior Vice-President	Filipino



Beauregard Grant L. Cheng	38	Chief Finance Officer	Filipino
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**Mathias Bergundthal**, Swiss, is the Director of Asset - CLI Premier Hotel International Inc. He is responsible for overseeing the hotel assets and its operations by representing CLI's interests vis-à-vis the hotel operators'. His tasks include meeting investment goals and increase the value of CLI Premier hotel assets and optimizing CLI's recurring income business from the hospitality business. Prior to joining CLI, Mathias worked for 10 years in Nestlé Switzerland occupying various roles. The latest of which, is within Corporate Affairs as a Senior Public Affairs Manager. He was responsible of advocating Nestlé's economic policy interests towards governmental bodies, trade associations and politicians. Mathias holds a Bachelor's and a Master's degree in International Affairs at the Graduate Institute of Geneva including an exchange in the National University of Singapore. Mathias is currently finishing his 2-year MBA in Hospitality Management at École Hôtelière de Lausanne (EHL), ranked the best Hospitality Management School worldwide.

**Larri-Nil G. Veloso**, Filipino, is the Vice-President for Legal department 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.**, Filipino, is the 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**, Filipino, has been the 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**, Filipino, is the Company's 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.

**Jessel M. Kabigting**, Filipino, has been the Vice-President for Operations of Cebu Landmasters, Inc.. Jess finished Civil Engineering from the University of Santo Tomas and is the Gold Medalist in the Ateneo-Regis University MBA Program with a specialization in Marketing and Finance. Jess worked for 25 years in construction, real estate, and in outsourcing companies prior to joining Cebu Landmasters. He managed the planning, construction, procurement, and operations of various residential, office, retail, and mixed-use projects in the Philippines under Ayala Land and MDCDC. Jess worked in Accenture for 6 years and served as Service Transition Executive and Solution Architect for the Philippines. During this time, Jess led outsourcing and sales engagements for Philippines and India and worked with clients from the USA and Europe. Jess also managed day to day business operations for three firms before joining Cebu Landmasters.

**Sylvan John M. Monzon**, Filipino, is the Vice-President of Business Development of Cebu Landmasters, Inc. He holds a Bachelor's Degree in Management and a Professional Program in Business Economics from the University of Asia and the Pacific. Prior to serving CLI, Sylvan has served in business development and project development positions from other leading real estate companies in Cebu and Manila for 20 years.

**Item 10 Executive Compensation**

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

<b>Name</b>	<b>Position</b>
Jose R. Soberano III	Chief Executive Officer
Ma. Rosario B. Soberano	Executive Vice-President
Jose Franco B. Soberano	Executive Vice-President & Chief Operating Officer
Beauregard Grant L. Cheng	Chief Financial Officer
Joanna Marie B. Soberano-Bergundthal	Vice-President- Marketing

The following table identifies and summarizes the aggregate compensation of the Company's President CEO and the three most highly compensated executive officers, and all other officers and directors as a group, for the years ended December 31, 2019, 2018 and 2017.

<b>Year</b>	<b>Basic Compensation (in P)</b>	<b>Other Compensation (in P)</b>
President and CEO and the four most highly compensated executive officers named above.....		
2019	36,023,682.11	13,926,666.67
2018	28,323,326.05	14,589,173.95
2017	27,459,615.39	14,315,896.13

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, 2019:

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.	994,395,197	58.02%
Common Shares	PCD Nominee Corporation (Filipino)  G/F MSE Bldg. Ayala Ave. Makati City	PCD NOMINEE CORP. (FILIPINO)	663,934,790	38.74%

(b) Security Ownership of Directors and Management (Executive Officers) as of December 31, 2019:

### Directors

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Jose R. Soberano III	75,625,000	478,485,695	554,110,695	32.33%
Ma. Rosario B. Soberano	59,125,000	478,485,695	537,610,695	31.37%
Jose Franco B. Soberano	8,991,700	9,968,452	18,960,152	1.11%
Joanna Marie B. Soberano	7,481,700	9,968,452	17,450,152	1.02%
Beauregard Grant L. Cheng	1,000,000		1,000,000	0.06%

Stephen A. Tan	5,000		5,000	0.00%
Rufino Luis T. Manotok	1	0	1	0.00%
M. Jasmine S. Oporto	4,000	0	4,000	0.00%
Ma. Aurora Geotina-Garcia	1	0	1	0.00%
Total	152,232,402	976,908,294	1,129,140,696	65.88%

Officers

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Larri-Neil G. Veloso	6,000	0	6,000	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**

Per SEC Memorandum Circular No. 24, Series of 2019, the Company is required to have at least two 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 Mr. Rufino Luis Manotok, Ms. Ma. Aurora D. Geotina-Garcia, and Atty. M. Jasmine Oporto. 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, Related Party Transaction Committee, Risk Oversight 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, taking into consideration relevant Philippine professional and regulatory requirements;
- 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 the 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 counterparties (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. 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.
- 9) The Corporate Government Committee is currently sitting as Nomination Committee. Eventually, the Board shall create a Nomination Committee which 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. 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**


The company has filed SEC Form 17-C last March 16 pursuant to the requirement by the Securities and Exchange Commission to appraise the public on the risks, business impact and mitigating measures the company has implemented in light of the COVID-19 situation.


**SIGNATURES**

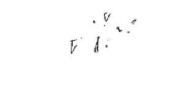
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on \_\_\_\_\_, 20\_\_.

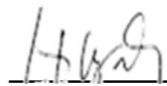
By:

  
 \_\_\_\_\_  
 Jose R. Soberano III  
 PRESIDENT & CEO

  
 \_\_\_\_\_  
 Ma. Rosario B. Soberano  
 Executive VP & Treasurer

  
 \_\_\_\_\_  
 Beauregard Grant L. Cheng  
 Chief Finance Officer

  
 \_\_\_\_\_  
 Connie N. Guieb  
 VP-Accounting & Finance/ Controller

  
 \_\_\_\_\_  
 Atty. Larri-Nil Veloso  
 Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

<b>NAMES</b>	<b>ID NO.</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
<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>Beauregard Grant L. Cheng</u>	<u>P2730987B</u>	<u>AUG 6, 2019</u>	<u>San Juan, Manila, Phil</u>
<u>Connie N. Guieb</u>	<u>PRC ID: 0104301</u>	<u>November 2014</u>	<u>Cebu City, Philippines</u>

\_\_\_\_\_  
**Notary Public**

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

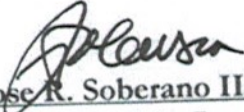
The management of **Cebu Landmasters, Inc. and subsidiaries (the Group)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

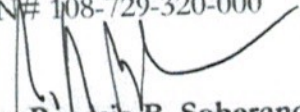
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
Jose R. Soberano III  
Chairman of the Board, Chief Executive Officer and President  
TIN# 108-729-320-000


  
Ma. Rosario B. Soberano  
Treasurer / Executive Vice President  
TIN# 106-129-910-000

  
Beauregard Grant L. Cheng  
Chief Finance Officer  
TIN# 205-557-510-000

Signed this 7th day of April 2020

SUBSCRIBED AND SWORN to before me this 07 APR 2020 at Cebu City,  
affiants exhibiting to me their respective Tax Identification Nos.

Doc No. 18 ;  
Page No. 28 ;  
Book No. I ;  
Series of 2020

  
**ATTY. LAIZA KRISTEL C. GINGOYON**  
NOTARY PUBLIC for CEBU CITY  
Notarial Commission No. 79-19  
Valid until December 31, 2020  
Roll of Attorneys No. 62056  
PTR No. 502119, January 10, 2020, Cebu  
IBP Lifetime No. 013024, Cebu  
MCLE Compliance No. VI-00232471, April 10, 2019  
Cebu Landmasters, Inc., 10<sup>th</sup> Floor  
Park Centrale, Cebu IT Park, Apas, Cebu City





**P&A**  
**Grant Thornton**

An instinct for growth™

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Punongbayan & Araullo  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines  
T +63 2 8988 22 88

## **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 consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (collectively referred to herein as the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

#### **(a) Revenue Recognition for Sale of Real Estates**

##### *Description of the Matter*

We considered the Group's recognition of revenue from sale of real estates a key audit matter because of the significant volume of transactions and amount of revenue from sale of real estates involved. In 2019, the Group's revenue from sale of real estates accounts for 99% of the Group's total revenues. It uses the percentage of completion (POC) method, which is determined using the input method, i.e., based on efforts or inputs to the satisfaction of a performance obligation, to determine the appropriate amount of contract revenues to be recognized for the reporting period. Thus, the complexity of the application of the revenue recognition standard in real estate sales contracts; and the application of significant management judgments in determining when to recognize revenue, particularly on the assessment of the probability of collecting the contract price, and in estimating the stage of project completion were also taken into consideration. An error in the application of the requirements of said standard, and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's accounting policy on recognition of revenue from sale of real estates, and basis of significant judgment and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements, respectively. In addition, the details of contract revenues, specifically the disaggregation of revenues, and costs of real estate sales are disclosed in Notes 17 and 18 to the consolidated financial statements, respectively.

##### *How the Matter was Addressed in the Audit*

To address the risk of material misstatements in revenue recognition, we have performed tests of design and operating effectiveness of internal controls, including information technology (IT) general and application controls, over processes relating to generation of contract revenue, and revenue recognition and measurement. In addition, we reviewed agreements, on a sampling basis, and the relevant facts and circumstances about the real estate transactions to determine compliance with a set of criteria for revenue recognition. We have also tested the reasonableness of management's judgment in determining the probability of collection of the contract price; this involves a historical analysis of customer payment pattern and behavior.

To ascertain the reasonableness of the measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include understanding of controls over recording of costs and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to determine if the completion based on costs is consistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs.



**(b) Existence and Valuation of Real Estate Inventories**

*Description of the Matter*

Real estate inventories amount to P9.4 billion, which accounts for 41% of total current assets and 25% of total assets of the Group, as at December 31, 2019. Because of the asset's material effect on the consolidated financial statements, we considered its valuation a key audit matter. The valuation of the asset is also hinged on its existence; accordingly, existence of real estate inventories was also considered a key audit matter. Valuation of the Group's real estate inventories, particularly construction-in-progress given that the Group is heavily engaged in pre-selling arrangements with buyers, involves determination and estimation of significant unbilled materials and project contractors' services at the end of the reporting period. Management's failure to consider such unbilled materials and services, and an error in estimating the same, could have a material impact on the carrying value of real estate inventories as well as POC and cost of real estate sales.

The Group's policy on accounting for real estate inventories, basis of significant estimation of unbilled materials and services, and an analysis of the components of inventories are disclosed in Notes 2, 3 and 7 to the consolidated financial statements, respectively.

*How the Matter was Addressed in the Audit*

We have obtained an understanding, and performed tests of design and operating effectiveness of internal controls, including IT general and application controls, over processes relating to initiation and recording of purchases and allocation of cost to real estate inventories. We also performed ocular inspection of selected real estate projects on a date closest to the reporting date to confirm their existence and examined documents, such as land titles, progress reports, contractors' accomplishment billings among others, to corroborate with other procedures as well as to ensure completeness of recorded costs. We tested the assumptions used by management in estimating the unbilled materials and services.

**(c) Consolidation Process**

*Description of the Matter*

The consolidated financial statements of the Group represent the financial statements of the Parent Company and its subsidiaries viewed as a single economic and reporting entity. We consider the Group's consolidation process as a key audit matter because of the significant judgments made to determine whether control exists on subsidiaries where shareholdings of the Group is 50% and lower, and the complexity arising from the component entities with significant intercompany transactions that require elimination and valuation of non-controlling interests in net profit and net assets of the Group.

The Group's accounting policy and judgment applied on consolidation are presented in Notes 2 and 3 to the consolidated financial statements, respectively.

*How the Matter was Addressed in the Audit*

To address this matter, we obtained understanding of the Group's structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, and recognition of equity transactions to measure non-controlling interest. In respect of subsidiaries where shareholdings of the Group is 50% and lower, we obtained documents supporting management's judgment in respect of its assumed control over the entities and discussed with management how it is able to demonstrate such control over the entities. Finally, we analyzed the operations of each of those subsidiaries to determine whether indeed, the parent company controls their operations.

### ***Emphasis of a Matter***

We draw attention to Note 29 to the financial statements, which describes management's assessment of the impact on the Group's consolidated financial statements of the business disruption brought about by the corona virus outbreak and consequent events after the reporting period. Management has determined that these are non-adjusting events and as such, had no impact on the Group's consolidated financial statements for the year ended December 31, 2019. As further stated in Note 29, management was unable to reliably estimate yet as at the issuance date of the financial statements the impact of said events on the Group's consolidated financial condition and operations in subsequent periods. Our opinion is not modified in respect of this matter.

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

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

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

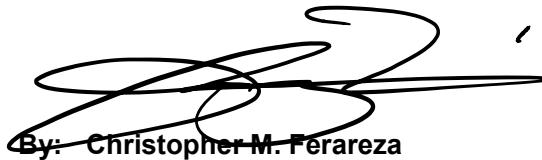
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. 8116545, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR-2 (until May 9, 2021)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 917,170,651	P 949,161,931
Receivables - net	6	5,204,137,996	3,093,200,762
Contract assets - net	17	3,799,666,118	4,283,208,009
Real estate inventories	7	9,446,952,918	6,256,527,195
Deposits on land for future development	8	1,289,398,997	621,175,611
Due from related parties	25	9,947,417	21,154,189
Prepayments and other current assets	9	2,265,504,406	864,141,909
Total Current Assets		22,932,778,503	16,088,569,606
<b>NON-CURRENT ASSETS</b>			
Receivables - net	6	671,924,942	945,894,535
Contract assets - net	17	5,092,843,910	1,158,917,984
Deposits on land for future development	8	-	1,133,587,835
Investments in associates	10	16,378,423	11,205,003
Property and equipment - net	11	355,120,980	325,720,720
Right-of-use assets - net	12	174,759,463	-
Investment properties - net	13	8,904,844,700	5,699,104,914
Post-employment defined benefit asset	23	5,923,584	-
Other non-current assets - net	14	128,867,731	64,664,201
Total Non-current Assets		15,350,663,733	9,339,095,192
<b>TOTAL ASSETS</b>		<b>P 38,283,442,236</b>	<b>P 25,427,664,798</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	15	P 2,627,759,378	P 1,559,866,154
Trade and other payables	16	5,701,910,028	2,318,263,599
Contract liabilities	17	418,967,659	457,927,612
Customers' deposits	17	191,042,919	42,774,376
Lease liabilities	12	1,775,306	-
Income tax payable		29,726,619	17,728,700
Total Current Liabilities		8,971,181,909	4,396,560,441
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	15	14,218,997,199	9,081,414,157
Trade and other payables	16	81,616,966	84,704,896
Lease liabilities	12	138,501,152	-
Post-employment defined benefit obligation	23	-	5,967,694
Deferred tax liabilities - net	24	1,124,886,722	537,036,656
Total Non-current Liabilities		15,564,002,039	9,709,123,403
Total Liabilities		24,535,183,948	14,105,683,844
<b>EQUITY</b>			
Equity attributable to shareholders of Parent Company	26		
Capital stock		1,714,000,000	1,714,000,000
Additional paid-in capital		1,608,917,974	1,608,917,974
Treasury shares, at cost		( 247,193,811 )	( 212,459,418 )
Revaluation reserves - net		( 6,589,225 )	( 12,428,442 )
Retained earnings		4,623,093,445	2,943,393,829
		7,692,228,383	6,041,423,943
Non-controlling interest	26	6,056,029,905	5,280,557,011
Total Equity		13,748,258,288	11,321,980,954
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 38,283,442,236</b>	<b>P 25,427,664,798</b>

*See Notes to Consolidated Financial Statements.*

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	Notes	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>	17			
Sale of real estates		P 8,390,526,495	P 6,692,537,760	P 3,878,512,273
Rentals		63,159,194	57,480,871	45,647,337
Management fees		36,837,490	12,920,716	3,662,984
Hotel operations		8,524,756	-	-
		<u>8,499,047,935</u>	<u>6,762,939,347</u>	<u>3,927,822,594</u>
<b>COST OF SALES AND SERVICES</b>	18	( <u>4,300,684,977</u> )	( <u>3,136,059,915</u> )	( <u>1,893,381,563</u> )
<b>GROSS PROFIT</b>		4,198,362,958	3,626,879,432	2,034,441,031
<b>OPERATING EXPENSES</b>	19	( <u>1,145,201,008</u> )	( <u>893,891,554</u> )	( <u>566,473,801</u> )
<b>OTHER OPERATING INCOME</b>	20	<u>53,133,383</u>	<u>33,500,390</u>	<u>28,450,333</u>
<b>OPERATING PROFIT</b>		3,106,295,333	2,766,488,268	1,496,417,563
<b>SHARE IN NET LOSS OF ASSOCIATES</b>	10	( <u>326,580</u> )	( <u>437,147</u> )	( <u>591,104</u> )
<b>FINANCE COSTS</b>	21	( <u>44,926,212</u> )	( <u>132,572,322</u> )	( <u>36,406,762</u> )
<b>REVERSAL OF IMPAIRMENT LOSSES (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS</b>	6, 17	69,492,639	( <u>44,779,695</u> )	-
<b>FINANCE INCOME</b>	22	51,920,745	18,861,865	5,262,332
<b>OTHER LOSSES - NET</b>		( <u>962,201</u> )	( <u>26,582</u> )	( <u>515,708</u> )
<b>PROFIT BEFORE TAX</b>		3,181,493,724	2,607,534,387	1,464,166,321
<b>TAX EXPENSE</b>	24	( <u>743,556,215</u> )	( <u>438,609,074</u> )	( <u>202,760,529</u> )
<b>NET PROFIT</b>		<u>P 2,437,937,509</u>	<u>P 2,168,925,313</u>	<u>P 1,261,405,792</u>
<b>Net profit attributable to:</b>				
Parent Company's shareholders		P 2,012,289,616	P 1,667,369,943	P 1,286,936,399
Non-controlling interests		<u>425,647,893</u>	<u>501,555,370</u>	( <u>25,530,607</u> )
		<u>P 2,437,937,509</u>	<u>P 2,168,925,313</u>	<u>P 1,261,405,792</u>
<b>Earnings per Share:</b>				
Basic and diluted	27	<u>P 1.21</u>	<u>P 0.98</u>	<u>P 0.86</u>

*See Notes to Consolidated Financial Statements.*

CEBU LANDMASTERS, INC. AND SUBSIDIARIES  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>NET PROFIT</b>		<b>P 2,437,937,509</b>	<b>P 2,168,925,313</b>	<b>P 1,261,405,792</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of Tax</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Gain (loss) on remeasurements of post-employment defined benefit plan	23	8,341,738	( 2,562,785 )	( 6,776,987 )
Tax income (expense)	24	( 2,502,521 )	768,836	2,033,096
		<u>5,839,217</u>	<u>( 1,793,949 )</u>	<u>( 4,743,891 )</u>
<b>Item that will be reclassified subsequently to profit or loss</b>				
Fair value gains on available-for-sale financial assets		-	-	1,500,000
Tax expense	24	-	-	( 450,000 )
		<u>-</u>	<u>-</u>	<u>1,050,000</u>
		<u>5,839,217</u>	<u>( 1,793,949 )</u>	<u>( 3,693,891 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 2,443,776,726</b>	<b>P 2,167,131,364</b>	<b>P 1,257,711,901</b>
<b>Total comprehensive income attributable to:</b>				
Parent Company's shareholders		<b>P 2,018,128,833</b>	<b>P 1,665,575,994</b>	<b>P 1,283,242,508</b>
Non-controlling interests		<u>425,647,893</u>	<u>501,555,370</u>	<u>( 25,530,607 )</u>
		<b>P 2,443,776,726</b>	<b>P 2,167,131,364</b>	<b>P 1,257,711,901</b>

