COVER SHEET

SEC Registration Number

7	7	8	2	3						

COMPANY NAME

CITYLAND DEVELOPMENT CORPORATION

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

2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
12-1	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
comp.fmsd@cityland.net	893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
657 (as of July 31, 2019)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Rudy Go	cdc_rg@cityland.net	893-6060	N/A

CONTACT PERSON'S ADDRESS

3rd Floor Cityland Condominium 10 Tower II, 154 H.V. dela Costa Street, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 12-1, AS AMENDED

REGISTRATION STATEMENT UNDER THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
SEP 06 2019
MARKET REGULATION DEPT.
BY: TIME: 11:25

1. SEC Identification Number 77823

2. CITYLAND DEVELOPMENT CORPORATION
Exact name of registrant as specified in its charter

3. MAKATI CITY, PHILIPPINES
Province, country or other jurisdiction of incorporation or organization

4. 000-527-103
BIR Tax Identification Number

5. REAL ESTATE DEVELOPER
General character of business of registrant

6. Industry Classification Code: [ ] (SEC Use only)

7. 2/F Cityland Condominium 10, Tower 1, 156 H.V. Dela Costa Street, Makati City 1226
Telephone No.: (632) 893-6060 FAX No.: (632) 892-8656
Address, including postal code, telephone number, FAX number including area code of registrant's principal office

8. N/A
If registrant is not resident in the Philippines, or its principal business is outside the Philippines, state name and address including postal code, telephone number and FAX number, including area code and email address of resident agent in the Philippines.

9. Fiscal Year Ending Date (Month and Day) : December 31

COMPUTATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Amount of registration fee
Commercial Papers	₱1,400,000,000	₱725,000
1% Legal Research Fee		7,250
Total		**₱732,250**

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
SEP 06 2019
MARKET REGULATION DEPT.
BY: TIME: 11:24

PRELIMINARY PROSPECTUS

CITYLAND DEVELOPMENT CORPORATION

(A corporation organized under Philippine laws)

Registration of Philippine Peso (Php) 1,400,000,000
Commercial Papers

Cityland Development Corporation (hereinafter referred to as "CDC", the "Company" or "Issuer") is offering for public sale at face value, up to ₱1,400,000,000 worth of its Commercial Papers (hereinafter referred to as "CPs" or the "Offered CPs") to be traded over-the-counter.

The date of this Prospectus is September 6, 2019

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

RISK DISCLOSURE STATEMENT

General Risk Warning

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.

Past performance is not a guide to future performance.

There is an additional risk of losing money when securities are bought from smaller companies. There may be a significant difference between the buying price and the selling price of these securities.

An investor deals in a range of investments each of which may carry a different level of risk.

Prudence Required

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He / she may request information on the securities and the issuer thereof from the Commission which are available to the public.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities especially those high risk securities.

CITYLAND DEVELOPMENT CORPORATION

(A corporation organized under Philippine laws)

Registration of ₱1,400,000,000 worth of Commercial Papers for public sale at face value.

The Company is registering ₱1,400,000,000 worth of Commercial Papers which it is offering for public sale at face value. The gross proceeds that will be raised from the offering is ₱1,400,000,000 less registration fees, taxes, professional fees and other related expenses.

The net proceeds from the offering of the Commercial Papers is ₱1,388,637,750 which is intended to be used as follows (in order of priority):

1) Project-Related Costs	₱850,800,000
2) Payment of Maturing Notes	481,977,750
3) Interest Expense	55,860,000
Net Proceeds	**₱1,388,637,750**

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at 2F Cityland Condominium 10 Tower 1, 156 H.V. Dela Costa Street, Makati City. Its telephone number is (632) 893-60-60.

Unless otherwise stated, the information contained in this document have been supplied by the Company which accepts full responsibility for the accuracy of the information and confirms, after having made all reasonable inquiries, that to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

No dealer, salesman or any other person has been authorized by the Company to issue any advertisement or to give any information or make any representation in connection with the sale of the Commercial Papers other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

TABLE OF CONTENTS

	Page
Definition of Terms	1
Summary Information	2
Risks Factors	4
Use of Proceeds	8
Determination of the Offering Price	11
Offering Period	12
Plan of Distribution	13
Description of Registrant's Securities	14
Market Information For Securities Other Than Common Equity	17
Market For Issuer's Common Equity and Related Stockholders' Matters	18
Interests of Named Experts and Independent Counsels	20
Information With Respect to the Registrant	
Business	21
Properties	28
Legal Proceedings	30
Management's Discussion and Analysis or Plan of Operation	33
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	48
Directors and Executive Officers	49
Executive Compensation	55
Security Ownership of Certain Record and Beneficial Owners and Management	56
Certain Relationships and Related Party Transactions	58
Corporate Governance	58
Other Expenses Relating to Issuance and Distribution	59
Index to the Financial Statements and Supplementary Schedules	60
Exhibits	**
Signatures	**

DEFINITION OF TERMS

In this prospectus, unless the context otherwise requires, the following terms shall have the following corresponding meanings:

"Articles"	The Articles of Incorporation of the Company
"Board"	The Incumbent Members of the Board of Directors of the Company
"CDC" or "Company" or "Issuer" or "Registrant"	Cityland Development Corporation
"Cityland Group"	Cityland, Inc. and its subsidiaries
"CPs", "Offered CPs"	Commercial Papers
"Group"	Cityland Development Corporation and its subsidiaries
"HLURB"	Housing and Land Use Regulatory Board
"Offer"	The offering for public sale of ₱1,400,000,000 worth of Commercial Papers
"Offering Period"	The offering period shall commence upon the approval of the SEC permit to sell the CPs and shall end upon the expiry of the permit to sell the CPs.
"Offering Price"	The offering price is 100% of the face value of the CPs.
"PAS"	Philippine Accounting Standards
"PFRS"	Philippine Financial Reporting Standards
"Php" or "₱" or "Pesos"	The currency of the Republic of the Philippines
"PSE"	Philippine Stock Exchange
"SEC"	Securities and Exchange Commission
"SGV & Co."	SyCip Gorres Velayo & Co.
"SRC"	Securities Regulations Code of the Philippines

SUMMARY INFORMATION

THE COMPANY

Cityland Development Corporation (the "Company" or CDC) is a domestic publicly listed corporation which is duly organized and existing under and by virtue of the laws of the Philippines since January 31, 1978 with the primary purpose of engaging in real estate development. CDC was listed with the Manila and Makati Stock Exchange in March 1983. Its subsidiaries are: City & Land Developers, Incorporated (CLDI), a real estate company incorporated under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 28, 1988; and Cityplans, Incorporated (CPI), a pre-need company incorporated under the laws of the Philippines and registered with the SEC on October 27, 1988.

The Company's primary purpose is to acquire and develop suitable land sites for residential, office, commercial, institutional and industrial uses. Its projects include medium to high-rise office, commercial and residential condominiums located in cities of Makati, Mandaluyong, Manila and Pasig; and residential subdivisions and farm lots in Bulacan and Cavite. Its subsidiary, City & Land Developers, Incorporated, has condominiums in Manila, Pasig and Quezon City. Another subsidiary, Cityplans, Incorporated, is a pre-need company and also has condominium projects in Pasig City. Real estate properties for sale of CDC and its subsidiaries (the Group) as of June 30, 2019 and December 31, 2018 amounted to ₱2,128,946,507 and ₱1,916,113,031, respectively.

The Company's ongoing projects as of June 30, 2019 are: 101 Xavierville, a 40-storey residential and commercial condominium located along Xavierville Avenue, Loyola Heights, Quezon City and estimated to be completed in February 2024; and Pioneer Heights 1, a 24-storey office, residential and commercial condominium located at Pioneer St., Brgy Highway Hills, Mandaluyong City, which is estimated to be completed in December 2023. On the other hand, the ongoing project of CLDI as of June 30, 2019 is the One Taft Residences, a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila and estimated to be completed in September 2022.