*See Notes to Consolidated Financial Statements.*

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

Note	Attributable to Parent Company's Shareholders								Non-controlling	
	Capital Stock (See Note 26)	Additional Paid-in Capital (See Note 26)	Treasury Stock (See Note 26)	Revaluation Reserves (See Note 26)	Appropriated (See Note 26)	Retained Earnings		Interest (See Note 26)	Total	
						Unappropriated (See Note 26)	Total	Total	Total	
	<b>P 1,714,000,000</b>	<b>P 1,608,917,974</b>	<b>( P 212,459,418 )</b>	<b>( P 12,428,442 )</b>	<b>P -</b>	<b>P 2,943,393,829</b>	<b>P 2,943,393,829</b>	<b>P 6,041,423,943</b>	<b>P 5,280,557,011</b>	<b>P 11,321,980,954</b>
Balance at January 1, 2019										
Transactions with owners of Parent Company										
Investments from non-controlling shareholders	-	-	-	-	-	-	-	-	369,825,001	369,825,001
Cash dividend	-	-	-	-	-	( 332,590,000 )	( 332,590,000 )	( 332,590,000 )	( 20,000,000 )	( 352,590,000 )
Acquisition of treasury stock	-	-	( 34,734,393 )	-	-	-	-	( 34,734,393 )	-	( 34,734,393 )
	-	-	( 34,734,393 )	-	-	( 332,590,000 )	( 332,590,000 )	( 367,324,393 )	349,825,001	( 17,499,392 )
Appropriation for the year	-	-	-	-	3,050,000,000	( 3,050,000,000 )	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	2,012,289,616	2,012,289,616	2,012,289,616	425,647,893	2,437,937,509
Net profit for the year	-	-	-	-	-	5,839,217	5,839,217	5,839,217	-	5,839,217
Other comprehensive income	-	-	-	5,839,217	-	-	-	2,018,128,833	425,647,893	2,443,776,726
	<b>P 1,714,000,000</b>	<b>P 1,608,917,974</b>	<b>( P 247,193,811 )</b>	<b>( P 6,589,225 )</b>	<b>P 3,050,000,000</b>	<b>P 1,573,093,445</b>	<b>P 4,623,093,445</b>	<b>P 7,692,228,383</b>	<b>P 6,056,029,905</b>	<b>P 13,748,258,288</b>
Balance at December 31, 2019										
Balance at January 1, 2018										
As previously reported	P 1,714,000,000	P 1,608,917,974	P -	( P 4,319,093 )	P -	P 1,524,723,105	P 1,524,723,105	P 4,843,321,986	P 570,964,912	P 5,414,286,898
Effect of adoption of PFRS 9 and 15	-	-	-	-	-	1,860,381	1,860,381	1,860,381	22,593,229	24,453,610
As restated	1,714,000,000	1,608,917,974	-	( 4,319,093 )	-	1,526,583,486	1,526,583,486	4,845,182,367	593,558,141	5,438,740,508
Transactions with owners of Parent Company										
Investments from non-controlling shareholders	-	-	-	-	-	-	-	-	4,185,443,500	4,185,443,500
Cash dividend	-	-	-	-	-	( 256,875,000 )	( 256,875,000 )	( 256,875,000 )	-	( 256,875,000 )
Acquisition of treasury stock	-	-	( 212,459,418 )	-	-	-	-	( 212,459,418 )	-	( 212,459,418 )
	-	-	( 212,459,418 )	-	-	( 256,875,000 )	( 256,875,000 )	( 469,334,418 )	4,185,443,500	3,716,109,082
Total comprehensive income for the year	-	-	-	-	-	1,667,369,943	1,667,369,943	1,667,369,943	501,553,370	2,168,923,313
Net profit for the year	-	-	-	-	-	6,315,400	6,315,400	6,315,400	-	6,315,400
Recognition of revaluation reserve due to sale of financial asset at fair value through other comprehensive income	-	-	-	( 6,315,400 )	-	-	-	-	-	( 6,315,400 )
Other comprehensive loss	-	-	-	( 1,793,949 )	-	-	-	( 1,793,949 )	-	( 1,793,949 )
	-	-	-	( 8,109,349 )	-	1,673,685,343	1,673,685,343	1,665,575,394	501,553,370	2,167,131,364
	<b>P 1,714,000,000</b>	<b>P 1,608,917,974</b>	<b>( P 212,459,418 )</b>	<b>( P 12,428,442 )</b>	<b>P -</b>	<b>P 2,943,393,829</b>	<b>P 2,943,393,829</b>	<b>P 6,041,423,943</b>	<b>P 5,280,557,011</b>	<b>P 11,321,980,954</b>
Balance at December 31, 2018										
Balance at January 1, 2017	<b>P 1,284,000,000</b>	<b>p -</b>	<b>p -</b>	<b>( P 625,202 )</b>	<b>p -</b>	<b>P 237,786,706</b>	<b>P 237,786,706</b>	<b>P 1,521,161,804</b>	<b>P 24,058,602</b>	<b>P 1,545,220,196</b>
Transactions with owners of Parent Company										
Issuance of capital stock	430,000,000	1,608,917,974	-	-	-	-	-	2,038,917,074	-	2,038,917,074
Investments from non-controlling shareholders	-	-	-	-	-	-	-	-	572,436,827	572,436,827
	430,000,000	1,608,917,974	-	-	-	-	-	2,038,917,074	572,436,827	2,611,354,801
Total comprehensive income for the year	-	-	-	-	-	1,286,936,399	1,286,936,399	1,286,936,399	( 25,530,607 )	1,261,405,792
Net profit for the year	-	-	-	( 3,693,891 )	-	-	-	( 3,693,891 )	-	( 3,693,891 )
Other comprehensive loss	-	-	-	( 3,693,891 )	-	1,286,936,399	1,286,936,399	1,283,242,508	( 25,530,607 )	1,257,711,901
	<b>P 1,714,000,000</b>	<b>P 1,608,917,974</b>	<b>p -</b>	<b>( P 4,319,093 )</b>	<b>p -</b>	<b>P 1,524,723,105</b>	<b>P 1,524,723,105</b>	<b>P 4,843,321,986</b>	<b>P 570,964,912</b>	<b>P 5,414,286,898</b>
Balance at December 31, 2017										

*See Notes to Consolidated Financial Statements.*

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**  
*(Amounts in Philippine Pesos)*

	Notes	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 3,181,493,724	P 2,607,534,387	P 1,464,166,321
Adjustments for:				
Impairment losses (reversal of impairment losses) on financial assets	6, 17	( 69,492,639 )	44,779,695	-
Depreciation and amortization	19	60,763,991	52,474,358	50,790,457
Interest expense on interest-bearing loans and borrowings	15, 21	33,629,596	88,467,056	24,197,737
Interest income on bank deposits	5	( 24,599,602 )	( 18,861,865 )	( 5,262,332 )
Interest expense on lease liabilities	12	10,847,248	-	-
Share in net loss of associates	10	326,580	437,147	591,104
Operating profit before working capital changes		3,192,968,898	2,774,830,778	1,534,483,287
Decrease (increase) in receivables		( 1,767,475,002 )	497,817,254	( 1,980,144,918 )
Increase in contract assets		( 3,450,384,035 )	( 5,495,689,229 )	-
Increase in real estate inventories		( 2,270,211,968 )	( 2,072,705,365 )	( 2,204,259,795 )
Increase in deposits on land for future development		( 679,394,084 )	( 806,218,927 )	( 688,647,392 )
Increase in prepayments and other current assets		( 1,401,362,497 )	( 349,856,907 )	( 229,789,396 )
Decrease (increase) in other non-current assets		( 32,255,180 )	161,340,668	( 202,225,414 )
Increase in trade and other payables		3,380,558,499	362,028,572	712,835,123
Increase (decrease) in contract liabilities		( 38,959,953 )	457,927,612	-
Increase (decrease) in customers' deposits		148,268,543	( 323,668,472 )	39,488,722
Increase (decrease) in post-employment defined benefit obligation		( 3,549,540 )	( 7,958,605 )	2,480,669
Increase in reserve for property development		-	-	529,639,504
Cash used in operations		( 2,921,796,319 )	( 4,802,152,621 )	( 2,486,139,610 )
Cash paid for taxes		( 146,210,751 )	( 78,391,701 )	( 428,039 )
Net Cash Used in Operating Activities		( 3,068,007,070 )	( 4,880,544,322 )	( 2,486,567,649 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of investment properties	13	( 2,180,931,208 )	( 353,636,773 )	( 40,233,386 )
Acquisitions of property and equipment	11	( 80,638,923 )	( 183,934,845 )	( 46,363,390 )
Acquisitions of computer software	14	( 33,955,601 )	( 1,620,697 )	( 1,560,745 )
Interest received		24,599,602	18,861,865	5,262,332
Collection of advances to related parties	25	11,206,772	11,925	8,892,055
Investments in associates	10	( 5,500,000 )	-	-
Proceeds from transfer of financial assets at FVOCI		-	55,633,275	-
Additional advances to related parties	25	-	( 3,324,163 )	( 2,480,309 )
Net Cash Used in Investing Activities		( 2,265,219,358 )	( 468,009,413 )	( 76,483,443 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds of interest-bearing loans and borrowings	15	10,453,706,073	7,303,922,875	2,227,888,273
Repayments of interest-bearing loans and borrowings	15	( 4,265,207,842 )	( 1,766,308,093 )	( 773,035,248 )
Interest paid on interest-bearing loans and borrowings		( 819,196,691 )	( 304,926,564 )	( 158,963,533 )
Additional investment from non-controlling shareholders	26	369,825,001	74,350,000	572,436,827
Cash dividends paid	26	( 352,590,000 )	( 256,875,000 )	-
Repayments of lease liabilities	12	( 39,719,752 )	-	-
Acquisition of treasury stock	26	( 34,734,393 )	( 212,459,418 )	-
Interest paid on lease liabilities	12	( 10,847,248 )	-	-
Proceeds from issuance of shares of stock	26	-	-	2,150,000,000
Stock issuance costs charged to additional paid-in capital	26	-	-	( 111,082,026 )
Net Cash From Financing Activities		5,301,235,148	4,837,703,800	3,907,244,293
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		( 31,991,280 )	( 510,849,935 )	1,344,193,201
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		949,161,931	1,460,011,866	115,818,665
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		P 917,170,651	P 949,161,931	P 1,460,011,866

**Supplemental Information for Non-cash Investing and Financing Activities:**

- The Group recognized right-of-use assets and lease liabilities amounting to P180.0 million in 2019 (see Note 12).
- In 2019, the Group reclassified investment properties totaling P100.5 million to real estate inventories while, in 2018, it reclassified real estate inventories totaling P816.4 million to investment properties account (see Notes 7 and 13).
- In 2019, deposits on land for future development of P4.6 billion (P612.0 million in 2018) and P1.1 billion were reclassified to real estate inventories and investment properties, respectively (see Notes 7, 8 and 13).
- In 2018, non-controlling shareholders of the Group's subsidiaries transferred parcels of land totalling P4.2 billion, which were classified as investment properties, to the subsidiaries in exchange for subsidiaries shares and settlement of an obligation (see Notes 13 and 26).

*See Notes to Consolidated Financial Statements.*

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
*(A Subsidiary of A B Soberano Holdings Corp.)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019, 2018 AND 2017**  
*(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. Its real estate portfolios include residential condominium units, subdivision house and lots, and townhouses as well as office projects and retail spaces.

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 parent company of CLI.

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 PSE on June 2, 2017.

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

The registered office address of CLI, which is also its principal place of business, is located at 10<sup>th</sup> Floor, Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu IT Park, Brgy. Apas, Cebu City, Philippines.

**1.2 Subsidiaries and Associates**

CLI holds ownership interests in the following subsidiaries and associates:

Entity	Note	Effective Percentage of Ownership	
		2019	2018
<i>Subsidiaries</i>			
CLI Premier Hotels Int'l. Inc. (CPH)	(a)	100	100
Cebu Landmasters Property Management, Inc. (CPM)	(b)	100	100
A.S. Fortuna Property Ventures, Inc. (ASF)	(c)	100	100
BL CBP Ventures, Inc. (BL Ventures)	(d)	50	50
Yuson Excellence Soberano, Inc. (YES)	(e)	50	50
Yuson Huang Excellence Soberano, Inc. (YHES)	(f)	50	50
YHEST Realty and Development Corporation (YHEST)	(g)	50	50

*Forward*



Entity	Note	Effective Percentage of Ownership	
		2019	2018
<i>Subsidiaries</i>			
CCLI Premier Hotels, Inc. (CCLI)	(h)	50	50
Cebu Homegrown Developers, Inc. (CHDI)	(i)	50	-
YHES Premier Hotels Inc. (YHESPH)	(j)	50	-
Mivesa Garden Residences, Inc. (MGR)	(k)	45	45
El Camino Developers Cebu, Inc. (El Camino)	(l)	35	35
<i>Associates</i>			
Magspeak Nature Park, Inc. (Magspeak)	(m)	25	25
Ming-mori Development Corporation (MDC)	(n)	20	20

CLI and its subsidiaries (collectively referred as “the Group”) and its associates are incorporated in the Philippines, except CPM, CPH, CCLI and YHESPH, are in the same line of business with CLI. A brief description of these entities follows:

- (a) CPH was incorporated in 2016 as a wholly owned subsidiary of the CLI. CPH is engaged in the real estate and hotel management business which started commercial operations on September 14, 2019. The principal place of business of CPH is located in Cebu City.
- (b) CPM was incorporated in 2017 as a wholly owned subsidiary of the CLI. CPM is engaged in the management of condominium corporations and housing associations affiliated with CLI. CPM has started commercial operations on September 1, 2017. The principal place of business of CPH is located in Cebu City.
- (c) ASF was incorporated in 2017 as a joint venture where CLI initially held 40% ownership interest. CLI 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 principal place of business of ASF is located in Cebu City.
- (d) BL Ventures was formed by CLI and Borromeo Bros. Estate, Inc. to construct and operate Latitude Corporate Center. The principal place of business of BL Ventures is located at Cebu City.
- (e) YES was formed by CLI and Yuson Comm. Investments, Inc. to construct and operate Messatiera Garden Residences in Davao. The principal place of business of YES is located in Davao City.
- (f) YHES was incorporated in 2017 as an undertaking among CLI, Yuson Strategic Holdings, Inc., and Davao Filandia Realty Corp. for the development of mixed-used real estate project, the Paragon Davao. The principal place of business of YHES is located in Davao City.
- (g) YHEST was incorporated in 2018 as an undertaking among CLI and five corporations for the development of a central business district located at Matina, Davao. The principal place of business of YHEST is located in Davao City.
- (h) CCLI was incorporated in 2018 as an undertaking between CLI and Capitaine, Inc. for the development of Citadines hotel in Bacolod City. The principal place of business of CCLI is located in Bacolod City. As at December 31, 2019, CCLI has yet to start commercial operations.

- (i) CHDI is an undertaking between CLI and Aboitiz Land, Inc. that will engage in the development of a high-rise mixed-use condominium complex in Mandaue City, Cebu. CHDI was incorporated on December 5, 2019 and its principal place of business is located in Cebu City.
- (j) YHESPH was incorporated on October 28, 2019 as a wholly owned subsidiary of YHES that will engage in hotel business. Its ultimate parent is CLI which owns 50% of YHES. As at December 31, 2019, YHESPH has yet to start commercial operations.
- (k) MGR was incorporated in 2017 as an undertaking by CLI and three corporations for the construction of buildings 6 and 7 of the Mivesa Garden Residences condominium. The principal place of business of MGR is located in Cebu City.
- (l) El Camino was incorporated in 2016 as an undertaking between CLI and four other corporations for the development of 38 Park Avenue condominium project in Cebu City. The principal place of business of El Camino is located in Cebu City.
- (m) Magspeak was incorporated in 2011 as an undertaking among CLI and four other corporations for the development of a mountain resort to be located in Balamban, Cebu. The principal place of business of Magspeak is located in Cebu City.
- (n) MDC was incorporated in 2013 as an undertaking between CLI and four other entities for the development of an economic business district. The principal place of business of MDC is located in 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, 2019 (including the comparative consolidated financial statements for the years ended December 31, 2018 and 2017, were authorized for issue by the BOD on April 7, 2020.

## **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 Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Philippine Financial Reporting Standards***

The consolidated 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, and approved by the Philippine Board of Accountancy.

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 Consolidated Financial Statements*

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

The Group presents a third consolidated 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 consolidated statement of financial position at the beginning of the preceding period.

*(c) Functional and Presentation Currency*

These consolidated 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 consolidated 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 Adoption of New and Amended PFRS**

*(a) Effective in 2019 that are Relevant to the Group*

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty Over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurements of Previously Held Interests in a Joint Operation

Discussed below are the relevant information about these new standard, amendments, interpretations and annual improvements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group’s consolidated financial statements, as there are no plan amendment, curtailment or settlement during the year.
- (ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify 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, which shall also include long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group’s consolidated financial statements, as all investment in an associate or joint venture are accounted under equity method.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group’s consolidated financial statements, as there are no negative compensation attached on its financial assets.
- (iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the full retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has not resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019 because all of the Group's long-term lease contracts commenced only in 2019.

The new accounting policies of the Group as a lessee are disclosed in Note 2.16(a), while the accounting policies of the Group as a lessor, as described in Note 2.16(b), were not significantly affected.

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This 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. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no 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 an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
  - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.
  - 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.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019, 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 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of ‘material’ in PAS 1 by including the concept of ‘obscuring’ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term ‘material’ to ensure consistency.
- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- (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.

(c) *SEC Memorandum Circulars in Relation to Adoption of PFRS 15 in 2018*

Relative to the adoption of PFRS 15, *Revenue from Contracts with Customers*, together with the *Clarifications to PFRS 15* in 2018, the SEC issued the following Memorandum Circulars (MC), which provided relief by deferral of the application on the following items until calendar year ending December 31, 2020:

- SEC MC No. 14, Series of 2018:
  - Concept of the significant financing component in the contract to sell, which is the adjustment for the time value of money due to higher payment [buyer pays ahead of the percentage of completion (POC)] and lower payment (POC is ahead of the buyer's payment);
  - Exclusion of land in the determination of POC; and,
  - Exclusion of the uninstalled materials in the determination of POC
  
- SEC MC No. 3, Series of 2019:
  - Accounting for common usage service area charges; and,
  - Accounting for cancellation of real estate sales
  
- SEC MC No. 4, Series of 2020:
  - IFRIC agenda decision on over time transfer of constructed goods for real estate industry which clarify that borrowing costs on inventory for unsold units under construction are not capitalized

The Group opted to avail of the relief provided by the foregoing MCs, except for the exclusion of land in the determination of POC and accounting for common usage service area charges which were adopted on January 1, 2018. Upon the expiration of said relief, the following are the expected impact on the consolidated financial statements:

- Had the concept of significant financing component been adopted in 2018, the Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser, thus it would have either decreased or increased revenues, as the case may be. Both interest income and expense are calculated using the effective interest rate method.
  
- There would have been a decrease in the POC applied in recognizing revenue from real estate sales had the exclusion of the uninstalled materials in computing the POC been applied in 2018. Had it been applied in 2018, POC would have decreased in 2019 and 2018 resulting in decrease in revenues in 2019 and 2018.
  
- In relation to the accounting for cancellation of real estate sales, repossessed inventory would have been recorded at either fair value plus repossession costs or fair value less repossession costs. The Group currently records repossessed inventory at its carrying amount and recognize in profit or loss the difference between the carrying amount of the repossessed inventory and receivable. Had it been applied in 2018, real estate inventories would have increase in 2019 and 2018 resulting in increase in other operating income in both years.

- Had the Group adopted SEC MC No. 4, Series of 2020, there would have been a decrease in the retained earnings balance as at January 1, 2019 and net profit in 2019. Under the MC, borrowing costs cannot be capitalized on unsold real estate inventories.

Management is currently monitoring and assessing the impact of the foregoing MCs when adopted in 2021.

### **2.3 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 and associates and non-controlling interests as shown below.

#### *(a) Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company 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 Parent Company 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 share in net loss of associates in the consolidated 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) 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 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.

#### **2.4 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.

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.

#### **2.5 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, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's financial assets is composed of financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (excluding Advances to officers and employees), Due from Related Parties and Other Non-current Assets in respect of the refundable deposits included therein.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and, which are subject to insignificant risk of changes in value.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the statement of profit or loss as part of Finance Income.

*(b) Impairment of Financial Assets*

The Group assesses and recognizes an allowance for expected credit losses (ECL) on its financial assets measured at amortized cost. The measurement of the ECL involves consideration of broader range of information in assessing credit risk, including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Group assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Group considers both quantitative and qualitative criteria as further discussed in Note 30.2(b).

The amount of allowance for ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses impairment of receivables and contract assets on a collective basis based on shared credit risk characteristics of financial assets. The Group determines the ECL for receivables and contract assets by applying a method that evaluates the credit quality of a portfolio of receivables and contract assets and the cumulative loss rates by analyzing historical net charge-offs arising from cancellations and back-out sale for homogenous accounts that share the same origination period.

For other credit exposures such as due from related parties and refundable deposit, ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). For deposits in cash and cash equivalents, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – it is an estimate of likelihood of a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.
- *Loss Given Default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Group expects to receive. For receivables and contract assets, this include cash flows from resale of repossessed real estate properties, net of direct costs of obtaining and selling the properties such as commission, refurbishment, and refund payment under Republic Act (RA) 6552, Realty Installment Buyer Protection Act or Maceda law.
- *Exposure at Default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

### (c) *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.

## **2.6 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 Note 2.15).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value (NRV) 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.

### ***2.7 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 either Real Estate Inventory or Investment Property account.

The Group present land for future development that are intended for subdivision and condominium for sale under current assets while those that are intended for commercial leasing or with no definite plans as non-current assets in the consolidated statement of financial position.

### ***2.8 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.

### ***2.9 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 Note 2.15).

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 and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and 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 2.17).

The residual values, estimated useful lives and method of depreciation and amortization 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 amortization, 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.

### ***2.10 Investment Properties***

Investment properties are completed and under construction or development properties that are held to earn rental income, 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 Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation, except for land which is not subjected to depreciation, and any impairment in value. 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.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.15) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 2.17).