As of June 30, 2019, the foreign equity ownership of CDC is 3.00%, equivalent to 125,646,074 shares.

Other relevant information about the Company are discussed in detail under "Information with Respect to the Registrant".

RISKS OF INVESTING

Investors should prudently assess all attendant risks, as well as other considerations associated with an investment in this Offer. Such risks include the internal risks such as refinancing risk, credit risk, interest rate risk, market risk and liquidity risk; business risks and operational risks; and external risks arising from the economic situation and political, real estate industry outlook, market competition and asset price bubble. These are discussed more extensively under "Risks Factors".

SUMMARY FINANCIAL INFORMATION

The following selected financial information were derived from the consolidated audited financial statements as of and for the years ended December 31, 2018, 2017 and 2016 and consolidated unaudited interim financial statements as of and for the six months ended June 30, 2019. The annual financial statements were audited by SyCip Gorres Velayo & Co., in accordance with the Philippine Financial Reporting Standards. The information should be read in conjunction with, and is qualified in its entirety by reference to such financial statements and related notes thereto and "Management's Discussion and Analysis or Plan of Operation".

	June 30, 2019 (Unaudited)	As of and for the years ended December 31 (Audited)* 2018	2017	2016
INCOME STATEMENT				
Revenue	₱1,252,630,769	₱2,055,896,282	₱1,843,377,979	₱1,926,672,327
Expenses	770,660,895	1,301,794,888	1,157,219,317	1,296,315,394
Income before Income Tax	481,969,874	754,101,394	686,158,662	630,356,933
Net Income	385,184,859	628,265,329	551,929,915	476,367,722
BALANCE SHEET				
Total Assets	₱10,524,124,800	₱10,561,471,290	₱9,698,830,212	₱9,870,952,323
Total Liabilities	2,102,934,769	2,313,787,076	1,965,549,304	2,552,711,254
Equity	8,421,190,031	8,247,684,844	7,733,280,908	7,318,241,069
PER SHARE				
Earnings per share	₱0.17**	₱0.14	₱0.12	₱0.11

* *Based on Cityland Development Corporation's Audited Consolidated Financial Statements*
** *Annualized*

RISKS FACTORS

The risks to which the Group are exposed include the internal risks such as refinancing risk, credit risk, interest rate risk, market risk and liquidity risk; business and operational risks; and external risks arising from political and economic situation, real estate industry outlook, market competition and asset price bubble.

INTERNAL RISKS

REFINANCING RISK

The Group is primarily engaged in real estate development. Risk factor includes short-term borrowings which increases the possibility of refinancing risks. This debt mix in favor of short-term borrowings is a strategy which the Group adopted to take advantage of lower cost of money for short-term loans versus long-term loans. Because the Group has the flexibility to convert its short-term loans to a long-term position by drawing down its credit lines with several banks or sell its receivables, refinancing risk is greatly reduced.

The Group manages such refinancing risks by having a current and acid-test ratio of 3.01:1 and 1.86:1 as of June 30, 2019 from 2.34:1 and 1.40:1 as of December 31, 2018, respectively.

CREDIT RISK

This is defined as the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The financial instruments, which may be the subject of credit risk, are the installment contracts receivable, contract assets and other financial assets of the Group. The corresponding management strategies for the aforementioned risks are as follows:

a) The credit risk on the installment contracts receivable and contract assets may arise from the buyers who may default on the payment of their amortizations. The Group manages this risk by dealing only with recognized and credit worthy third parties. Moreover, it is the Group's policy to subject customers who buy on financing to credit verification procedures. Also, installment contracts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contract receivables balance and the Group can repossess such real estate properties upon default of the customer in paying the outstanding balance.
b) The credit risk on the other financial assets of the Group such as cash and cash equivalents, short-term cash investments, notes receivable, refundable deposits, other receivable and financial assets at fair value through other comprehensive income (FVOCI)/available-for-sale financial assets may arise from default of the counterparty. The Group manages such risks in accordance to its policy where the Group shall enter into transaction with diversity of creditworthy parties to mitigate any significant concentration of credit risks. As such, there are no significant concentrations of credit risks in the Group.