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

### ***2.11 Financial Liabilities***

Financial liabilities, which include interest-bearing loans and borrowings and trade and other payables [except government-related obligations, advance rental and output value-added tax (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 consolidated statement of profit or loss.

Interest-bearing loans and borrowings are raised for support of funding of operations and construction of projects. 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 consolidated 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.

### ***2.12 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 consolidated 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.

### ***2.13 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.

#### ***2.14 Revenue and Expense Recognition***

Revenue of the Group arises mainly from the sale of real estate units, lease of property and rendering of management services. However, lease of property is accounted for separately (see Note 2.16).

The Group follows the five-step process below to when it recognizes revenue.

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

A contract with a customer is identified when the following five gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing or in accordance with the customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

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

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

- (a) *Sale of real estate units* – Revenue from the sale of real estate units are recognized as the control transfers at either over time for units sold under pre-completed contracts or at a point in time for ready for occupancy (RFO) units, provided that the collectability of the contract price is reasonably assured. Invoicing for real estate sales are based on the agreed amortization schedule by the Group and the buyer.

When the price gating criteria of the revenue recognition has not been met, including assessment that collectability of the contract price is not yet assured, the consideration received from buyers are accounted as Customers' Deposits which is presented under current liabilities in the consolidated statement 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) *Rendering of management services* – Revenue from the rendering of management services is recognized over time as the services are provided to the client entities, which consume the benefit as the Group performs. The client entities are invoiced monthly as work progresses, which are also due upon receipt by them. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as part of contract receivables as only the passage of time is required before payment of these amounts will be due.
- (c) *Hotel operations* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

The Group presents a contract asset when the value of property development performed in proportion to the contract price is greater than the consideration received. A contract asset is the Group's right to consideration in exchange for the performance of property development to the unit transferred to a customer.

A contract receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group presents a contract liability when a customer pays the consideration, or a Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers control of an RFO unit or performs property development. A contract liability is the Group's obligation to transfer goods or perform property development for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

When the Group incurs incremental costs of obtaining a contract with a customer that it would not have incurred should the contract had not been obtained and expects these costs to be recovered, such contract costs are recognized as an asset. On the other hand, costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards (see Notes 2.6 and 2.10).

Until December 31, 2017, the Group recognizes revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. For rendering of services, revenue is recognized by reference to the stage of completion, measured by reference to the labor hours incurred to date as a percentage of total estimated labor hours for each contract. This is generally when the customer has approved the services that have been provided. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. 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 Note 2.15).

### ***2.15 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.

As indicated in Note 2.2(c), the Group opted for the deferral of the adoption of IFRIC agenda decision on over time transfer of constructed goods for real estate industry, as allowed used SEC MC No. 4, Series of 2020, thus, it continues to capitalize borrowing cost related to its real estate development.

### ***2.16 Leases***

The Group accounts for its leases as follows:

#### ***(a) Group as Lessee***

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

*(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.

**2.17 Impairment of Non-financial Assets**

The Group's property and equipment, right-of-use assets, investment properties, investment in associates 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.

### ***2.18 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 consolidated 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 using the reference rates published by Bloomberg using its valuation technology, Bloomberg valuation (BVAL), 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. BVAL provides evaluated prices that are based on market observations from contributed sources.

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 consolidated 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, unless there is a plan amendment, curtailment or settlement during the reporting period.

The calculation takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the consolidated 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 consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.19 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred 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.

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

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.



For purposes of reporting of material related party transactions for publicly-listed companies to the SEC, transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote to approve the material related party transactions may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

### ***2.21 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.

### ***2.22 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.

Treasury shares represent the shares that are reacquired by the Parent Company at cost but are not cancelled shares.

Revaluation reserves comprise gains and losses arising from remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared. Appropriated retained earnings are retained earnings that have been set aside by the Group for specific purpose and are not available for dividend declarations.

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

### ***2.23 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.

### ***2.24 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 consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated 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 consolidated financial statements.

#### ***(a) Determination of Lease Term of Contracts with Renewal and Termination Options***

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

*(b) Determination of Timing of Satisfaction of Performance Obligations*

*(i) Performance of Property Development on Real Estate Units Sold Under Pre-completed Contracts*

The Group determined that its revenue from property development on condominium and subdivision units sold under pre-completed contracts shall be recognized over time. In making its judgment, the Group considered that it has no alternative use to the real estate unit sold and that it has right to the consideration as it performs property development. The Group performs the property development without the need of reperformance from other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's performance of property development as construction progresses.

In determining the best method of measuring the progress of the Group's performance of property development, management considers the input method under PFRS 15 because of the direct measurements of the value to the customer of the property development to date relative to the promised unit under the contract.

*(ii) Sale of RFO Real Estate Units*

The Group determines that its revenue from sale of RFO units shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

*(c) Determination of Collection Threshold for Revenue Recognition*

The transaction price is considered receivable to the extent of products sold with a right of return. Such variable consideration is estimated based on the method described on Note 3.1(d). Moreover, the Group considers the collectability of the total transaction price to be reasonably assured. In determining whether total transaction price is 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 consolidated financial statements.

(d) *Assessment Involving Right of Return*

The Group's sale of real estate under pre-completed contracts has variable consideration, which is the right of return when a buyer defaulted the equity payments. Moreover, Republic Act No. 6552, *Realty Installment Buyer Act* or, which is popularly known in the Philippines as the Maceda Law, provides a statutory obligation to the Group to refund the buyer the cash surrender value of the collections received on the property equivalent to fifty percent of the total collected amount, and, after five years of installments, an additional 5% every year but not to exceed ninety percent of the total collections received.

Management is confident that when the collections received from the buyers exceed a certain threshold, it would be remote that the buyer will default and the contract will be cancelled. Accordingly, as discussed in Note 2.14 under identification of contract, the Group will not recognize the whole contract and no revenue will be recognized when the threshold is not yet reached.

(e) *Determination of ECL on Receivables and Contract Assets*

The Group uses the cumulative loss rate approach to calculate ECL for receivables and contract assets. This approach considers and includes reasonable approximation of probable and estimable future losses determined by applying historical gross charge-off information (arising from cancellations and back-out sales) to forward-looking qualitative information (i.e., forecast of economic condition). While there may be an assessed default occurring in these receivables over the term of the instrument, the amount of required allowance for ECL is minimized since the legal title related to the unit sold will only be transferred once the contract receivable has been paid in full, and the Group has the right to recover the real estate properties covered by the contract with customer through repossession, and to resell the asset at an amount sufficient to cover the unpaid outstanding obligations. On the other hand, additional ECL may be calculated for certain pool of trade receivables specifically determined to have expected cash shortfall based on outstanding exposures. These generally arise from receivables which were charged-off at an earlier term of the instrument since origination period.

(f) *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.

*(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements. 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. Currently, its leases are all operating leases.

*(h) Accounting for Equity Ownership Interest in Subsidiaries and Associates*

In classifying its equity acquisitions as an investment in a subsidiary or associates, the Group evaluates whether control or significant influence exists. Control is present when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policy decisions.

The Parent Company was able to demonstrate control over the operations of CHDI and YHESPH (since 2019), YHEST and CCLI (since 2018), MGR and YHES (since 2017), and BL Ventures, El Camino and YES (since 2016), from the time of their incorporation as indicated in Note 1.2. It had able to demonstrate control over the operations of the foregoing investees despite having its shareholdings at 50% or less by virtue of a formal agreement among the shareholders of the investees and its actual role in the investees operations. Accordingly, these companies are accounted for as subsidiaries of the Parent Company.

*(i) 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 2.13 and disclosures on relevant contingencies are presented in Note 28.

### **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) Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

*(b) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Management also applies judgement in the estimation of the contractual cash flows due from counterparties that the Group would expect to receive from the realization of any credit enhancements, including the discounting factor for recoveries beyond one year. Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 30.2(b).

*(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) Estimation of Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets*

The Group estimates the useful lives of property and equipment, investment properties and right-of-use assets 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, right-of use assets and investment properties are analyzed in Notes 11, 12 and 13, respectively. Based on management's assessment as at December 31, 2019 and 2018, 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.

*(e) 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 2.17).

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, particularly property and equipment, right-of-use assets and investment properties, as at December 31, 2019, 2018 and 2017.

*(f) 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 23.2.

*(g) Fair Value Measurement for Investment Properties*

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation and to earn rental income 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, 2019 and 2018 is disclosed in Notes 13 and 31.3.

## 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 units to individual and corporate buyers. The rental segment includes leasing of office and commercial spaces to corporate organizations. The management services segment focuses on the management of real estate projects and upkeep services to condominium corporations and housing associations. The hotel operations segment relates to the management of hotel business operations that caters hotel guest.

Segment accounting policies are the same as the policies described in Note 2.21. 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, 2019, 2018 and 2017 and certain assets and liabilities information regarding segments as at December 31, 2019 and 2018:

	2019				
	Real Estate	Rental	Management Services	Hotel Operations	Total
<b>REVENUES</b>					
Sale to external customer	P 8,390,526,495	P 63,159,194	P 36,837,490	P 8,524,756	P 8,499,047,935
Intersegment sales	<u>67,244,500</u>	<u>-</u>	<u>40,954,771</u>	<u>-</u>	<u>108,199,271</u>
Total revenues	<u><b>8,457,770,995</b></u>	<u><b>63,159,194</b></u>	<u><b>77,792,261</b></u>	<u><b>8,524,756</b></u>	<u><b>8,607,247,206</b></u>
<b>COSTS AND EXPENSES</b>					
Costs of sales and services excluding depreciation and amortization	4,296,571,881	19,469,641	10,982,468	5,396,434	4,332,420,424
Operating expenses excluding depreciation and amortization	1,143,844,783	784,399	205,684	32,594	1,144,867,460
Depreciation and amortization	60,009,821	578,453	151,681	24,036	60,763,991
Reversal of impairment losses	( <u>69,462,639</u> )	<u>-</u>	<u>-</u>	<u>-</u>	( <u>69,462,639</u> )
Total costs and expenses	<u>5,430,933,846</u>	<u>20,832,493</u>	<u>11,339,833</u>	<u>5,453,064</u>	<u>5,468,559,236</u>
<b>SEGMENT OPERATING PROFIT</b>	<u><b>P 3,026,837,149</b></u>	<u><b>P 42,236,701</b></u>	<u><b>P 66,452,428</b></u>	<u><b>P 3,071,692</b></u>	<u><b>P 3,138,687,970</b></u>
<b>ASSETS AND LIABILITIES</b>					
Segment assets	P 38,390,634,815	P 401,633,301	P 33,380,006	P 13,094,623	P38,838,742,745
Segment liabilities	23,621,575,022	227,030,836	26,463,868	13,236,324	23,888,306,050



	2018				
	Real Estate	Rental	Management Services	Hotel Operations	Total
<b>REVENUES</b>					
Sale to external customer	P 6,692,537,760	P 57,480,871	P 12,920,716	P -	P 6,762,939,347
Intersegment sales	<u>114,621,896</u>	<u>-</u>	<u>23,716,627</u>	<u>-</u>	<u>138,338,523</u>
Total revenues	<u>6,807,159,656</u>	<u>57,480,871</u>	<u>36,637,343</u>	<u>-</u>	<u>6,901,277,870</u>
<b>COSTS AND EXPENSES</b>					
Costs of sales and services excluding depreciation and amortization	3,135,769,955	18,571,792	7,206,006	-	3,161,547,753
Operating expenses excluding depreciation and amortization	851,061,782	93,614	69,948	-	851,225,344
Depreciation and amortization	59,989,527	707,407	67,057	-	60,763,991
Impairment losses	<u>44,779,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,779,695</u>
Total costs and expenses	<u>4,091,600,959</u>	<u>19,372,813</u>	<u>7,343,011</u>	<u>-</u>	<u>4,118,316,783</u>
<b>SEGMENT OPERATING PROFIT</b>					
	<u>P 2,715,558,697</u>	<u>P 38,108,058</u>	<u>P 29,294,332</u>	<u>P -</u>	<u>P 2,782,961,087</u>
<b>ASSETS AND LIABILITIES</b>					
Segment assets	P 25,293,986,157	P 302,701,312	P 13,223,444	P -	P 25,609,910,913
Segment liabilities	13,549,722,355	149,036,231	11,776,432	-	13,710,535,018
<b>2017</b>					
	Real Estate	Rental	Management Services	Hotel Operations	Total
<b>REVENUES</b>					
Sale to external customer	P 3,878,512,273	P 45,647,337	P 3,662,984	P -	P 3,927,822,594
Intersegment sales	<u>22,319,769</u>	<u>-</u>	<u>8,160,343</u>	<u>-</u>	<u>30,480,112</u>
Total revenues	<u>3,900,832,042</u>	<u>45,647,337</u>	<u>11,823,327</u>	<u>-</u>	<u>3,958,302,706</u>
<b>COSTS AND EXPENSES</b>					
Costs of sales and services excluding depreciation and amortization	1,866,434,506	18,197,353	1,812,863	-	1,886,444,722
Operating expenses excluding depreciation and amortization	534,178,966	233,080	746,966	-	535,159,012
Depreciation and amortization	<u>50,075,269</u>	<u>682,577</u>	<u>32,611</u>	<u>-</u>	<u>50,790,457</u>
Total costs and expenses	<u>2,450,688,741</u>	<u>19,113,010</u>	<u>2,592,440</u>	<u>-</u>	<u>2,472,394,191</u>
<b>SEGMENT OPERATING PROFIT</b>					
	<u>P 1,450,143,301</u>	<u>P 26,534,327</u>	<u>P 9,230,887</u>	<u>P -</u>	<u>P 1,485,908,515</u>

The real estate segment is further analyzed based on their geographical location as shown in Note 17.1. Both rental and management services segments are located in Cebu City.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented

#### **4.5 Reconciliation**

Following is a reconciliation of the Group's segment information to the key financial information presented in its financial statements.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Total segment revenues	P 8,607,247,206	P 6,901,277,870	P 3,958,302,706
Elimination of intersegment revenues	( <u>108,199,271</u> )	( <u>138,338,523</u> )	( <u>30,480,112</u> )
Revenues as reported in profit or loss	<u>P 8,499,047,935</u>	<u>P 6,762,939,347</u>	<u>P 3,927,822,594</u>
<b>Profit or loss</b>			
Segment operating profit	P 3,138,687,970	P 2,782,961,087	P 1,485,908,515
Elimination of intersegment accounts	( 16,033,381 )	( 94,752,904 )	( 17,941,285 )
Other operating income	53,133,383	33,530,390	28,450,333
Finance income	51,920,745	18,861,865	5,262,332
Finance costs	( 44,926,212 )	( 132,572,322 )	( 36,406,762 )
Share in net loss in associates	( 326,580 )	( 437,147 )	( 591,104 )
Other losses	( <u>962,201</u> )	( <u>26,582</u> )	( <u>515,708</u> )
Profit before tax as reported in profit or loss	<u>P 3,181,493,724</u>	<u>P 2,607,534,387</u>	<u>P 1,464,166,321</u>
<b>Assets</b>			
Segment assets and total assets reported in statements of financial position	P38,838,742,745	P 25,609,910,913	
Elimination of intercompany accounts	( <u>555,300,509</u> )	( <u>182,246,115</u> )	
Total assets as reported in statements of financial position	<u>P38,283,442,236</u>	<u>P 25,427,664,798</u>	
<b>Liabilities</b>			
Segment liabilities	P23,888,306,050	P 13,710,535,018	
Deferred tax liabilities	1,124,886,722	537,036,656	
Elimination of intercompany accounts	( <u>478,008,824</u> )	( <u>141,887,830</u> )	
Total liabilities as reported in statements of financial position	<u>P24,535,183,948</u>	<u>P 14,105,683,844</u>	

## 5. CASH AND CASH EQUIVALENTS

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

	<u>2019</u>	<u>2018</u>
Cash on hand	P 3,915,691	P 605,006
Cash in banks	749,160,824	474,238,425
Short-term placements	<u>164,094,136</u>	<u>474,318,500</u>
	<u>P 917,170,651</u>	<u>P 949,161,931</u>

Cash in banks (savings and demand deposits) generally earn interest 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 1.74% to 6.00%, 3.18% to 4.52% and 0.38% to 2.38% per annum for 2019, 2018 and 2017, respectively.

Interest income earned from cash and cash equivalents amounted to P24,599,602, P18,861,865 and P5,262,332 in 2019, 2018 and 2017, respectively, are presented as part of Finance Income in the consolidated statements of profit or loss (see Note 22).

## 6. RECEIVABLES

This account includes the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Contract receivables:			
Third parties		<b>P 5,389,904,540</b>	P 3,637,367,297
Related parties	25.3, 25.4	<b>166,101,518</b>	214,328,706
Rent receivable		<b>68,073,716</b>	62,685,150
Advances to officers and employees		<b>50,467,948</b>	38,737,575
Retention receivable		<b>24,261,678</b>	31,904,954
Management fee receivable		<b>13,465,493</b>	4,091,247
Other receivables		<u><b>164,136,262</b></u>	<u>70,333,035</u>
		<b>5,876,411,155</b>	4,059,447,964
Allowance for impairment	30.2(b)	<u><b>( 348,217)</b></u>	<u>( 20,352,667)</u>
		<u><b>P 5,876,062,938</b></u>	<u>P 4,039,095,297</u>

Receivables are presented in the consolidated statements of financial position as follows.

	<u>2019</u>	<u>2018</u>
Current	<b>P 5,204,137,996</b>	P 3,093,200,762
Non-current	<u><b>671,924,942</b></u>	<u>945,894,535</u>
	<u><b>P 5,876,062,938</b></u>	<u>P 4,039,095,297</u>

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. Contract receivables, which are all covered by postdated checks, are only recognized when the collection of total transaction price is reasonably assured and the corresponding revenue is recognized. Generally, full payment by buyers of their equity payments is made within 24 to 36 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.

Long-term 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 noninterest-bearing contract receivables amounts to P33,222,449 and P60,193,686 as at December 31, 2019 and 2018, respectively. Amortization of day one loss of noninterest bearing contract receivables, net of day one loss, amounted to P26,971,237 in 2019 and presented as part of Finance Income in the 2019 consolidated statement of profit or loss (see Note 22). While in 2018 and 2017, the Group has Day one loss on noninterest bearing contract receivables, net of amortization of day one loss, amounted to P42,964,142 and P11,589,073, respectively, and is presented as part of Finance Costs in the 2018 and 2017 consolidated statements of profit or loss (see Note 21).

Advances to officers and employees are composed of advances intended for Group's operations and are subject to liquidation.

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.

The Group assesses an ECL when the receivables from contract with customers are initially recognized and update the assessment at each reporting date based on the analysis determined by management. A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Note	<u>2019</u>	<u>2018</u>
Balance at beginning of year		<b>P 20,352,667</b>	P 7,915,506
Reversal of impairment losses	30.2(b)	<b>( 20,004,450)</b>	-
Impairment losses	30.2(b)	<u>-</u>	<u>12,437,161</u>
Balance at end of year		<b><u>P 348,217</u></b>	<b><u>P 20,352,667</u></b>

## 7. REAL ESTATE INVENTORIES

This account includes the following inventories, which are all at cost.

	Note	<u>2019</u>	<u>2018</u>
Subdivision units		<b>P 876,676,564</b>	P 434,906,435
Condominium units		<u>811,662,344</u>	<u>479,027,175</u>
		<b><u>1,688,338,908</u></b>	<u>913,933,610</u>
Construction-in-progress (CIP):			
Land development costs		<b>2,883,486,160</b>	1,435,340,061
Condominium building costs		<b>2,377,186,221</b>	794,298,221
Housing costs		<u>369,214,409</u>	<u>718,815,323</u>
		<b><u>5,629,886,790</u></b>	<u>2,948,453,605</u>
Raw land inventory	8	<u>2,128,727,220</u>	<u>2,394,139,980</u>
		<b><u>P9,446,952,918</u></b>	<b><u>P6,256,527,195</u></b>

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

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.

Condominium building costs consist of the cost of land and the cost to construct the units of the vertical 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 owned by the Group that are located in various locations. These are expected to be developed into saleable condominium or subdivision units. In 2019 and 2018, the Group reclassified deposits on land for future development amounting to P4,664,764,665 and P612,046,854, respectively, to raw land inventory, i.e., applied as part of the payment for the land acquisitions that were consummated (see Note 8).

Borrowing costs that are capitalized as part of real estate inventory amounted to P802,545,130 and P242,236,345 in 2019 and 2018, respectively, which represents the general and specific borrowing costs incurred on loans and corporate notes obtained to fund the construction projects (see Note 15). Capitalization rate used for general borrowings ranges from 3.72% to 6.50% and 2.00% to 5.50% for the years ended December 31, 2019 and 2018, respectively.

In 2019, the Group reclassified investment properties totaling P100,474,287 to real estate inventories while, in 2018, it reclassified real estate inventories totaling P816,408,411 to investment properties account (see Note 13).

Real estate inventories totaling to P9,119,780,130 and P2,348,343,299 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

## 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 into saleable or leasable real estate projects.

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

	Notes	<u>2019</u>	<u>2018</u>
Balance at the beginning of year		<b>P1,754,763,446</b>	P 948,544,519
Additions		<b>5,324,158,749</b>	1,418,265,781
Transferred to raw land inventory	7	<b>( 4,644,764,665)</b>	( 612,046,854)
Transferred to investment properties	13	<b>( 1,144,758,533)</b>	<u>-</u>
Balance at end of year		<b><u>P1,289,398,997</u></b>	<u>P1,754,763,446</u>

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

	<u>2019</u>	<u>2018</u>
Current	<b>P1,289,398,997</b>	P 621,175,611
Non-current	<u>-</u>	<u>1,133,587,835</u>
	<b><u>P1,289,398,997</u></b>	<u>P1,754,763,446</u>

## 9. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	<u>2019</u>	<u>2018</u>
Advances to subcontractors	<b>P 698,243,154</b>	161,206,317
Prepaid commissions	<b>546,134,504</b>	230,290,513
Input VAT and deferred input VAT	<b>518,266,344</b>	263,307,072
Advances to suppliers	<b>353,197,037</b>	87,222,473
Prepaid expenses	<b>131,725,809</b>	110,039,390
Others	<b><u>17,937,558</u></b>	<u>12,076,144</u>
	<b><u>P2,265,504,406</u></b>	<u>P 864,141,909</u>

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.

In 2019, 2018 and 2017, the Group expensed prepaid commissions of P301,751,479, P264,860,997 and P146,236,559, respectively, based on the POC of its related real estate contract and is presented as Commissions under the Operating Expenses account in the consolidated statements of profit or loss (see Note 19)

Prepaid expenses include advance payment for insurance and rent.

## 10. INVESTMENTS IN ASSOCIATES

A reconciliation of the carrying amounts of investments in associates at the beginning and end of 2019 and 2018 is shown below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 11,205,003</b>	P 11,642,150
Additional investments	<b>5,500,000</b>	-
Share in net loss during the year	<b>( 326,580)</b>	( 437,147)
Balance at end of year	<b><u>P 16,378,423</u></b>	<u>P 11,205,003</u>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2019 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost			
Balance at beginning of year	P 5,135,096	P 11,600,000	P 16,735,096
Additional investment	<u>5,500,000</u>	<u>-</u>	<u>5,500,000</u>
Balance at end of year	<u>10,635,096</u>	<u>11,600,000</u>	<u>22,235,096</u>
Accumulated equity in net losses			
Balance at beginning of year	( 130,765)	( 5,399,328)	( 5,530,093)
Equity in net profit (loss) during the year	<u>( 411,589)</u>	<u>85,009</u>	<u>( 326,580)</u>
Balance at end of year	<u>( 542,354)</u>	<u>( 5,314,319)</u>	<u>( 5,856,673)</u>
Net carrying amount	<b><u>P 10,092,742</u></b>	<b><u>P 6,285,681</u></b>	<b><u>P 16,378,423</u></b>

An analysis of the carrying amount of the Parent Company's investments in associates as at December 31, 2018 is shown below.

	<u>Magspeak</u>	<u>MDC</u>	<u>Total</u>
Cost			
Balance at beginning and end of year	P 5,135,096	P 11,600,000	P 16,735,096
Accumulated equity in net losses			
Balance at beginning of year	( 19,565)	( 5,073,381)	( 5,092,946)
Equity in net loss during the year	( 111,200)	( 325,947)	( 437,147)
Balance at end of year	( 130,765)	( 5,399,328)	( 5,530,093)
Net carrying amount	<u>P 5,004,331</u>	<u>P 6,200,672</u>	<u>P 11,205,003</u>

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Magspeak</u>	<u>MDC</u>	<u>Magspeak</u>	<u>MDC</u>
Current assets	P 23,553,459	P 30,519,382	P 1,785,240	P 31,310,024
Non-current assets	<u>16,828,516</u>	<u>-</u>	18,234,084	<u>-</u>
Total assets	<u>P 40,381,975</u>	<u>P 30,519,382</u>	<u>P 20,019,324</u>	<u>P 31,310,024</u>
Current liabilities	P 11,000	P 90,975	P -	P 306,667
Non-current liabilities	<u>20,479,885</u>	<u>-</u>	20,479,885	<u>-</u>
Total liabilities	<u>P 20,490,885</u>	<u>P 90,975</u>	<u>P 20,479,885</u>	<u>P 306,667</u>
Total revenues	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
Net profit (loss)	(P 1,646,356)	P 425,045	P 444,800	P 1,629,736
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss	<u>(P 1,646,356)</u>	<u>P 425,045</u>	<u>P 444,800</u>	<u>P 1,629,736</u>

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

	<u>2019</u>		<u>2018</u>	
	<u>Magspeak</u>	<u>MDC</u>	<u>Magspeak</u>	<u>MDC</u>
Net assets	P 19,891,090	P 31,428,405	P 20,017,323	P 31,003,360
Proportion of equity interest by the Group	<u>25%</u>	<u>20%</u>	<u>25%</u>	<u>20%</u>
Carrying value of investment	<u>P 4,972,773</u>	<u>P 6,285,681</u>	<u>P 5,004,331</u>	<u>P 6,200,672</u>

Shares in net losses of associates totaling P326,580, P437,147 and P591,104 were recognized in 2019, 2018 and 2017, respectively, in the consolidated statements of profit or loss.

There were no dividends received from the Group's associates in 2019, 2018 and 2017.

## 11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>December 31, 2019</b>								
Cost	P 139,794,060	P 150,489,580	P 62,468,842	P 41,012,216	P 26,085,688	P 2,350,639	P 72,079,085	P 494,260,110
Accumulated depreciation and amortization	-	( 67,413,259)	( 23,635,550)	( 29,791,432)	( 16,065,951)	( 2,232,938)	-	( 139,139,130)
Net carrying amount	<u>P 139,794,060</u>	<u>P 83,076,321</u>	<u>P 38,833,292</u>	<u>P 11,220,784</u>	<u>P 10,019,737</u>	<u>P 97,701</u>	<u>P 72,079,085</u>	<u>P 355,120,980</u>
<b>December 31, 2018</b>								
Cost	P 139,198,121	P 147,503,733	P 52,750,891	P 50,638,536	P 21,833,195	P 2,355,282	P 16,673,810	P 430,953,568
Accumulated depreciation and amortization	-	( 46,341,468)	( 17,125,820)	( 26,982,786)	( 12,790,293)	( 1,992,481)	-	( 105,232,848)
Net carrying amount	<u>P 139,198,121</u>	<u>P 101,162,265</u>	<u>P 35,625,071</u>	<u>P 23,655,750</u>	<u>P 9,042,902</u>	<u>P 362,801</u>	<u>P 16,673,810</u>	<u>P 325,720,720</u>
<b>January 1, 2018</b>								
Cost	P -	P 143,924,630	P 47,076,085	P 33,730,848	P 19,399,779	P 2,305,996	P 603,709	P 247,041,047
Accumulated depreciation and amortization	-	( 24,251,066)	( 11,464,270)	( 25,207,083)	( 9,393,876)	( 1,755,310)	-	( 72,071,605)
Net carrying amount	<u>P -</u>	<u>P 119,673,564</u>	<u>P 35,611,815</u>	<u>P 8,523,765</u>	<u>P 10,005,903</u>	<u>P 550,686</u>	<u>P 603,709</u>	<u>P 174,969,442</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	<u>Land</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Transportation Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Balance at January 1, 2019 net of accumulated depreciation and amortization</b>	P 139,198,121	P 101,162,265	P 35,625,071	P 23,655,750	P 9,042,902	P 362,801	P 16,673,810	P 325,720,720
Additions	595,939	2,985,847	9,964,093	7,152,251	4,535,518	-	55,405,275	80,638,923
Reclassification	-	-	( 246,142)	( 16,778,571)	( 144,982)	( 24,643)	-	( 17,194,338)
Depreciation and amortization for the year	-	( 21,071,791)	( 6,509,730)	( 2,808,646)	( 3,413,701)	( 240,457)	-	( 34,044,325)
Net carrying amount	<u>P 139,794,060</u>	<u>P 83,076,321</u>	<u>P 38,833,292</u>	<u>P 11,220,784</u>	<u>P 10,019,737</u>	<u>P 97,701</u>	<u>P 72,079,085</u>	<u>P 355,120,980</u>
<b>Balance at January 1, 2018 net of accumulated depreciation and amortization</b>	P -	P 119,673,564	P 35,611,815	P 8,523,765	P 10,005,903	P 550,686	P 603,709	P 174,969,442
Additions	139,198,121	3,579,103	5,674,806	16,907,688	2,455,740	49,286	16,070,101	183,934,845
Depreciation and amortization for the year	-	( 22,090,402)	( 5,661,550)	( 1,775,703)	( 3,418,741)	( 237,171)	-	( 33,183,567)
Net carrying amount	<u>P 139,198,121</u>	<u>P 101,162,265</u>	<u>P 35,625,071</u>	<u>P 23,655,750</u>	<u>P 9,042,902</u>	<u>P 362,801</u>	<u>P 16,673,810</u>	<u>P 325,720,720</u>
<b>Balance at January 1, 2017 net of accumulated depreciation and amortization</b>	P -	P 109,579,700	P 33,579,648	P 8,928,459	P 10,606,516	P 1,663,177	P -	P 164,357,500
Additions	-	32,733,582	6,707,856	3,508,340	2,809,903	-	603,709	46,363,390
Reclassifications	-	( 3,442,545)	-	-	-	-	-	( 3,442,545)
Depreciation and amortization for the year	-	( 19,197,173)	( 4,675,689)	( 3,913,034)	( 3,410,516)	( 1,112,491)	-	( 32,308,903)
Net carrying amount	<u>P -</u>	<u>P 119,673,564</u>	<u>P 35,611,815</u>	<u>P 8,523,765</u>	<u>P 10,005,903</u>	<u>P 550,686</u>	<u>P 603,709</u>	<u>P 174,969,442</u>

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

Certain building, office equipment, furniture and fixtures and leasehold improvements with a total carrying amount of P70,260,964 and P73,415,817 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).



As at December 31, 2019 and 2018, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P67,434,959 and P38,485,932, respectively.

## 12. LEASES

In 2019, the Group entered into lease contracts, as lessee, for leases of land and an office space. With the exception of short-term leases and leases of low-value underlying assets, each lease is presented in the 2019 consolidated statement of financial position as Right-of-use Asset and the corresponding obligation, as Lease Liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. Under the lease contracts, the Group is prohibited from selling or pledging the underlying leased assets as security. For the lease of an office space, the Group must keep the related property in a good state of repair and return the property in good state at the end of the lease. For the lease on the land, the Group must insure all the improvements made on the property.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the 2019 consolidated statement of financial position.

	Number of right of-use assets leased	Lease term	Number of leases with extension option	Number of leases with purchase option	Number of leases with termination options
Land	1	40 years	-	-	-
Office space	1	5 years	1	-	1

### 12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at December 31, 2019 and the movements during the period are shown below.

	<u>Land</u>	<u>Office Space</u>	<u>Total</u>
Balance at beginning of year	P -	P -	P -
Additions	171,439,329	8,556,881	179,996,210
Amortization	( 4,285,983)	( 950,764)	( 5,236,747)
Balance at end of year	<b><u>P 167,153,346</u></b>	<b><u>P 7,606,117</u></b>	<b><u>P174,759,463</u></b>

### 12.2 Lease Liabilities

Lease liabilities presented in the consolidated statement of financial position as at December 31, 2019 follows:

Current	P 1,775,306
Non-current	<u>138,501,152</u>
	<b><u>P 140,276,458</u></b>

The Group is fully liable for the rentals on the remaining term of the lease of office space, including any interest, penalties, utility charges and damages for termination prior to expiration of the contract. The contract of lease on land does not provide for any future lease termination and extension options.

In 2019, the Group paid an advance rental of P50,000,000 at the start of the lease of land and will be applied to the first five years of the lease term. This amount was deducted to the lease liabilities as at December 31, 2019.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Lease payments	P 2,175,863	P 1,838,143	P 1,930,050	P 3,027,053	P 13,410,229	P 699,967,572	P 722,348,910
Finance charges	( 400,557)	( 321,592)	( 233,053)	( 134,141)	( 1,035,489)	( 579,947,620)	( 582,072,452)
Net present values	<u>P 1,775,306</u>	<u>P 1,516,551</u>	<u>P 1,696,997</u>	<u>P 1,892,412</u>	<u>P 12,374,740</u>	<u>P 121,020,452</u>	<u>P 140,276,458</u>

### 12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to short-term leases and low-value assets has an aggregate amount of P33,941,185, P15,275,105 and 11,999,959 in 2019, 2018 and 2017, respectively, and is presented as Rent under the Operating Expenses in the consolidated statements of profit of loss (see Note 19).

### 12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P50,567,000 in 2019, which include the interest expense in relation to lease liabilities amounted to P10,847,248 and is presented as part of Interest expense on lease liabilities under Finance Costs in the 2019 consolidated statement of profit or loss (see Note 21).

## 13. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for development of properties, condominium units and retail building for lease. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2019 and 2018 are shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>December 31, 2019</b>						
Costs	P 100,228,005	P 285,413,555	P 31,371,804	P 5,742,274,541	P 2,821,044,269	P 8,980,332,174
Accumulated depreciation	( 15,112,259)	( 55,981,489)	( 4,393,726)	-	-	( 75,487,474)
Carrying amount	<u>P 85,115,746</u>	<u>P 229,432,066</u>	<u>P 26,978,078</u>	<u>P 5,742,274,541</u>	<u>P 2,821,044,269</u>	<u>P 8,904,844,700</u>
<b>December 31, 2018</b>						
Costs	P 45,228,005	P 285,413,555	P 31,371,804	P 4,576,694,945	P 816,408,411	P 5,755,116,720
Accumulated depreciation	( 11,475,859)	( 41,710,811)	( 2,825,136)	-	-	( 56,011,806)
Carrying amount	<u>P 33,752,146</u>	<u>P 243,702,744</u>	<u>P 28,546,668</u>	<u>P 4,576,694,945</u>	<u>P 816,408,411</u>	<u>P 5,699,104,914</u>
<b>January 1, 2018</b>						
Costs	P 45,228,005	P 285,256,727	P 31,371,804	P -	P -	P 361,859,536
Accumulated depreciation	( 9,214,459)	( 27,443,020)	( 1,256,546)	-	-	( 37,914,025)
Carrying amount	<u>P 36,013,546</u>	<u>P 257,813,707</u>	<u>P 30,115,258</u>	<u>P -</u>	<u>P -</u>	<u>P 323,945,511</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2019 and 2018 is shown below.

	<u>Retail Building</u>	<u>Condominium Units</u>	<u>Parking Units</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2019 net of accumulated depreciation	P 33,752,146	P 243,702,744	P 28,546,668	P 4,576,694,945	P 816,408,411	P 5,699,104,914
Additions	55,000,000	-	-	20,821,063	2,105,110,145	2,180,931,208
Reclassifications	-	-	-	1,144,758,533	( 100,474,287)	1,044,284,246
Depreciation during the year	( 3,636,400)	( 14,270,678)	( 1,568,590)	-	-	( 19,475,668)
Balance at December 31, 2019 net of accumulated depreciation	<u>P 85,115,746</u>	<u>P 229,432,066</u>	<u>P 26,978,078</u>	<u>P 5,742,274,541</u>	<u>P 2,821,044,269</u>	<u>P 8,904,844,700</u>
Balance at January 1, 2018 net of accumulated depreciation	P 36,013,546	P 257,816,707	P 30,115,258	P -	P -	P 323,945,511
Additions	-	153,828	-	4,576,694,945	-	4,576,848,773
Reclassifications	-	-	-	-	816,408,411	816,408,411
Depreciation during the year	( 2,261,400)	( 14,267,791)	( 1,568,590)	-	-	( 18,097,781)
Balance at December 31, 2018 net of accumulated depreciation	<u>P 33,752,146</u>	<u>P 243,702,744</u>	<u>P 28,546,668</u>	<u>P 4,576,694,945</u>	<u>P 816,408,411</u>	<u>P 5,699,104,914</u>

In 2019, the Group reclassified investment properties totaling P100.5 million to real estate inventories account. However, in 2018, the Group reclassified real estate inventories totaling P816.4 million to investment properties account (see Note 7).

Income and expenses from investment properties for the years ended December 31, 2019, 2018 and 2017 are presented below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Rental income:	17.1			
Retail building		<b>P 32,594,457</b>	P 21,801,714	P 11,814,640
Condominium units		<b>29,929,142</b>	35,062,970	33,556,729
Parking units		<b>635,595</b>	616,187	275,968
		<u><b>P 63,159,194</b></u>	<u>P 57,480,871</u>	<u>P 45,647,337</u>
Expenses:				
Depreciation		<b>P 19,475,668</b>	P 18,097,781	P 17,394,529
Real property taxes		<b>179,375</b>	717,228	1,064,559
	18	<u><b>P 19,655,043</b></u>	<u>P 18,815,009</u>	<u>P 18,459,088</u>

The expenses are included as part of Cost of Sales and Services in the consolidated statements of profit or loss in 2019, 2018 and 2017 (see Note 18).

Investment properties have a total fair value of P10,242,045,810 and P5,907,123,491 as at December 31, 2019 and 2018, respectively, based on the appraisal done by an independent expert [see Note 31.3(e)]. 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, 2019 and 2018 [see also Note 3.2(e)].

Investment property with a total carrying amount of P1,041,408,890 and P236,426,053 as at December 31, 2019 and 2018, respectively, are used as collateral for certain interest-bearing loans and borrowings of the Parent Company (see Note 15.1).

#### 14. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>2019</u>	<u>2018</u>
Refundable deposits	<b>P 66,028,148</b>	P 57,418,776
Computer software - net of accumulated amortization	<b>34,153,195</b>	2,155,607
Deposit for purchased properties	<b>16,279,285</b>	-
Advance payment for future investment in equity securities	<b>5,468,752</b>	-
Deferred input VAT	<b>4,624,926</b>	4,711,382
Others	<b><u>2,313,425</u></b>	<u>378,436</u>
	<b><u>P 128,867,731</u></b>	<b><u>P 64,664,201</u></b>

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

The total additions to computer software amounted to P33,955,601, P1,620,697 and P1,560,745 in 2019, 2018 and 2017, respectively. The amortization expense on the computer software amounted to P2,007,251, P1,193,010 and P1,087,022 in 2019, 2018 and 2017, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 19).

#### 15. INTEREST-BEARING LOANS AND BORROWINGS

The outstanding balance of interest-bearing loans and corporate notes are presented in the consolidated statements of financial position as follows:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Current			
Bank loans	15.1	<b><u>P 2,627,759,378</u></b>	<u>P 1,559,866,154</u>
Non-current			
Bank loans	15.1	<b>7,295,952,571</b>	6,135,484,402
Corporate notes	15.2	<b><u>6,923,044,628</u></b>	<u>2,945,929,755</u>
		<b><u>14,218,997,199</u></b>	<u>9,081,414,157</u>
		<b><u>P16,846,756,577</u></b>	<b><u>P10,641,280,311</u></b>

### 15.1 Bank Loans

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 7,695,350,556</b>	P 5,101,734,911
Proceeds and drawdowns – net	<b>6,487,770,230</b>	4,358,899,382
Repayments	<b>( 4,265,207,842)</b>	( 1,766,308,093)
Amortization of debt issue costs	<b><u>5,799,005</u></b>	<u>1,024,356</u>
Balance at end of year	<b><u>P 9,923,711,949</u></b>	<u>P 7,695,350,556</u>

The unamortized debt issue cost as at December 31, 2019 and 2018 amounts to P22,038,714 and P7,145,451, respectively. A reconciliation of the unamortized debt issue cost at the beginning and end of 2019 and 2018 is shown below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 7,145,451</b>	P 5,957,307
Debt issue costs from new loans	<b>20,692,268</b>	2,212,500
Amortization of debt issue cost	<b>( <u>5,799,005</u> )</b>	( <u>1,024,356</u> )
Balance at end of the year	<b><u>P 22,038,714</u></b>	<u>P 7,145,451</u>

The loans bear interest rates per annum ranging from 3.71% to 7.75% in 2019, 2.75% to 7.37% in 2018 and 2.75% to 7.25% in 2017. Certain loans are collateralized by the specific projects and developments and certain property and equipment for which the loans were obtained. The cost of such projects aggregating to P10,231,449,984 and P2,658,185,169 as at December 31, 2019 and 2018, respectively, are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the consolidated statements of financial position (see Notes 7, 11 and 13).

In 2019, the Group availed of new bank loans amounting to P6,487,770,230, net of debt issuance cost, which bear interest ranging from 4.18% to 6.50% with maturity dates ranging from 2020 to 2034. Loans obtained in 2018 from various commercial banks amounting to P4,358,899,382, net of debt issuance cost, which bear interest ranging from 2.75% to 7.37% with maturity dates ranging from one month to ten years.

The total interest incurred from the foregoing loans, including amortization of debt issuance cost, amounted to P436,265,022, P290,309,916 and P158,963,533 in 2019, 2018 and 2017, respectively, and of which P436,265,022, P221,240,157 and P135,736,820 were capitalized as part of construction of its projects (see Note 7).