INTEREST RATE RISK

This is the risk arising from uncertain future interest rates.

The Group's financial instruments are:

a) The Group’s financial assets mainly consist of installment contract receivables, contract assets, notes receivable, cash and cash equivalents, short-term cash investments and other receivables. Interest rates on these assets are fixed at their inception and are therefore not subject to fluctuations in interest rates.
b) For the financial liabilities, the Group only has commercial papers which bear fixed interest rates, thus, are not exposed to fluctuations in interest rates.

MARKET RISK

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments which are measured at fair value are subject to market risk.

The financial assets at FVOCI/available-for-sale financial assets are exposed to market risk. There is a risk for a decline in the value due to changes in the market. The exposure, however, is negligible because the amount of the said investment is insignificant as compared to the financial assets of the Group.

LIQUIDITY RISK

This is the current and prospective risk to earnings or capital from the Group's inability to meet its obligations when they become due without incurring unacceptable losses. The Group's treasury has a well-monitored funding and settlement management plan. The following are the liquidity risk management frameworks maintained by the Group:

a) *Asset-Liability Management:* Funding sources are substantially from short-term borrowings. Funding sources are abundant and provide a competitive cost advantage. The Group also holds financial assets for which there is a liquid market and are, therefore, readily saleable to meet liquidity needs.
b) *Conservative/Liability Structure:* Funding is widely diversified. There is little reliance on wholesale funding services or other credit sensitive fund providers. The Group accesses funding across a diverse range of markets and counter parties.
c) *Excess Liquidity:* The Group maintains considerable excess liquidity to meet a broad range of potential cash outflows from business needs including financial obligations.
d) *Funding Flexibility:* The Group has an objective to maintain a balance between continuity of funding and flexibility through the use of loan from banks and commercial papers.

As such, the Group addresses risk on liquidity by maintaining committed borrowing facilities in the form of bank lines and established record in accessing these markets.

The Group is also exposed to risks which are beyond financial as follows:

BUSINESS AND OPERATIONAL RISKS

a) Land banking

The Group's land banking consists of parcels of land wherein some lots are being leased while awaiting the development of the Group’s condominium projects. Having enough and diversified land banking is important to support the sustainability of the Group's business. The Group may be exposed to risks because of the possible changes in the value of these lots due to market circumstances which may result in impairment or decline in rental rate levels.

The Group currently has several prime lots for future development and/or investment properties which are located in the different areas of Metro Manila and Cavite. The management is continuously studying the possible land acquisition which will depend on the needs of the Group and negotiations with prospective sellers. For the land impairment, the Group continues to be cautious in buying new properites by conducting studies on appraisal and conditions of the property within the vicinity.

b) Property development and construction

Construction of a condominium project starts from the planning and securing of permits, to the development or construction of the project and to the delivery or turnover of the units to the buyers. The construction of a project involves an average period of three to five years to complete the building. During this period, the Group may be exposed to the following risks:

- delays or longer than expected time of securing necessary licenses, permits and approvals from different government agencies or neighborhood;
- possible increase in the cost of materials and labor which will impact pricing and costing;
- labor disputes among and with the contractors and sub-contractors; and
- delay in the delivery of the project.

These risks are managed by the Group as follows:

- well-planned and carefully-phased project development with a reasonable timetable;
- concrete sources of financing of the project;
- accreditation and careful selection of general contractors and sub-contractors to ensure fulfillment and quality of work; and
- continuous and meticulous management of the Group's project development team to ensure that the project is progressing and being accomplished according to plan.

EXTERNAL RISKS

ECONOMIC

The Group's business consists mainly of providing housing and office units in the Philippines and the results of the operations will be influenced by the general conditions of the Philippine economy. Any economic instability or failure to register improved economic performance in the future may adversely affect the Group's operations and eventually its financial performance.

Effect of Climate Change

It cannot be denied that the country is already experiencing the impact of climate change which is considered as a global problem which needs to be addressed by all countries.