## 15.2 Corporate Notes

The Parent Company and various financial institutions executed a Notes Facility Agreement (NFA) for the issuance of long-term corporate notes (LTCN) and short-dated note (SDN) amounting to P5,000,000,000 and P2,000,000,000, respectively.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P2,945,929,755</b>	P -
Proceeds and drawdowns - net	<b>3,965,935,843</b>	2,945,023,493
Amortization of debt issue cost	<b><u>11,179,030</u></b>	<u>906,262</u>
Balance at end of the year	<b><u>P6,923,044,628</u></b>	<u>P2,945,929,755</u>

The NFA is composed of the following tranches:

<u>NFA</u>	<u>Date Executed</u>	<u>Tranche</u>	<u>Tenor</u>	<u>Principal Amount</u>
SDN	10/25/2019		18 months from drawdown date	<u>P2,000,000,000</u>
LTCN	07/20/2018	Series A	Seven years	P2,500,000,000
		Series B	Ten years	1,000,000,000
		Series C	Ten years with repricing on the interest rate re-setting date	<u>1,500,000,000</u>
				<u>P5,000,000,000</u>

The Parent Company made the following drawdowns from the NFA.

<u>Year</u>	<u>Tranche</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
<b>2019</b>	Series A	7.25%	January 2026	P 2,000,000,000
	SDN	4.75%	April 2021	<u>2,000,000,000</u>
				<b><u>P 4,000,000,000</u></b>
2018	Series A	7.25%	December 2025	P 500,000,000
	Series B	6.63%	August – September 2028	1,000,000,000
	Series C	6.75%	October – December 2028	<u>1,500,000,000</u>
				<u>P 3,000,000,000</u>

In 2019 and 2018, the Parent Company recognized debt issuance costs for new NFA amounting to P34,064,157 and P54,976,507, respectively, which has a carrying amount of P76,955,372 and P54,070,245 as at December 31, 2019 and 2018, respectively, in relation to the drawdowns from the NFA. The debt issuance cost amortization in 2019 and 2018 amounted to P11,179,030 and P906,262, respectively. The debt issuance costs are deducted from the fair value or issue price of the note.

The total interest incurred related to the NFA, including amortization of debt issuance cost, amounted to P366,280,108 and P40,393,485 in 2019 and 2018, respectively, of which P366,280,108 and P20,996,188 was capitalized as part of real estate inventory in 2019 and 2018, respectively (see Note 7).

The Parent Company is required to maintain the financial ratios with respect to (a) maximum debt to equity ratio of 2.5:1; (b) minimum current ratio of 1:1; and, (c) minimum interest coverage ratio of 3:1. As of December 31, 2019 and 2018, the Parent Company is compliant with the requirements.

The total interest expense related to the above loans, which are included as part of Finance Costs in the consolidated statements of profit or loss, amounted to P33,629,596, P88,467,056 and P24,197,737 in 2019, 2018 and 2017, respectively (see Note 21). The accrued interest on these loans amounting to P77,568,113 and P25,776,837 as of December 31, 2019 and 2018, respectively, and is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

## 16. TRADE AND OTHER PAYABLES

This account is composed of the following:

	Note	<u>2019</u>	<u>2018</u>
Current:			
Trade payables		<b>P 2,255,668,095</b>	P 904,036,209
Unbilled construction costs		<b>1,739,034,574</b>	649,448,192
Sales commissions payable		<b>903,229,455</b>	110,713,721
Retention payable		<b>343,069,374</b>	204,864,157
Accrued expenses	15	<b>116,222,019</b>	86,989,158
Output VAT		<b>28,736,523</b>	141,907,130
Government-related obligations		<b>76,456,523</b>	33,403,437
Advances from NCI for future stock subscription in subsidiaries		<b>20,000,000</b>	60,489,250
Other payables		<b><u>219,493,465</u></b>	<u>126,412,345</u>
		<b><u>5,701,910,028</u></b>	<u>2,318,263,599</u>
Non-current:			
Retention payable		<b>67,508,171</b>	71,880,015
Advance rental		<b>10,006,362</b>	10,006,362
Other payables		<b><u>4,102,433</u></b>	<u>2,818,519</u>
		<b><u>81,616,966</u></b>	<u>84,704,896</u>
		<b><u>P 5,783,526,994</u></b>	<u>P 2,402,968,495</u>

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials.

Unbilled construction costs pertain to estimated obligations to contractors for services already performed but not yet billed to the Group.

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 consolidated 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.

Current portion of the other payables are mostly construction bonds from various subcontractors.

## 17. REVENUE FROM CONTRACTS WITH CUSTOMERS AND CONTRACT BALANCES

### 17.1 Disaggregation of Contract Revenues

The Group derives revenue from the transfer of goods and services over time and at a point in time.

Below is the revenue of its major product lines and in geographical areas as of December 31, 2019:

	<u>Cebu</u>	<u>Mindanao</u>	<u>Bacolod</u>	<u>Dumaguete</u>	<u>Total</u>
<i>Sale of real estate units</i>					
Over time	P 3,275,592,365	P 1,659,000,384	P 1,042,202,950	P 639,929,763	P 6,616,725,462
At a point in time	<u>1,545,641,590</u>	<u>228,159,443</u>	<u>-</u>	<u>-</u>	<u>1,773,801,033</u>
	4,821,233,955	1,887,159,827	1,042,202,950	639,929,763	8,390,526,495
<i>Render of management services</i>					
Over time	34,635,393	2,202,097	-	-	36,837,490
<i>Lease of properties</i>					
Over time	63,159,194	-	-	-	63,159,194
<i>Hotel operations</i>					
Over time	<u>8,524,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,524,756</u>
	<b><u>P 4,927,553,298</u></b>	<b><u>P 1,889,361,924</u></b>	<b><u>P 1,042,202,950</u></b>	<b><u>P 639,929,763</u></b>	<b><u>P 8,499,047,935</u></b>

Below is the revenue of its major product lines and in geographical areas as of December 31, 2018:

	<u>Cebu</u>	<u>Mindanao</u>	<u>Bacolod</u>	<u>Dumaguete</u>	<u>Total</u>
<i>Sale of real estate units</i>					
Over time	P 4,117,685,634	P 1,588,688,880	P 584,933,339	P 197,151,812	P 6,488,459,665
At a point in time	<u>204,078,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,078,095</u>
	4,321,763,729	1,588,688,880	584,933,339	197,151,812	6,692,537,760
<i>Render of management services</i>					
Over time	12,920,716	-	-	-	12,920,716
<i>Lease of properties</i>					
Over time	<u>57,480,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,480,871</u>
	<b><u>P 4,392,165,316</u></b>	<b><u>P 1,588,688,880</u></b>	<b><u>P 584,933,339</u></b>	<b><u>P 197,151,812</u></b>	<b><u>P 6,762,939,347</u></b>

### 17.2 Contract Balance

The breakdown of contract balances is as follows:

	<u>2019</u>	<u>2018</u>
Contract assets - net	<b>P 8,892,510,028</b>	P 5,442,125,993
Contract liabilities	<b>( 418,967,659)</b>	( 457,927,612)
Contract assets – net	<b><u>P 8,473,542,369</u></b>	<b><u>P 4,984,198,381</u></b>



A reconciliation of the opening and closing balance of Contract Assets is shown below.

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		<b>P 5,442,125,993</b>	P 3,025,241,682
Performance of property development		<b>5,317,763,752</b>	6,656,193,490
Transfers to trade receivables		<b>( 1,513,281,842)</b>	( 4,016,078,184)
Collections		<b>( 403,586,064)</b>	( 190,888,461)
Reversal of impairment losses (impairment losses)	30.2(b)	<b><u>49,488,189</u></b>	<b><u>( 32,342,534)</u></b>
Balance at end of year		<b><u>P 8,892,510,028</u></b>	<b><u>P 5,442,125,993</u></b>

The Group recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period.

The contract assets of the Group are presented in the consolidated statements of the financial position as follows:

	<u>2019</u>	<u>2018</u>
Current	<b>P 3,799,666,118</b>	P 4,283,208,009
Non-current	<b><u>5,092,843,910</u></b>	<u>1,158,917,984</u>
Total	<b><u>P 8,892,510,028</u></b>	<b><u>P 5,442,125,993</u></b>

A reconciliation of the opening and closing balance of Contract Liabilities is shown in below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 457,927,612</b>	P 353,752,781
Revenue recognized that was included in contract liability at the beginning of year	<b>( 310,669,774)</b>	( 147,275,173)
Increase due to cash received excluding amount recognized as revenue during the year	<b><u>271,709,821</u></b>	<u>251,450,004</u>
Balance at end of year	<b><u>P 418,967,659</u></b>	<b><u>P 457,927,612</u></b>

Contract liabilities pertains collections from buyers that are ahead of the stage of completion of the real estate units sold. Collections from buyers on sale of real estate units where the gating criteria for recognition of sales contract have yet to be met are accounted as Customers' deposits.

A summary of the Group's contract liabilities and customers' deposits is presented below.

	<u>2019</u>	<u>2018</u>
Contract liabilities	<b>P 418,967,659</b>	P 457,927,612
Customers' deposits	<b><u>191,042,919</u></b>	<u>42,774,376</u>
	<b><u>P 610,010,578</u></b>	<u>P 500,701,988</u>

Changes in the contract assets and contract liabilities are recognized by the Group when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

## 18. COST OF SALES AND SERVICES

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of real estate sales:				
Actual costs		<b>P 4,264,594,712</b>	P 3,110,027,278	P 1,691,695,772
Estimated costs		<u>-</u>	<u>-</u>	<u>181,234,317</u>
		<b><u>4,264,594,712</u></b>	<u>3,110,027,278</u>	<u>1,872,930,089</u>
Cost of rental services:				
Depreciation		<b>19,475,668</b>	18,097,781	17,394,529
Real property taxes		<b><u>179,375</u></b>	<u>717,228</u>	<u>1,064,559</u>
	13	<b><u>19,655,043</u></b>	<u>18,815,009</u>	<u>18,459,088</u>
Cost of management services:				
Salaries and wages		<b>11,005,552</b>	7,217,628	1,992,386
Materials and supplies		<b><u>25,532</u></b>	<u>-</u>	<u>-</u>
		<b><u>11,031,084</u></b>	<u>7,217,628</u>	<u>1,992,386</u>
Cost of hotel operations:				
Salaries and wages		<b>3,302,116</b>	-	-
Materials and supplies		<b>1,094,126</b>	-	-
Advertising and promotion		<b>389,946</b>	-	-
Utilities		<b>354,126</b>	-	-
Utilities		<b><u>263,824</u></b>	<u>-</u>	<u>-</u>
		<b><u>5,404,138</u></b>	<u>-</u>	<u>-</u>
		<b><u>P4,300,684,977</u></b>	<u>P 3,136,059,915</u>	<u>P 1,893,381,563</u>

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contracted services	19	<b>P3,428,692,309</b>	P2,430,807,113	P1,210,592,618
Land	19	<b>661,053,922</b>	579,191,014	632,044,133
Borrowing costs	19	<b>135,900,814</b>	88,478,442	28,450,856
Other costs		<b><u>38,947,667</u></b>	<u>11,550,709</u>	<u>1,842,482</u>
		<b><u>P4,264,594,712</u></b>	<u>P3,110,027,278</u>	<u>P1,872,930,089</u>

## 19. OPERATING EXPENSES BY NATURE

Details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contracted services	18	<b>P3,428,692,309</b>	P 2,430,807,113	P 1,210,592,618
Land	18	<b>661,053,922</b>	579,191,014	632,044,133
Salaries and employee benefits	23.1	<b>310,036,149</b>	220,794,631	156,240,895
Commissions	9	<b>301,751,479</b>	264,860,997	146,236,559
Taxes and licenses		<b>142,468,633</b>	141,431,621	48,181,654
Interest	7, 18	<b>135,900,814</b>	88,478,442	28,450,856
Repairs and maintenance		<b>75,141,734</b>	12,027,943	4,868,649
Advertising		<b>66,026,270</b>	53,594,172	48,703,407
Depreciation and amortization	11, 12, 13, 14	<b>60,763,991</b>	52,474,358	50,790,457
Professional and legal fees		<b>37,301,481</b>	28,883,240	20,051,987
Rent	12.3, 28.2	<b>33,941,185</b>	15,275,105	11,999,959
Transportation and travel		<b>26,073,764</b>	26,839,560	19,004,064
Utilities		<b>20,107,148</b>	21,803,010	8,440,916
Security services		<b>14,783,785</b>	9,727,211	3,747,659
Subscription and membership dues		<b>12,868,161</b>	5,619,552	6,518,120
Representation and entertainment		<b>11,703,055</b>	12,367,064	6,664,977
Supplies		<b>10,106,696</b>	6,387,294	5,529,533
Insurance		<b>9,198,360</b>	12,034,422	7,712,931
Communications		<b>5,574,538</b>	6,154,359	4,121,488
Hotel operations		<b>5,404,138</b>	-	-
Donations		<b>2,611,027</b>	8,170,000	22,850,641
Trainings and seminars		<b>1,405,783</b>	1,488,291	693,792
Others		<b>72,971,563</b>	31,542,070	16,410,069
		<b><u>P5,445,885,985</u></b>	<b><u>P 4,029,951,469</u></b>	<b><u>P 2,459,855,364</u></b>

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

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of sales and services	18	<b>P4,300,684,977</b>	P 3,136,059,915	P 1,893,381,563
Operating expenses		<b><u>1,145,201,008</u></b>	<u>893,891,554</u>	<u>566,473,801</u>
		<b><u>P5,445,885,985</u></b>	<b><u>P 4,029,951,469</u></b>	<b><u>P 2,459,855,364</u></b>

## 20. OTHER OPERATING INCOME

This account is composed of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Refund from lot acquisitions	<b>P 17,135,227</b>	P -	P -
Administrative charges	<b>7,655,208</b>	5,139,183	5,693,135
Reversal of payables	<b>7,475,576</b>	3,520,559	14,650,062
Late payment penalties charged to customers	<b>4,804,671</b>	721,961	1,562,596
Utilities charged to tenants	<b>4,654,457</b>	-	-
Water income	<b>4,519,195</b>	-	925,514
Documentation fee	<b>3,718,750</b>	287,857	1,356,339
Foreign exchange gains	<b>1,023,843</b>	38,457	-
Reservation fees foregone	<b>182,922</b>	22,090,887	3,281,608
Referral incentive	<b>34,644</b>	202,845	112,056
Others	<b><u>1,928,890</u></b>	<u>1,498,641</u>	<u>869,023</u>
	<b><u>P 53,133,383</u></b>	<u>P 33,500,390</u>	<u>P 28,450,333</u>

Refund from lot acquisitions pertain to the refund from seller of property for overpayments made.

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.

## 21. FINANCE COSTS

This is composed of the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense on:				
Loans	15.1, 15.2	<b>P 33,629,596</b>	P 88,467,056	P 24,197,737
Lease liabilities	12.4	<b>10,847,248</b>	-	-
Post-employment defined benefit obligation	23.2	<b>449,368</b>	310,716	97,922
Day one loss, net of amortization of non-current contracts receivables	6	-	42,964,142	11,589,073
Bank charges		<u>-</u>	<u>830,408</u>	<u>522,030</u>
		<b><u>P 44,926,212</u></b>	<u>P 132,572,322</u>	<u>P 36,406,762</u>

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

## 22. FINANCE INCOME

This is composed of the following:

	Notes	<u>2019</u>	<u>2018</u>	<u>2017</u>
Amortization of day one loss on non-current contract receivables - net	6	P 26,971,237	P -	P -
Interest income on banks	5	24,599,602	18,861,865	5,262,332
Others		<u>349,906</u>	<u>-</u>	<u>-</u>
		<u>P 51,920,745</u>	<u>P 18,861,865</u>	<u>P 5,262,332</u>

## 23. EMPLOYEE BENEFITS

### 23.1 Salaries and Employee Benefits

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

	Note	<u>2019</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits		P 303,543,435	P 217,063,952	P 153,912,148
Post-employment defined benefit	23.2	<u>6,492,714</u>	<u>3,730,679</u>	<u>2,328,747</u>
		<u>P 310,036,149</u>	<u>P 220,794,631</u>	<u>P 156,240,895</u>

### 23.2 Post-Employment Benefit Plan

#### (a) Characteristics of the Defined Benefit Plan

The Group maintains a funded and non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group'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 Group'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 in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Present value of the obligation	<b>P 30,455,692</b>	P 30,075,774
Fair value of plan assets	<b>( 36,379,276)</b>	( 24,108,080)
	<b><u>(P 5,923,584)</u></b>	<u>P 5,967,694</u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 30,075,774</b>	P 23,664,131
Current service cost	<b>6,492,714</b>	3,730,679
Interest cost	<b>2,264,706</b>	1,348,855
Benefits paid	<b>( 83,772)</b>	( 175,317)
Remeasurements - actuarial losses (gains) arising from:		
Experience adjustments	<b>( 26,927,039)</b>	8,791,265
Changes in financial assumptions	<b>16,523,250</b>	( 7,283,839)
Changes in demographic assumptions	<b><u>2,110,059</u></b>	<u>-</u>
Balance at end of year	<b><u>P 30,455,692</u></b>	<u>P 30,075,774</u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>P 24,108,080</b>	P 12,300,617
Contributions to the plan	<b>10,491,622</b>	12,000,000
Interest income	<b>1,815,338</b>	1,038,139
Benefits paid	<b>( 83,772)</b>	( 175,317)
Return on plan assets (excluding amounts included in net interest)	<b><u>48,008</u></b>	<u>( 1,055,359)</u>
Balance at end of year	<b><u>P 36,379,276</u></b>	<u>P 24,108,080</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>2019</u>	<u>2018</u>
Cash and cash equivalents	<b>P 4,019,910</b>	P 14,811,528
Financial assets at FVOCI		
Unitized investment funds	<b>20,707,084</b>	1,882,456
Government securities	<b><u>11,652,282</u></b>	<u>7,414,096</u>
	<b><u>P 36,379,276</u></b>	<u>P 24,108,080</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 P48,008 in 2019, loss of P1,055,359 in 2018 and a return of P228,260 in 2017.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Recognized in profit or loss</i>			
Current service cost	<b>P 6,492,714</b>	P 3,730,679	P 2,382,747
Net interest expense on defined benefit obligation	<u>449,368</u>	<u>310,716</u>	<u>97,922</u>
	<b><u>P 6,942,082</u></b>	<b><u>P 4,041,395</u></b>	<b><u>P 2,480,669</u></b>
<i>Recognized in other comprehensive income</i>			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	<b>(P 26,927,039)</b>	P 8,791,265	P 3,924,070
Demographic assumptions	<b>16,523,250</b>	-	( 836,418)
Financial assumptions	<b>2,110,059</b>	( 7,283,839)	3,356,230
Loss (return) on plan assets (excluding amounts included in net interest expense)	<b>( 48,008)</b>	<u>1,055,359</u>	<u>333,105</u>
	<b><u>(P 8,341,738)</u></b>	<b><u>P 2,562,785</u></b>	<b><u>P 6,776,987</u></b>

The net interest expense is included in Finance Costs in profit or loss (see Note 21).

Amounts recognized in other comprehensive income (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>2019</u>	<u>2018</u>	<u>2017</u>
Discount rates	<b>5.14%</b>	7.53%	5.70%
Salary increase rates	<b>7.00%</b>	8.00%	10.00%

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 25.80 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 as 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>	
<u>December 31, 2019</u>						
Discount rate	+/-1.0%	(P	6,221,517)	P	4,857,534	
Salary increase rate	+/-1.0%		6,035,484	(	4,818,369)	
<u>December 31, 2018</u>						
Discount rate	+/-1.0%	(P	1,493,670)	P	1,267,185	
Salary increase rate	+/-1.0%		1,471,797	(	1,272,967)	

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P26,485,966 and P22,395,143 for the years ended December 31, 2019 and 2018, 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 consolidated 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) *Funding Arrangements and Expected Contributions*

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 (2018 is only for 10-year projection):

	<u>2019</u>	<u>2018</u>
Within one year	<b>P 2,544,053</b>	P 19,555,620
More than one year to five years	<b>3,667,551</b>	10,469,672
More than five years to ten years	<b>8,516,813</b>	13,453,761
More than ten years to 15 years	<b>8,838,609</b>	-
More than 15 years to 20 years	<b>22,797,570</b>	-
More than 20 years	<b><u>251,295,697</u></b>	<u>-</u>
	<b><u>P 297,660,293</u></b>	<b><u>P 43,479,053</u></b>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

## 24. CURRENT AND DEFERRED TAXES

The Group was registered with the Board of Investments (BOI) as a developer of various economic and low-cost housing projects. Accordingly, the Group enjoys an income tax holiday on the BOI registered projects within three to four taxable years from its registration. The Group has 15 and 14 registered projects with BOI as of December 31, 2019 and 2018, respectively.

The components of tax expense relating to profit or loss and other comprehensive loss (income) are as shown below.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	<b>P 153,290,028</b>	P 92,981,634	P 77,018,326
Final income tax	<u>4,918,642</u>	<u>3,033,301</u>	<u>546,168</u>
	<b>158,208,670</b>	96,014,935	77,564,494
Deferred tax expense relating to origination and reversal of temporary differences	<u>585,347,545</u>	<u>342,594,139</u>	<u>125,196,035</u>
	<b><u>P 743,556,215</u></b>	<b><u>P 438,609,074</u></b>	<b><u>P 202,760,529</u></b>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<b><u>P 2,502,521</u></b>	<b><u>(P 768,836)</u></b>	<b><u>(P 1,583,096)</u></b>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax on pretax profit at 30%	<b>P 954,448,117</b>	P 782,260,316	P 439,249,896
Adjustments for income subject to lower tax rate	<b>1,215,137</b>	( 2,473,694)	( 1,032,526)
Tax effects of:			
Timing difference from tax exempt real estate sales	<b>( 713,862,517)</b>	( 319,785,609)	( 209,663,372)
Non-deductible expenses	<b>620,344,359</b>	25,754,052	9,714,151
Tax-exempt sales	<b>( 120,095,181)</b>	( 67,889,306)	( 36,558,067)
Changes in unrecognized deferred tax assets	<u>1,506,300</u>	<u>20,743,315</u>	<u>1,050,447</u>
Tax expense	<b><u>P 743,556,215</u></b>	<b><u>P 438,609,074</u></b>	<b><u>P 202,760,529</u></b>

The net deferred tax liabilities relate to the following as of December 31:

	<u>2019</u>	<u>2018</u>
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	<b>P1,158,688,649</b>	P 594,799,819
Rental income	<b>3,063,592</b>	2,906,896
Post-employment defined benefit asset	<b>1,777,075</b>	-
Others	<b>386,105</b>	-
	<b><u>1,163,915,421</u></b>	<b><u>597,706,715</u></b>

*Forward*

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Sales commissions	(P 38,454,339)	(P 35,972,429)
Unearned revenue	( 574,360)	-
Allowance for impairment	-	( 13,694,142)
Net operating loss carry-over (NOLCO)	-	( 9,213,180)
Post-employment defined benefit obligation	-	( 1,790,308)
	<u>( 39,028,699)</u>	<u>( 60,670,059)</u>
	<b><u>P1,124,886,722</u></b>	<b><u>P 537,036,656</u></b>

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

	<u>Consolidated Statements of Profit or Loss</u>			<u>Consolidated Statements of Comprehensive Income</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Deferred tax liabilities						
Difference between tax reporting base and financial reporting base used in sales recognition	P 563,888,830	P 340,811,420	P 138,230,388	P -	P -	P -
Post-employment defined benefit asset	1,777,075	-	-	-	-	-
Rental income	156,696	2,906,896	-	-	-	-
Others	386,105	-	-	-	-	-
Changes in fair value of investment securities at fair value through other comprehensive income	-	-	-	-	-	450,000
Deferred tax assets						
Allowance for impairment	13,694,142	( 9,791,087)	-	-	-	-
NOLCO	9,213,180	2,665,506	( 11,878,686)	-	-	-
Sales commissions	( 2,481,910)	3,613,823	-	-	-	-
Post-employment defined benefit obligation	( 712,213)	2,387,581	( 744,202)	2,502,521	( 768,836)	( 2,033,096)
Unearned revenue	( 574,360)	-	-	-	-	-
Deferred tax expense (income)	<b><u>P 585,347,545</u></b>	<b><u>P 342,594,139</u></b>	<b><u>P 125,607,500</u></b>	<b><u>P 2,502,521</u></b>	<b><u>(P 768,836)</u></b>	<b><u>P 1,583,096</u></b>

The Group has unrecognized deferred tax assets of P52,715,489 and P86,328,765 as at December 31, 2019 and 2018, respectively, from NOLCO as follows.

<u>Entity</u>	<u>Years Incurred</u>			<u>Outstanding Balance</u>	
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>
YHEST	P 37,242,549	P 72,373,674	P -	P109,616,208	P 72,373,674
YHES	1,695,544	11,542,401	2,971,260	16,209,206	14,513,661
CCLI	5,993,424	2,211,356	-	8,144,780	2,211,356
CHDI	6,652,079	-	-	6,652,079	-
ASF	74,825	120,222	2,315,746	2,510,793	2,435,968
YES	-	-	14,732,147	1,465,202	5,102,112
CPH	468,570	81,112	37,264	586,946	133,787
CLIPM	508,308	-	-	508,308	-
YHESPH	80,190	-	-	80,190	-
El Camino	-	-	29,904,392	-	-
MGR	-	-	1,114,459	-	-
	<b><u>P 52,715,489</u></b>	<b><u>P 86,328,765</u></b>	<b><u>P 51,075,268</u></b>	<b><u>P145,773,712</u></b>	<b><u>P 96,770,558</u></b>

As of December 31, 2019 and 2018, only 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. Other components of the Group are not yet subject to MCIT as it has not operated beyond four taxable years. No MCIT was reported in 2019, 2018 and 2017 as the RCIT was higher than MCIT.

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 its income tax due for the years ended December 31, 2019, 2018 and 2017.

## 25. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, 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	
		2019	2018	2017	2019	2018
<b>Ultimate Parent Company</b>						
Sale of real estate	25.3	P 26,047,495	P 15,886,745	P 158,359,074	P 158,920,838	P 149,300,130
<b>Other Stockholders</b>						
Sale and transfer of property	25.2	-	55,633,275	-	-	-
<b>Entities under Common Ownership</b>						
Net advances (collections)	25.1	( 11,206,772)	3,324,163	( 6,411,964)	9,947,417	21,154,189
<b>Associates</b>						
Net advances (collections)	25.1	-	( 11,925)	218	-	-
<b>Key Management Personnel</b>						
Sale of real estate	25.4	-	8,501,882	80,834,073	7,180,680	65,028,576
Compensation	25.5	87,656,262	81,760,354	85,886,192	-	-

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, 2019 and 2018. 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.

### 25.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership and associates. An analysis of such advances in 2019 and 2018 is presented below.

	Entities Under Common Ownership	Associates	Total
Balance at January 1, 2019	P 21,154,189	P -	P 21,154,189
Collections	( 11,206,772)	-	( 11,206,772)
Balance at December 31, 2019	<b>P 9,947,417</b>	<b>P -</b>	<b>P 9,947,417</b>

	Entities Under Common Ownership		Associates	Total
Balance at January 1, 2018	P	17,830,026	P 11,925	P 17,841,951
Additional advances		3,324,163	-	3,324,163
Collections		-	(11,925)	(11,925)
Balance at December 31, 2018	<u>P</u>	<u>21,154,189</u>	<u>P -</u>	<u>P 21,154,189</u>

### ***25.2 Sale and Transfer of Property***

In 2018, the Parent Company transferred all its financial assets at FVOCI to one of its shareholder at market price as of January 1, 2018 of P55,633,275, which was paid by the shareholder in cash. There is no similar transaction in 2019.

### ***25.3 Sale of Real Estate to Ultimate Parent Company***

In 2019, 2018 and 2017, CLI sold condominium units to ABS totaling P26,047,495, P15,886,745 and P158,359,074, respectively. The outstanding balance related to this transaction amounted to P158,920,838 and P149,300,130 as at December 31, 2019 and 2018, respectively, and is presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

### ***25.4 Sale of Real Estate to Key Management Personnel***

In 2019, 2018 and 2017, CLI sold condominium units totaling nil, P8,501,882 and P80,834,073, respectively, to key management personnel. Outstanding balance related to these transactions amounts to P7,180,680 and P65,028,576 as at December 31, 2019 and 2018, respectively. These are presented as part of Contract Receivables under the Receivables account in the consolidated statements of financial position (see Note 6).

### ***25.5 Key Management Personnel Compensation***

The composition of key management personnel compensation for the years ended December 31, 2019, 2018 and 2017 is shown below.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Short-term benefits	<b>P 83,006,173</b>	P 76,696,262	P 83,813,957
Post-employment benefits	<u>4,650,089</u>	<u>5,064,092</u>	<u>2,072,235</u>
	<b><u>P 87,656,262</u></b>	<b><u>P 81,760,354</u></b>	<b><u>P 85,886,192</u></b>

### ***25.6 Retirement Fund***

CLI's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2019 and 2018 consists of the contributions to the plan and interest earned (see Note 23.2). 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.

## 26. EQUITY

### 26.1 Capital Stock

Details of the authorized capital stock as of December 31, 2019 and 2018 are as follows:

<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Amount</u>
Common stock	P 1.00	2,400,000,000	P 2,400,000,000
Preferred stock	0.10	1,000,000,000	100,000,000

An analysis of the issued and outstanding common stock, net of P4.6 million and P46.5 million treasury shares as of December 31, 2019 and 2018, respectively is shown below.

	<u>Shares</u>		<u>Amounts</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	<b>1,667,500,000</b>	1,714,000,000	<b>P1,501,540,582</b>	P 1,714,000,000
Reacquired during the year	<b>(8,320,000)</b>	(46,500,000)	<b>(34,734,357)</b>	(212,459,418)
Balance at end of year	<b><u>1,659,180,000</u></b>	<u>1,667,500,000</u>	<b><u>P1,466,806,225</u></b>	<u>P1,501,540,582</u>

There is no issued preferred stock as of December 31, 2019 and 2018.

As disclosed in Note 1.1, the Parent Company had a successful IPO of 430 million unissued common shares at an offer price of P5 per share, which is equivalent to P2,150,000,000 on June 2, 2017. Accordingly, the Parent Company recognized additional paid-in capital of P1,608,917,974 in the consolidated statements of financial position after deducting the related share issuance costs of P111,082,026.

The share price of the Parent Company's common stock closed at P4.83 and P4.14 per share on December 27, 2019 and December 28, 2018, respectively, the last trading day in the PSE for 2019 and 2018.

The Group has no other listed securities as at December 31, 2019 and 2018.

On February 27, 2018, the BOD of the Parent Company approved a P250 million budget for a share buy-back program and employee stock option plan. As of December 31, 2019, the employee stock option plan has not yet implemented. In relation to this program, the Parent Company reacquired 8,320,000 shares and 46,500,000 shares of common stock in 2019 and 2018, respectively for P34,734,393 and P212,459,418, respectively and presented them as Treasury Stock in the consolidated statement of financial position.

The common stock of the Parent Company that is held under nominee accounts totaled 697,799,750 shares and 706,371,750 shares as of December 31, 2019 and 2018, respectively. This represents 41% and 38% of the Parent Company's outstanding shares as of December 31, 2019 and 2018, respectively.

### 26.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown in the next page.

	Notes	Post-employment Defined Benefit Obligation	Financial Asset at FVOCI	Total
Balance as of January 1, 2019		(P 12,428,442)	P -	(P 12,428,442)
Other comprehensive income:				
Gain on remeasurement of post-employment defined benefit obligation	23.2	8,341,738	-	8,341,738
Tax expense	24	(2,502,521)	-	(2,502,521)
		<u>5,839,217</u>	<u>-</u>	<u>5,839,217</u>
<b>Balance as of December 31, 2019</b>		<b>(P 6,589,225)</b>	<b>P -</b>	<b>(P 6,589,225)</b>
Balance as of January 1, 2018		(P 10,634,493)	P 6,315,400	(P 4,319,093)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2	(2,562,785)	-	(2,562,785)
Sale of financial asset at FVOCI		-	(6,315,400)	(6,315,400)
		<u>(2,562,785)</u>	<u>(6,315,400)</u>	<u>(8,878,185)</u>
Tax income		768,836	-	768,836
		<u>(1,793,949)</u>	<u>(6,315,400)</u>	<u>(8,109,349)</u>
Balance as of December 31, 2018		<u>(P 12,428,442)</u>	<u>P -</u>	<u>(P 12,428,442)</u>
Balance as of January 1, 2017		(P 5,890,602)	P 5,265,400	(P 625,202)
Other comprehensive income:				
Loss on remeasurement of post-employment defined benefit obligation	23.2	(6,776,987)	-	(6,776,987)
AFS financial assets		-	1,500,000	1,500,000
		<u>(6,776,987)</u>	<u>1,500,000</u>	<u>(5,276,987)</u>
Tax income (expense)		2,033,096	(450,000)	1,583,096
		<u>(4,743,891)</u>	<u>1,050,000</u>	<u>(3,693,891)</u>
Balance as of December 31, 2017		<u>(P 10,634,493)</u>	<u>P 6,315,400</u>	<u>(P 4,319,093)</u>

### 26.3 Retained Earnings

On February 26, 2019, the Parent Company's BOD declared cash dividend of P0.20 per share or a total amount of P332,590,000 to stockholders on record as of March 26, 2019 and was paid on April 24, 2019.

On February 27, 2018, the BOD declared cash dividend of P0.15 per share or a total amount of P256,875,000 to stockholders on record as of March 23, 2018. Such dividend was paid on April 23, 2018.

On October 24, 2019, the Board of Directors approved the appropriation of P3,050,000,000 from the Parent Company's retained earnings for purposes of funding certain projects. The appropriated amount is specifically intended and allocated for the capital expenditures, financing costs, and other related development costs that the Parent Company expects to incur in the next five years for those certain projects. Details of the appropriation are as follows:

- P400,000,000 for the on-going development of Mivela Garden Residences, a modern garden residential community and condominium project located in Banilad, Cebu City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023;
- P600,000,000 for the development of Cebu Business Park Office / Hotel Tower, an office and hotel building located at the Cebu Business Park, Cebu City. Project development was commenced last November 2019 and is expected to be completed by first quarter of 2024;

- P500,000,000 for the on-going development of the Casa Mira and Velmiro Homes projects, which are subdivision projects (house and lots) located in Magtuod, Davao City. Project developments commenced on December 2019 and are expected to be completed by first quarter of 2023.
- P400,000,000 for the redevelopment of the Abaca Resort Mactan, a resort in Punta Engaño, Mactan Island, Cebu. Redevelopment was commenced on November 2019 and is expected to be completed by second quarter of 2024.
- P600,000,000 for the redevelopment of the Mactan Lowaii Project, a resort in Mactan Island, Cebu. Development was commenced on November 2019 and is expected to be completed by second quarter of 2023.
- P300,000,000 for the on-going development of Casa Mira Mandaue, a condominium project with four towers located in Alang-alang, Mandaue City. Project development was commenced on September 2019 and is expected to be completed by second quarter of 2023.
- P250,000,000 for the on-going development of the Velmiro Heights Taekwoord, a subdivision project located in Cagayan de Oro. Project development was commenced on December 2019 and is expected to be completed by fourth quarter of 2022.

A portion of the Group's retained earnings, equivalent of the cost of treasury shares is legally restricted in accordance with Section 40 of the Revised Corporation Code.

#### **26.4 Non-controlling Interests**

The subsidiaries of the Group with significant NCI as at December 31, 2019 and 2018 are as follows.

<u>Subsidiaries</u>	<u>NCI Ownership %</u>		<u>NCI Equity in Subsidiaries</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
YHEST	50%	50%	<b>P 3,719,661,270</b>	P 3,738,377,806
El Camino	65%	65%	<b>773,607,627</b>	472,340,626
YHES	50%	50%	<b>471,210,883</b>	441,226,269
YES	50%	50%	<b>318,011,562</b>	228,148,289
MGR	55%	55%	<b>310,217,791</b>	192,956,265
CDHI	50%	-	<b>226,673,963</b>	-
BL Ventures	50%	50%	<b>150,788,415</b>	134,247,260
CCPH	50%	50%	<b>85,858,394</b>	73,260,496
			<b><u>P 6,056,029,905</u></b>	<b><u>P 5,280,557,011</u></b>

In 2019, CHDI was incorporated with paid-in capital from non-controlling shareholders amounting to P230,000,003. In the same year, YHESPH was incorporated as a wholly-owned subsidiary of YHES. Share of non-controlling shareholders of YHES in the paid-in capital of YHESPH amounted to P1,250,000. Moreover, non-controlling shareholders of El Camino, CCPH and YES contributed cash of P87,749,999, P15,574,999 and P6,250,000 into these entities, respectively. Deposits for future stock subscription from non-controlling shareholders of MGR amounting to P30,250,000 were also reclassified to equity.



In 2018, YHEST and CCLI were incorporated and the non-controlling shareholders contributed land with a fair value of P3,774,738,000 and cash of P74,350,000, respectively, in exchange for shares of stock of these entities. The non-controlling shareholder also transferred land worth P448,474,000 to YHES in exchange for shares of stock worth P336,355,500 and settlement of its P112,118,500 liability.

In 2017, YHES, and MGR were incorporated with paid-in capital from non-controlling shareholders on these entities amounting P1,375,000 and P112,118,500, respectively. Moreover, P70,683,840 and P388,259,487 were invested by non-controlling shareholders of YES and El Camino, respectively.

In 2016, BL Ventures, YES and El Camino were incorporated with paid-in capital from non-controlling shareholders on these entities amounting to P12,500,000, P6,250,003, and P16,250,000, respectively.

In 2019, YES declared cash dividends totalling P40,000,000 of which P20,000,000 is the share of non-controlling shareholders. There was no similar transaction in 2018. There were no dividends paid to non-controlling shareholders in 2019, 2018 and 2017 as the related subsidiaries have not declared dividends yet.

Significant information on the financial position and financial performance of YHEST as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b>P 42,486,068</b>	P 7,763,057
Non-current assets	<b><u>5,300,467,319</u></b>	<u>4,792,094,603</u>
Total assets	<b><u>P5,342,953,387</u></b>	<u>P4,799,857,660</u>
Current liabilities	<b>P 19,894,182</b>	P 5,528,217
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<b><u>P 19,894,182</u></b>	<u>P 5,528,217</u>
Revenues	<b><u>P -</u></b>	<u>P -</u>
Net loss	<b>(P 37,433,073)</b>	(P 72,720,388)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<b><u>(P 37,433,073)</u></b>	<u>(P 72,720,388)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b>(P 18,716,537)</b>	(P 36,360,194)
Non-controlling interests	<b><u>( 18,716,536)</u></b>	<u>( 36,360,194)</u>
Net loss	<b><u>(P 37,433,073)</u></b>	<u>(P 72,720,388)</u>

Significant information on the financial position and financial performance of El Camino as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b>P2,947,087,029</b>	P2,477,352,231
Non-current Assets	<b><u>1,246,556,090</u></b>	<u>319,167,568</u>
Total assets	<b><u>P 4,193,643,119</u></b>	<u>P2,796,519,799</u>
Current liabilities	<b>P 766,532,996</b>	P 316,762,598
Non-current liabilities	<b><u>2,236,404,543</u></b>	<u>1,752,539,313</u>
Total liabilities	<b><u>P3,002,937,539</u></b>	<u>P2,069,301,911</u>
Revenues	<b><u>P1,454,219,295</u></b>	<u>P 653,176,410</u>
Net profit	<b>P 328,487,695</b>	P 136,717,289
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<b><u>P 328,487,695</u></b>	<u>P 136,717,289</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b>P 114,970,693</b>	P 47,851,051
Non-controlling interests	<b><u>213,517,002</u></b>	<u>88,866,238</u>
Net profit	<b><u>P 328,487,695</u></b>	<u>P 136,717,289</u>

Significant information on the financial position and financial performance of YHES as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b>P 734,967,923</b>	P 149,216,099
Non-current Assets	<b><u>266,909,463</u></b>	<u>512,887,936</u>
Total assets	<b><u>P1,001,877,386</u></b>	<u>P 662,104,035</u>
Current liabilities	<b>P 252,707,237</b>	P 3,888,497
Non-current liabilities	<b><u>30,985,381</u></b>	<u>-</u>
Total liabilities	<b><u>P 283,692,618</u></b>	<u>P 3,888,497</u>
Revenues	<b><u>P 200,059,620</u></b>	<u>P -</u>
Net profit (loss)	<b>P 59,969,229</b>	(P 11,524,202)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<b><u>P 59,969,229</u></b>	<u>(P 11,524,202)</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b>P 29,984,615</b>	(P 5,762,101)
Non-controlling interests	<u>29,984,614</u>	<u>(5,762,101)</u>
Net profit (loss)	<b><u>P 59,969,229</u></b>	<b><u>(P 11,524,202)</u></b>

Significant information on the financial position and financial performance of YES as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b>P1,387,657,167</b>	P 956,524,707
Non-current Assets	<u>147,691,392</u>	<u>5,411,425</u>
Total assets	<b><u>P1,535,348,559</u></b>	<b><u>P 961,936,132</u></b>
Current liabilities	<b>P 314,987,300</b>	P 202,370,291
Non-current liabilities	<u>584,257,940</u>	<u>303,269,258</u>
Total liabilities	<b><u>P 899,245,240</u></b>	<b><u>P 505,639,549</u></b>
Revenues	<b><u>P 499,698,122</u></b>	<b><u>P 827,947,591</u></b>
Net profit	<b>P 207,306,736</b>	P 318,663,184
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<b><u>P 207,306,736</u></b>	<b><u>P 318,663,184</u></b>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b>P 103,653,368</b>	P 159,331,592
Non-controlling interests	<u>103,653,368</u>	<u>159,331,592</u>
Net profit	<b><u>P 207,306,736</u></b>	<b><u>P 318,663,184</u></b>

Significant information on the financial position and financial performance of MGR as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b>P1,262,460,627</b>	P 888,702,247
Non-current Assets	<u>-</u>	<u>-</u>
Total assets	<b><u>P1,262,460,627</u></b>	<b><u>P 888,702,247</u></b>
Current liabilities	<b>P 280,589,748</b>	P 334,608,661
Non-current liabilities	<u>414,463,533</u>	<u>203,264,013</u>
Total liabilities	<b><u>P 695,053,281</u></b>	<b><u>P 537,872,674</u></b>

	<u>2019</u>	<u>2018</u>
Revenues	<b><u>P 475,975,791</u></b>	<u>P 812,312,112</u>
Net profit	<b><u>P 158,202,773</u></b>	<u>P 349,459,412</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<b><u>P 158,202,773</u></b>	<u>P 349,459,412</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b><u>P 71,191,248</u></b>	<u>P 157,256,735</u>
Non-controlling interests	<b><u>87,011,525</u></b>	<u>192,202,677</u>
Net profit	<b><u>P 158,202,773</u></b>	<u>P 349,459,412</u>

Significant information on the financial position and financial performance of BL Ventures as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b><u>P 718,672,694</u></b>	<u>P 683,095,468</u>
Non-current Assets	<b><u>657,309,937</u></b>	<u>246,957,913</u>
Total assets	<b><u>P1,375,982,631</u></b>	<u>P 930,053,381</u>
Current liabilities	<b><u>P 319,724,150</u></b>	<u>P 196,507,563</u>
Non-current liabilities	<b><u>754,708,394</u></b>	<u>465,078,039</u>
Total liabilities	<b><u>P1,074,432,544</u></b>	<u>P 661,585,602</u>
Revenues	<b><u>P 159,598,289</u></b>	<u>P 519,407,146</u>
Net profit	<b><u>P 33,082,308</u></b>	<u>P 208,733,326</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<b><u>P 33,082,308</u></b>	<u>P 208,733,326</u>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b><u>P 16,541,154</u></b>	<u>P 104,366,663</u>
Non-controlling interests	<b><u>16,541,154</u></b>	<u>104,366,663</u>
Net profit	<b><u>P 33,082,308</u></b>	<u>P 208,733,326</u>

Significant information on the financial position and financial performance of CCPH as at and for the year ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	<b><u>P 63,630,125</u></b>	<u>P 30,857,692</u>
Non-current Assets	<b><u>187,818,054</u></b>	<u>144,966,844</u>
Total assets	<b><u>P 251,448,179</u></b>	<u>P 175,824,536</u>

	<u>2019</u>	<u>2018</u>
Current liabilities	<b>P 79,731,390</b>	P 29,303,543
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<b><u>P 79,731,390</u></b>	<b><u>P 29,303,543</u></b>
Revenues	<b><u>P -</u></b>	<b><u>P -</u></b>
Net loss	<b>(P 5,954,202)</b>	(P 2,179,008)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss	<b><u>(P 5,954,202)</u></b>	<b><u>(P 2,179,008)</u></b>

The profit or loss is allocated between the Parent Company and NCI as follows.

	<u>2019</u>	<u>2018</u>
Parent Company's shareholders	<b>(P 2,977,101)</b>	(P 1,089,504)
Non-controlling interests	<b><u>(2,977,101)</u></b>	<b><u>(1,089,504)</u></b>
Net loss	<b><u>(P 5,954,202)</u></b>	<b><u>(P 2,179,008)</u></b>

Significant information on the financial position and financial performance of CHDI as at and for the year ended December 31, 2019 are as follows:

Current assets	P 922,628,670
Non-current Assets	<u>98,464,752</u>
Total assets	<b><u>P1,021,093,422</u></b>
Current liabilities	P 567,745,501
Non-current liabilities	<u>-</u>
Total liabilities	<b><u>P 567,745,501</u></b>
Revenues	<b><u>P -</u></b>
Net loss	(P 6,652,080)
Other comprehensive income	<u>-</u>
Total comprehensive loss	<b><u>(P 6,652,080)</u></b>

The 2019 profit or loss is allocated between the Parent Company and NCI as follows.

Parent Company's shareholders	(P 3,326,040)
Non-controlling interests	<u>(3,326,040)</u>
Net loss	<b><u>(P 6,652,080)</u></b>

## 27. EARNINGS PER SHARE

EPS is computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income available to common stockholders	<b>P 2,012,289,616</b>	P 1,667,369,943	P 1,286,936,399
Divided by weighted average number of outstanding common stock	<u>1,662,917,500</u>	<u>1,693,132,500</u>	<u>1,499,000,000</u>
Basic and diluted EPS	<b><u>P 1.21</u></b>	<u>P 0.98</u>	<u>P 0.86</u>

There were no instruments that could potentially dilute basic earnings per share for years ended December 31, 2019, 2018 and 2017; hence, basic EPS is the same as diluted EPS.

## 28. COMMITMENTS AND CONTINGENCIES

### *28.1 Operating Lease Commitments - Group as Lessor*

The Group is a lessor under several operating leases covering certain condominium and parking units and retail building space (see Note 13). To manage its risks over these operating leases, the Group retains its legal title over the underlying assets and requiring its lessee to pay security deposits at the start of the lease. 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.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Within one year	<b>P 59,467,774</b>	P 53,665,650	P 47,466,242
After one year but not more than five years	<b>91,924,899</b>	108,046,002	98,926,829
More than five years	<u>132,301,010</u>	<u>147,761,404</u>	<u>4,956,444</u>
	<b><u>P 283,693,683</u></b>	<u>P 309,473,056</u>	<u>P 151,349,515</u>

Rental income amounted to P63,159,194, P57,480,871 and P45,647,337 in 2019, 2018 and 2017, respectively (see Note 13). None of the rental income in 2019, 2018 and 2017 are relating to variable lease payments.

### *28.2 Operating Lease Commitments - Group as Lessee*

The Group entered into several short-term cancellable leases for its billboards, warehouse and staff house. Rent expense incurred from the short-term cancellable leases amounted to P33,941,185, P15,275,105 and P11,999,959 in 2019, 2018 and 2017, respectively, and is shown as rent under Operating Expenses in the consolidated statements of profit or loss (see Notes 19).

As at December 31, 2019 and 2018, there are no expected future rentals because of the terms of the leases.

### ***28.3 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. The Group recognized a contract liability, which amounts to P418,967,659 and P457,927,612 as at December 31, 2019 and 2018, respectively, when it collects more than it is entitled to base on the stage of completion of the project development.

### ***28.4 Purchase of Land***

As at December 31, 2019 and 2018, the Group had agreed in principle with multiple 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 P3,435,620,227 and P1,754,763,446, respectively. The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

### ***28.5 Lease of Land***

On October 18, 2019, the Parent Company had committed to a lease of land which had not commenced. The lease has a term of 43 years beginning January 1, 2020 and has a total future cash outflow of P2,701,821,149.

### ***28.6 Capital Commitments***

As at December 31, 2019, the Group has capital commitments of about P10,431,516,500 for the construction of condominium and subdivision projects.

### ***28.7 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, 2019 and 2018, 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.

## **29. EVENTS AFTER THE REPORTING PERIOD**

### ***29.1 Declaration of Cash Dividend***

On February 19, 2020, the BOD declared cash dividend of P0.25 per share totaling P415,737,500 to stockholders on record as of April 3, 2020. Such dividend will be paid on April 30, 2020.

## ***29.2 Issuance of Corporate Notes***

The Parent Company has issued on March 5, 2020, a NFA to issue Corporate Notes worth P8.0 billion, among 3 series with tenors of 5 years, 7 years and 10 years. The final allocation and pricing consist of the following:

- Series D 5-year corporate notes amounting to P1.3 Billion at a fixed spread of 90 bps;
- Series E 7-year corporate notes amounting to P5.7 Billion at a fixed spread of 95 bps; and,
- Series F 10-year corporate notes amounting to P1.0 Billion at a fixed spread of 100 bps.

The proceeds of the notes will be used for strategic land acquisitions in Cebu, Bohol, Bacolod, CDO, and Davao, including new expansion areas such as Puerto Princesa, Leyte, Butuan, and General Santos City. Part of the proceeds will also fund the development of the 22-hectare central business hub in Matina, Davao.

## ***29.3 Impact of COVID-19***

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

Management has determined that these events after the reporting period are non-adjusting subsequent events. Accordingly, such events had no impact on the Group's consolidated financial statements as of and for the year ended December 31, 2019.

While the disruption is currently expected to be temporary, management anticipate that the suspension of businesses over a prolonged period of time could negatively impact the Group's financial condition and operations. However, the severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, impact on Group's customers, suppliers, employees, and the accessibility and effectiveness of government support programs to a group of customers, all of which are uncertain and cannot be predicted as of the date of the issuance of the Group's consolidated financial statements. Accordingly, management is unable to reliably estimate yet as at the issuance date of the consolidated financial statements the impact of the outbreak on the Group's financial position and operations in succeeding periods.



In support and compliance with the government measures to protect the welfare and interest of the Group's employees and stakeholders, including its counterparties, the Group has implemented very strict health and sanitation policies on all construction sites as mandated by the government, worked closely with its various general contractors and subcontractors to maintain sustained progress on its ongoing projects and activated its business continuity procedures. Management believes that these measures can help mitigate any future negative impact of the outbreak on the Group's financial condition and operations.

### **30. 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 31. 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.

It 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.

#### ***30.1 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.

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

#### ***30.2 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 debt instruments, primarily from the selling of 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. Its 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 consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	5	<b>P 917,170,651</b>	P 949,161,931
Receivables <sup>1</sup>	6	<b>5,825,594,990</b>	4,000,357,722
Contract assets	17.2	<b>8,892,510,028</b>	5,442,125,993
Due from related parties	25.1	<b>9,947,417</b>	21,154,189
Refundable deposits	14	<b><u>66,028,148</u></b>	<u>57,418,776</u>
		<b><u>P 15,711,251,234</u></b>	<u>P 10,470,218,611</u>

<sup>1</sup> Receivables - net excludes advances to officers and employees.

Refundable deposits are presented as part of other non-current assets.

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

*(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 P500,000 for every depositor per banking institution.

*(b) Receivables and Contract Assets*

Its maximum exposure to credit risk as of December 31, 2019 and 2018 is equal to the carrying value of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The Group uses cumulative credit loss rate approach to calculate ECL for receivables and contract assets. This approach is based on historical analysis of the Group's receivables and contract assets portfolio, which calculates the receivables' loss experience over a reasonable observation period and apply such information to project what the portfolio will look like going forward. The model is done by dividing each period's net charge-offs arising from contract cancellations and back-out sales by the original principal balance at the origination period of the receivables. The loss experience of these original balances is tracked annually and summed over the life of the contract, leaving a cumulative loss rate based on historic averages.

As customary in the real estate industry, title of the property is retained by the Group until the purchase price is fully collected, either from the buyer or a financing institution. Its pricing policy also dictates that inventories from previously cancelled sales are resold at a higher price from its original transaction price. Further, previous collections to be refunded to defaulting customers are reduced by penalties and charges. These factors result in a net gain from the transaction sufficient to cover the expenses and losses associated with the default. These measures further reduce the Group's exposure to credit risk.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by location of the Group's receivables and contract assets, net of allowance for impairment, is shown below.

	<u>2019</u>	<u>2018</u>
Cebu	<b>P 9,117,063,839</b>	P 6,848,806,673
Cagayan de Oro	<b>2,105,478,989</b>	1,236,246,522
Bacolod	<b>1,454,664,781</b>	513,876,349
Davao	<b>1,328,729,484</b>	705,998,936
Dumaguete	<b>759,296,899</b>	176,292,810
Oriental Mindoro	<b><u>3,338,974</u></b>	<u>-</u>
	<b><u>P14,768,572,966</u></b>	<b><u>P 9,481,221,290</u></b>

As at December 31, 2019 and 2018, the average expected credit loss rate is 0.01% and 0.72% that resulted in the ECL of P348,217 and P69,842,048, respectively. A reconciliation of the loss allowance for trade and other receivables and contract assets as at the beginning and end of December 31, 2019 and 2018 is presented below.

	<u>Receivables</u> <u>(Note 6)</u>	<u>Contract Assets</u> <u>(Note 17.2)</u>	<u>Total</u>
Balance at January 1, 2019	P 20,352,667	P 49,489,381	P 69,842,048
Reversal of lifetime ECL	<u>( 20,004,450 )</u>	<u>( 49,489,381 )</u>	<u>( 69,493,831 )</u>
Balance at December 31, 2019	<b><u>P 348,217</u></b>	<b><u>P -</u></b>	<b><u>P 348,217</u></b>
Balance at January 1, 2019	P 7,915,506	P 17,146,847	P 25,062,353
Lifetime ECL	<u>12,437,161</u>	<u>32,342,534</u>	<u>44,779,695</u>
Balance at December 31, 2019	<b><u>P 20,352,667</u></b>	<b><u>P 49,489,381</u></b>	<b><u>P 69,842,048</u></b>

As at December 31, 2019 and 2018, the Group has no past due but unimpaired financial assets.

### 30.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored on a week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. It maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2019 and 2018, the Group's 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
<b>December 31, 2019</b>				
Interest-bearing loans and borrowings	P2,439,386,519	P1,096,521,437	P 10,534,354,238	P7,001,356,049
Trade and other payables <sup>2</sup>	<u>4,402,542,794</u>	<u>1,194,174,188</u>	<u>71,610,604</u>	<u>-</u>
	<b><u>P 6,841,929,313</u></b>	<b><u>P2,290,695,625</u></b>	<b><u>P10,605,964,842</u></b>	<b><u>P7,001,356,049</u></b>
<b>December 31, 2018</b>				
Interest-bearing loans and borrowings	P1,326,646,615	P 326,366,857	P 4,741,080,363	P5,550,940,768
Trade and other payables <sup>2</sup>	<u>1,355,871,560</u>	<u>787,081,472</u>	<u>74,698,534</u>	<u>-</u>
	<b><u>P2,682,518,175</u></b>	<b><u>P1,113,448,329</u></b>	<b><u>P 4,815,778,897</u></b>	<b><u>P5,550,940,768</u></b>

<sup>2</sup> Trade and other payables excludes output VAT, government-related obligations and advance rental.

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

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

### 31.1 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 consolidated statements of financial position are shown below.

Notes	2019		2018		
	Carrying Value	Fair Value	Carrying Value	Fair Value	
<b>Financial Assets</b>					
at amortized cost:					
Cash and cash equivalents	5	P 917,170,651	P 917,170,651	P 949,161,931	P 949,161,931
Receivables - net <sup>1</sup>	6	<b>5,825,594,990</b>	<b>5,825,594,990</b>	4,000,357,722	4,000,357,722
Contract assets - net	17.2	<b>8,892,510,028</b>	<b>8,892,510,028</b>	5,442,125,993	5,442,125,993
Due from related parties	25.1	<b>9,947,417</b>	<b>9,947,417</b>	21,154,189	21,154,189
Refundable deposits	14	<u><b>66,028,148</b></u>	<u><b>66,028,148</b></u>	<u>57,418,776</u>	<u>57,418,776</u>
		<b><u>15,711,251,234</u></b>	<b><u>15,711,251,234</u></b>	<u>10,470,218,611</u>	<u>10,470,218,611</u>
<b>Financial Liabilities</b>					
at amortized cost:					
Interest-bearing loans and borrowings	15	<b>P 16,846,756,577</b>	<b>P 16,811,221,475</b>	P 10,641,280,311	P 10,618,834,508
Trade and other payables <sup>2</sup>	16	<u><b>5,668,327,586</b></u>	<u><b>5,668,327,586</b></u>	<u>2,217,651,566</u>	<u>2,217,651,566</u>
		<b><u>P 22,515,084,163</u></b>	<b><u>P 22,479,549,061</u></b>	<b><u>P 12,858,931,877</u></b>	<b><u>P 12,836,486,074</u></b>

<sup>1</sup> Receivables - net excludes advances to officers and employees.

<sup>2</sup> Trade and other payables excludes output VAT, government-related obligations and advance rental.

See Notes 2.5 and 2.11 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 30.

### 31.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		Net amount
	Financial assets	Financial liabilities set off		Financial instruments	Cash collateral received	
<b>December 31, 2019</b>						
Cash and cash equivalents	<u>P 917,170,651</u>	<u>P -</u>	<u>P 917,170,651</u>	<u>P 749,160,824</u>	<u>P -</u>	<u>P 168,009,827</u>
Receivables - net <sup>1</sup>	<u>P 5,825,594,990</u>	<u>P -</u>	<u>P 5,825,594,990</u>	<u>P -</u>	<u>P -</u>	<u>P 5,825,594,990</u>
<b>December 31, 2018</b>						
Cash and cash equivalents	<u>P 949,161,931</u>	<u>P -</u>	<u>P 949,161,931</u>	<u>P 301,879,079</u>	<u>P -</u>	<u>P 647,282,852</u>
Receivables - net <sup>1</sup>	<u>P 4,000,357,722</u>	<u>P -</u>	<u>P 4,000,357,722</u>	<u>P -</u>	<u>P -</u>	<u>P 4,000,357,722</u>

<sup>1</sup> Receivables - net excludes advances to officers and employees.

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the consolidated statements of financial position		Net amount presented in the consolidated statements of financial position	Related amounts not set-off in the consolidated statements of financial position		Net amount
	Financial liabilities	Financial assets set off		Financial instruments	Cash collateral received	
<b>December 31, 2019</b>						
Interest-bearing loans and borrowings	<u>P 16,846,756,577</u>	<u>P -</u>	<u>P 16,846,756,577</u>	<u>P 749,160,824</u>	<u>P -</u>	<u>P 16,097,595,753</u>
Trade and other payables <sup>2</sup>	<u>P 5,668,327,586</u>	<u>P -</u>	<u>P 5,668,327,586</u>	<u>P -</u>	<u>P -</u>	<u>P 5,668,327,586</u>
<b>December 31, 2018</b>						
Interest-bearing loans and borrowings	<u>P 10,641,280,311</u>	<u>P -</u>	<u>P 10,641,280,311</u>	<u>P 301,879,079</u>	<u>P -</u>	<u>P 10,339,401,232</u>
Trade and other payables <sup>2</sup>	<u>P 2,217,651,566</u>	<u>P -</u>	<u>P 2,217,651,566</u>	<u>P -</u>	<u>P -</u>	<u>P 2,217,651,566</u>

<sup>2</sup> Trade and other payables excludes output VAT, government-related obligations and advance rental.

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.

### ***31.3 Fair Value Measurements and Disclosures***

#### ***(a) Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, 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 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 2019 and 2018 consolidated statements of financial position, but for which fair value is disclosed (see Note 31.1).

	2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and cash equivalents	P 917,170,651	P -	P -	P 917,170,651
Receivables – net <sup>1</sup>	-	-	5,825,594,990	5,825,594,990
Contract assets - net	-	-	8,892,510,028	8,892,510,028
Due from related parties	-	-	9,947,417	9,947,417
Refundable deposits	-	-	66,028,148	66,028,148
	<b><u>P 917,170,651</u></b>	<b><u>P -</u></b>	<b><u>P 14,794,080,583</u></b>	<b><u>P 15,711,251,234</u></b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	P -	P -	P 16,811,221,475	P 16,811,221,475
Trade and other payables <sup>2</sup>	-	-	5,668,327,586	5,668,327,586
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 22,479,549,061</u></b>	<b><u>P 22,479,549,061</u></b>

<sup>1</sup> Receivables - net excludes advances to officers and employees.

<sup>2</sup> Trade and other payables excludes output VAT, government-related obligations and advance rental.

	2018			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and cash equivalents	P 949,161,931	P -	P -	P 949,161,931
Receivables – net <sup>1</sup>	-	-	4,000,357,722	4,000,357,722
Contract assets - net	-	-	5,442,125,993	5,442,125,993
Due from related parties	-	-	21,154,189	21,154,189
Refundable deposits	-	-	57,418,776	57,418,776
	<b><u>P 949,161,931</u></b>	<b><u>P -</u></b>	<b><u>P 9,521,056,680</u></b>	<b><u>P 10,470,218,611</u></b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	P -	P -	P 10,641,280,311	P 10,618,834,508
Trade and other payables <sup>2</sup>	-	-	2,217,651,566	2,217,651,566
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 12,858,931,877</u></b>	<b><u>P 12,836,486,074</u></b>

<sup>1</sup> Receivables - net excludes advances to officers and employees.

<sup>2</sup> Trade and other payables excludes output VAT, government-related obligations and advance rental.

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management has determined that their carrying amounts are equal to or approximate their fair values, except for interest-bearing loans and borrowings, because of their short-term nature.

**(c) Fair Value Measurement for Non-financial Assets**

The Group has no non-financial assets measured at fair value as at December 31, 2019 and 2018. However, the fair values of its investment properties are required to be disclosed, as shown in Note 13.

The table below shows the Levels within the hierarchy of non-financial assets (investment property), which are not carried at fair value but whose fair value are required to be disclosed on a recurring basis as at December 31, 2019 and 2018.

	Level 1	Level 2	Level 3	Total
<b>December 31, 2019</b>				
Investment property	<b><u>P -</u></b>	<b><u>P 1,678,727,000</u></b>	<b><u>P 8,563,318,810</u></b>	<b><u>P10,242,045,810</u></b>
<b>December 31, 2018</b>				
Investment property	<b><u>P -</u></b>	<b><u>P 1,034,936,000</u></b>	<b><u>P 4,872,187,491</u></b>	<b><u>P 5,907,123,491</u></b>

In 2019 and 2018, the fair value of the Group's Investment Properties is 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. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

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, 2019 and 2018.



### 32. 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 consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2019</u>	<u>2018</u>
Total liabilities	<b>P24,535,183,948</b>	P 14,105,683,844
Total equity	<b><u>13,748,258,288</u></b>	<u>11,321,980,954</u>
Debt-to-equity ratio	<b><u>1.78:1.00</u></b>	<u>1.25:1.00</u>

The Group's goal in capital management is to limit a maximum debt-to-equity structure ratio of 75:25 on a monthly basis. The Parent Company is required to certain financial ratios in relation with its borrowings (see Note 15.2). The Group has complied with its covenant obligations for both years ended December 31, 2019 and 2018.

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.

**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange Commission  
Filed Separately from the Basic  
Consolidated Financial Statements**

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Cebu I.T. Park, Brgy., Apas  
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated April 7, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**



By: **Christopher M. Ferarez**  
Partner

CPA Reg. No. 0097462  
TIN 184-595-975  
PTR No. 8116545, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR-2 (until May 9, 2021)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

**Cebu Landmasters, Inc. and Subsidiaries**  
**(A Subsidiary of A B Soberano Holdings Corp.)**  
**List of Supplementary Information**  
**December 31, 2019**

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
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**Cebu Landmasters, Inc. and Subsidiaries**  
**(A Subsidiary of A B Soberano Holdings Corp.)**  
**Schedule A - Financial Assets**  
**December 31, 2019**

<i>Name of Issuing Entity and Association of Each Issue</i>	<i>Amount Shown in the Statement of Financial Position</i>	<i>Income Received and Accrued</i>
<b><u>Financial Assets at Amortized Cost</u></b>		
Cash and Cash Equivalents		
Cash in banks	P 749,160,824	P 24,599,602
Short-term placements	164,094,136	-
Cash on hand	3,915,691	-
	<u>917,170,651</u>	<u>24,599,602</u>
Receivables		
Contract receivables	5,556,006,058	-
Rent receivable	68,073,716	-
Retention receivable	24,261,678	-
Management fee receivables	13,465,493	-
Other receivables	164,136,262	-
	<u>5,825,943,207</u>	<u>-</u>
Contract Assets	<u>8,892,510,028</u>	<u>-</u>
Due from Related Parties	<u>9,947,417</u>	<u>-</u>
Other Non-Current Assets		
Refundable deposits	<u>66,028,148</u>	<u>-</u>
<b>Total</b>	<b><u>P 15,711,599,451</u></b>	<b><u>P 24,599,602</u></b>

Cebu Landmasters, Inc. and Subsidiaries  
(A Subsidiary of A B Soberano Holdings Corp.)  
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
December 31, 2019

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at end of period
			Amounts collected	Amounts Written off			
<b>Entities Under Common Ownership:</b>							
<i>Condominium Corporation</i>							
Park Centrale Condo Corporation	P 1,796,506	P -	( P 1,793,482)	P -	P 3,024	P -	P 3,024
Baseline Residences Condo Corporation	4,817,733	-	( 2,639,817)	-	2,177,916	-	2,177,916
Mivesa Garden Residences Condo Corporation	2,410,770	-	( 742,562)	-	1,668,208	-	1,668,208
Midori Residences Condo Corporation	1,884,809	-	( 1,884,809)	-	-	-	-
Asia Premier Condo Corporation	1,515,120	-	( 1,533,653)	-	( 18,532)	-	( 18,532)
Casa Mira Towers Labangon	-	3,426,759	-	-	3,426,759	-	3,426,759
Base Line Center	-	391,199	-	-	391,199	-	391,199
	<u>12,424,938</u>	<u>3,817,958</u>	<u>( 8,594,323)</u>	<u>-</u>	<u>7,648,573</u>	<u>-</u>	<u>7,648,573</u>
<i>Homeowners' Associations</i>							
Midori Plains	3,271,258	-	( 2,909,966)	-	361,292	-	361,292
San Josemaria Villages	2,724,231	-	( 2,620,081)	-	104,150	-	104,150
Velmiro Heights	2,712,014	-	( 1,853,966)	-	858,047	-	858,047
Casa Mira Linao	-	952,408	-	-	952,408	-	952,408
	<u>8,707,503</u>	<u>952,408</u>	<u>( 7,384,014)</u>	<u>-</u>	<u>2,275,896</u>	<u>-</u>	<u>2,275,896</u>
Cebu Landmasters Foundation, Inc.	21,748	1,200	-	-	22,948	-	22,948
	<u>21,154,189</u>	<u>4,771,565</u>	<u>( 15,978,337)</u>	<u>-</u>	<u>9,947,418</u>	<u>-</u>	<u>9,947,418</u>
<b>Ultimate Parent Company</b>	<b>149,300,130</b>	<b>26,047,495</b>	<b>( 16,426,787)</b>	<b>-</b>	<b>158,920,838</b>	<b>-</b>	<b>158,920,838</b>
<b>Key Management Personnel</b>	<b>65,028,576</b>	<b>-</b>	<b>( 57,847,896)</b>	<b>-</b>	<b>7,180,680</b>	<b>-</b>	<b>7,180,680</b>
<b>Total</b>	<b>P 235,482,895</b>	<b>P 30,819,060</b>	<b>( P 90,253,020)</b>	<b>P -</b>	<b>P 176,048,936</b>	<b>P -</b>	<b>P 176,048,936</b>

Cebu Landmasters, Inc. and Subsidiaries  
(A Subsidiary of A B Soberano Holdings Corp.)  
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements  
December 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at end of period
			Amounts collected	Amounts written off			
CCLI Premier Hotels Int'l. Inc.	P 3,410,791	P 2,817,004	-	P -	P 6,227,795	P -	P 6,227,795
EI Camino Developers Cebu, Inc.	3,969,766	2,638,426	( 2,131,907)	-	4,476,285	-	4,476,285
Cebu Landmasters Property Management, Inc.	1,939,269	3,603,705	( 3,482,265)	-	2,060,710	-	2,060,710
CLI Premier Hotels Int'l. Inc.	-	1,610,883	-	-	1,610,883	-	1,610,883
Mivesa Garden Residences, Inc.	753,635	477,000	-	-	1,230,635	-	1,230,635
BL CBP Ventures, Inc.	5,000	2,465,023	( 2,295,423)	-	174,600	-	174,600
Yuson Huang Excellence Soberano, Inc.	103,702	-	( 23,625)	-	80,077	-	80,077
Yuson Excellence Soberano, Inc.	272,637	786,583	( 985,653)	-	73,567	-	73,567
YHEST Realty and Development Corporation	-	37,785	-	-	37,785	-	37,785
	<b>P 10,454,801</b>	<b>P 14,436,409</b>	<b>( P 8,918,874)</b>	<b>P -</b>	<b>P 15,972,337</b>	<b>P -</b>	<b>P 15,972,337</b>

**Cebu Landmasters, Inc. and Subsidiaries**  
**(A Subsidiary of A B Soberano Holdings Corp.)**  
**Schedule D Long-Term Debt**  
**December 31, 2019**

<i>Title of Issue and Type of Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position</i>	<i>Amount shown under caption "Long-Term Debt" in related Statement of Financial Position</i>	<i>Interest Rate</i>	<i>No. of Periodic Installment</i>	<i>Maturity Dates</i>
<i>Promissory notes</i>						
Bank of the Philippine Islands	P 4,932,000,000	P 1,295,046,703	P 3,167,036,624	4.13% to 7.38%	Various	01/15/20 to 09/24/28
Land Bank of the Philippines	1,999,569,462	85,129,342	1,914,576,963	3.77% to 7.37%	Various	05/30/28 to 08/30/29
BDO Unibank Inc.	671,634,498	15,000,000	655,503,190	3.81% to 5.50%	Various	07/05/27
Development Bank of the Philippines	1,807,000,000	1,000,000,000	308,923,462	3.72% to 6.41%	Various	02/03/20 to 05/30/34
China Banking Corporation	700,000,000	232,583,333	424,465,160	4.75% to 7.75%	Various	04/08/21 to 03/08/23
Rizal Commercial Banking Corporation	212,000,000	-	212,247,685	5.95% to 6.15%	Various	12/15/22
Philippine National Bank	994,000,000	-	613,199,487	4.19% to 6.50%	Various	12/15/22 to 07/12/24
	<u>11,316,203,960</u>	<u>2,627,759,378</u>	<u>7,295,952,571</u>			
<i>Corporate notes</i>						
BDO Unibank Inc.	1,000,000,000	-	988,031,994	7.25%	17	12/20/25
Bank of the Philippine Islands	1,000,000,000	-	988,043,899	7.25%	17	12/20/25
China Banking Corporation	2,000,000,000	-	1,975,502,246	6.75% to 7.25%	17 to 29	12/20/25 to 10/20/28
Land Bank of the Philippines	1,000,000,000	-	987,859,399	6.63%	29	08/02/28
ALFM Peso Bond Fund, Inc.	1,200,000,000	-	1,190,171,952	6.63%	1	08/02/28 to 08/23/28
ALFM Money Market Fund, Inc.	800,000,000	-	793,435,138	4.75%	1	04/30/21 to 05/29/21
	<u>7,000,000,000</u>	<u>-</u>	<u>6,923,044,628</u>			
	<u>P 18,316,203,960</u>	<u>P 2,627,759,378</u>	<u>P 14,218,997,199</u>			

Cebu Landmasters, Inc. and Subsidiaries  
(A Subsidiary of A B Soberano Holdings Corp.)  
Schedule E - Indebtedness to Related Parties  
December 31, 2019

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
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NOT APPLICABLE



Cebu Landmasters, Inc. and Subsidiaries  
(A Subsidiary of A B Soberano Holdings Corp.)  
Schedule F - Guarantees of Securities of Other Issuers  
December 31, 2019

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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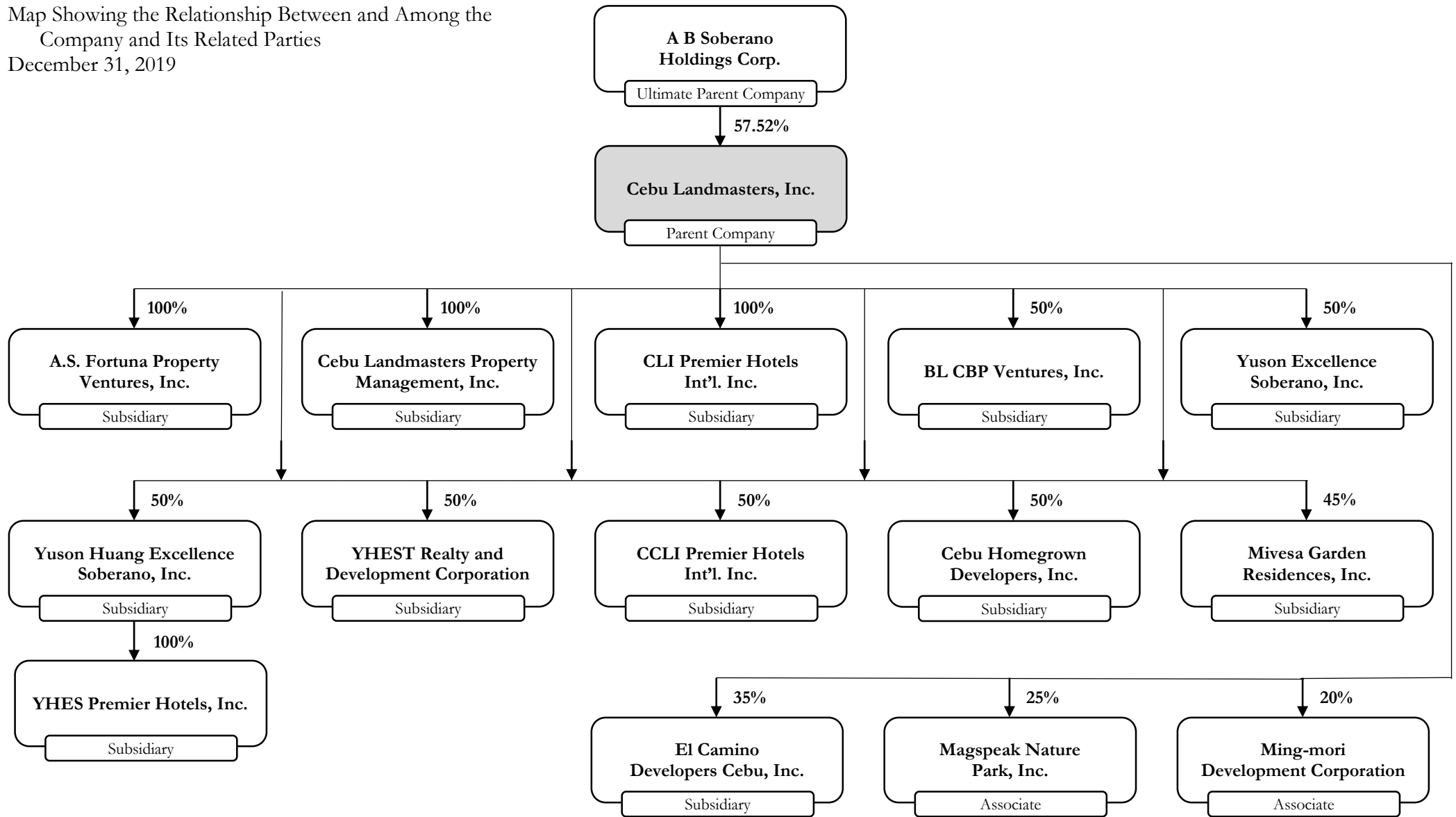
NOT APPLICABLE

Cebu Landmasters, Inc. and Subsidiaries  
(A Subsidiary of A B Soberano Holdings Corp.)  
Schedule G - Capital Stock  
December 31, 2019

<i>Title of Issue</i>	<i>Number of Shares Authorized</i>	<i>Number of Shares Issued and Outstanding as shown under the related Statement of Financial Position Caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value						
Authorized	2,400,000,000	-	-	-	-	-
Issued and outstanding	-	1,659,180,000	54,820,000	994,395,197	21,750,003	643,034,800
Preferred Shares - P0.10 par value						
Authorized	1,000,000,000	-	-	-	-	-
Issued and outstanding	-	-	-	-	-	-

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**

Map Showing the Relationship Between and Among the Company and Its Related Parties  
December 31, 2019



**Cebu Landmasters, Inc.**  
*(A Subsidiary of AB Soberano Holdings Corp.)*  
**10th Floor Park Centrale Tower, Jose Ma. Del Mar St., B2 L3, Cebu I.T. Park, Brgy., Apas, Cebu City**  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**as of December 31, 2019**  
*(Amounts in Philippine Pesos)*

<b>Unappropriated Retained Earnings at Beginning of Year</b>	P	3,003,789,332
<b>Prior Year's Outstanding Reconciling Items, net of tax</b>		
Share in profit of subsidiaries and associates	(	399,773,143 )
Treasury stock, at cost	(	<u>212,459,418 )</u>
<b>Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year, as Adjusted</b>		2,391,556,771
<b>Net Profit realized during the Year</b>	P	2,024,343,164
Share in profit of subsidiaries and associates	(	<u>316,067,810 )</u> 1,708,275,354
<b>Other Transactions During the Year</b>		
Appropriations of retained earnings	(	3,050,000,000 )
Dividends declared	(	332,590,000 )
Acquisition of treasury stock	(	<u>34,734,393 )</u> ( <u>3,417,324,393 )</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at End of Year</b>	<b>P</b>	<b><u>682,507,732</u></b>

## **Report of Independent Auditors on Components of Financial Soundness Indicators**

Punongbayan & Araullo  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
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T +63 2 8988 22 88

**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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Landmasters, Inc. and subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated April 7, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

### **PUNONGBAYAN & ARAULLO**



**By: Christopher M. Ferarez**  
Partner

CPA Reg. No. 0097462  
TIN 184-595-975  
PTR No. 8116545, January 2, 2020, Makati City  
SEC Group A Accreditation  
Partner - No. 1185-AR-2 (until May 9, 2021)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2020

**CEBU LANDMASTERS, INC. AND SUBSIDIARIES**  
**(A Subsidiary of A B Soberano Holdings Corp.)**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2019 and 2018**  
**(Amounts in Philippine Pesos)**

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 22,932,778,503 Divide by: Total Current Liabilities 8,971,181,909 Current ratio 2.56	2.56	Total Current Assets divided by Total Current Liabilities  Total Current Assets 16,088,569,606 Divide by: Total Current Liabilities 4,396,560,441 Current ratio 3.66	3.66
Acid test ratio	Quick assets (Cash and cash equivalents plus Current Receivables and Current Receivables and Due from Related Parties) divided by Total Current Liabilities  Cash and cash equivalents 917,170,651 Add: Current Receivables 5,204,137,996 Current Contract Assets 3,799,666,118 Due from Related Parties 9,947,417 Quick Assets 9,930,922,182 Divide by: Total Current Liabilities 8,971,181,909 Acid test ratio 1.11	1.11	Quick assets (Cash and cash equivalents plus Current Receivables and Due from Related Parties) divided by Total Current Liabilities  Cash and cash equivalents 949,161,931 Add: Current Receivables 3,093,200,762 Current Contract Assets 4,283,208,009 Due from Related Parties 21,154,189 Quick Assets 8,346,724,891 Divide by: Total Current Liabilities 4,396,560,441 Acid test ratio 1.90	1.90
Solvency ratio	Total Liabilities divided by Total Assets  Total Liabilities 24,535,183,948 Divide by: Total Assets 38,283,442,236 Solvency ratio 0.64	0.64	Total Liabilities divided by Total Assets  Total Liabilities 14,105,683,844 Divide by: Total Assets 25,427,664,798 Solvency ratio 0.55	0.55
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities 24,535,183,948 Divide by: Total Equity 13,748,258,288 Debt-to-equity ratio 1.78	1.78	Total Liabilities divided by Total Equity  Total Liabilities 14,105,683,844 Divide by: Total Equity 11,321,980,954 Debt-to-equity ratio 1.25	1.25
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets 38,283,442,236 Divide by: Total Equity 13,748,258,288 Assets-to-equity ratio 2.78	2.78	Total Assets divided by Total Equity  Total Assets 25,427,663,798 Divide by: Total Equity 11,321,980,954 Assets-to-equity ratio 2.25	2.25
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense  Profit before tax 3,181,493,724 Add: Interest charged to: Cost of Sales 135,900,814 Finance cost 33,629,596 EBIT 3,351,024,134  Divide by: Interest Expense* 836,174,726 Interest rate coverage ratio 4.01 *Includes 802,545,130 interest capitalized as part of real estate inventory	4.01	Earnings before interest and taxes (EBIT) divided by Interest expense  Profit before tax 2,607,534,387 Add: Interest charged to: Cost of Sales 88,478,442 Finance cost 88,467,056 EBIT 2,784,479,885  Divide by: Interest Expense* 330,703,401 Interest rate coverage ratio 8.42 *Includes 242,236,345 interest capitalized as part of real estate inventory	8.42
Return on equity	Net Profit divided by Total Equity  Net Profit 2,437,937,509 Divide by: Total Equity 13,748,258,288 Return on equity 19%	19%	Net Profit divided by Total Equity  Net Profit 2,168,925,313 Divide by: Total Equity 11,321,980,954 Return on equity 18%	18%

Ratio	Formula	2019	Formula	2018
Return on assets	Net Profit divided by Total Assets Net Profit 2,437,937,509 <u>Divide by: Total Assets 38,283,442,236</u> Return on assets 6%	6%	Net Profit divided by Total Assets Net Profit 2,168,925,313 <u>Divide by: Total Assets 25,427,664,798</u> Return on assets 9%	9%
Net profit margin	Net Profit Divided by Revenues Net Profit 2,437,937,509 <u>Divide by: Total Assets 8,499,047,935</u> Return on assets 29%	29%	Net Profit divided by Total Assets Net Profit 2,168,925,313 <u>Divide by: Total Assets 6,762,939,347</u> Return on assets 32%	32%
Other ratio				
Gross profit margin	Gross Profit divided by Total Revenue Gross Profit 4,198,362,958 <u>Divide by: Total Revenue 8,499,047,935</u> Gross profit margin 49%	49%	Gross Profit divided by Total Revenue Gross Profit 3,626,879,432 <u>Divide by: Total Revenue 6,762,939,347</u> Gross profit margin 49%	49%