Climate change has greatly affected the operations of the businesses, both private and local. Due to climate change, the supply or resources may decline which will lead to increase in cost. Thus, businesses should consider measures to cope with the impact of environmental changes. Aside from considering the impact, businesses should also take its role in ensuring its compliance with the rules and regulations imposed by the environmental authorities.

Cityland Group has invested considerable effort in the development of programming approaches that integrate disaster risk management with long-term programs that have the objective of addressing the underlying causes of vulnerability. This means developing and applying various prevention, mitigation and preparedness policies, strategies and practices to minimize vulnerabilities and disaster risks. The Group firmly believes that emergency preparedness planning is a critical component for all development programming and is a necessary ingredient not only for effective emergency response but also for effective risk prevention, mitigation and preparedness before a disaster occurs. For the Group, emergency preparedness encompasses all aspects of disaster risk management – from addressing underlying causes to responding in times of emergencies. First and foremost, preparedness must focus on prevention and mitigation – taking pre-emptive measures to help communities avoid emergencies and become better equipped so that the impact of disasters are reduced. As one of the criteria set by the Group in acquisition of property, the Group considers whether the location of the prospective property is within the fault line and whether the area is prone to flooding. In this case, the Group minimizes the risk of incurring any additional costs/damages in the future.

Further, the Group has adopted controls to ensure its compliance with the environmental laws including but not limited to the following:

- tree planting activities as required by the Board of Investments (BOI) for the Group's BOI-registered projects;
- appointment of Pollution Control Officers in all condominium projects; and
- avoiding hazards and mitigating their potential impacts by reducing vulnerabilities and exposure and enhancing capacities of communities.

POLITICAL

The Group's business like all other businesses may be influenced by the political situation in the country. Any political instability in the future could have a material adverse effect in the Group's business.

INDUSTRY

The industry is characterized by boom-bust cyclical pattern exhibited in the past couple of decades where the industry normally goes through years of robust growth following years of slowdown. The industry is still in the boom stage.

COMPETITION

The demand for housing especially in the medium-cost category has moderately stepped up. The situation has attracted both old and new players to develop projects that cater to this rising demand. As a result of the foregoing, competition in the area of medium-cost development is expected to intensify. The Group believes that it is in a better position to cope with the competition because of the affordability of the projects it offers in the market.

ASSET PRICE BUBBLE

Asset price bubble in real estate occurs when there is a seeming increase in the demand for housing units which leads the developers to build more and when there is already a significant gap between the demand and the supply, this will lead to a sudden decline in the value of the properties.

The Philippine economy is expected to remain strong and resilient for the year 2019. The government expects the country's gross domestic product (GDP) growing more than 6 percent in the second quarter of 2019. Due to the emergence of new trends and opportunities in the country, this year is anticipated to be another solid year for the Philippine real estate industry.

The Bangko Sentral ng Pilipinas (BSP) has been closely monitoring the real estate property sector as shown by its Circulars issued requiring all universal and commercial banks as well as thrift banks to submit quarterly reports on Residential Real Estate Loans granted to determine the risks from the real estate market. As part of the BSP's initiative to monitor the real estate sector, the RREPI was devised to determine the real estate and credit market conditions in the country.

Demand for residential properties particularly condominium units is due to strong demand from starting families and young professionals. The Group minimizes exposure to asset price bubble by focusing on what these starting families and young professionals require – strategic location and reasonable price.

The Group manages the above risks by conducting assessments of the economic and political situations of the country as well as new developments in the industry. The procedures involve the gathering of information of economic indicators and political events as well as being aware of the new developments in the industry through media, business conferences, economic briefings and other sources.

With this information, the Group is able to assess and manage the risks mentioned above.

USE OF PROCEEDS

The gross proceeds that will be derived from the offering is ₱1,400,000,000 less registration fees, taxes, professional fees and other related expenses.

The net proceeds from the offering of the Commercial Papers is ₱1,388,637,750 which is intended to be used as follows (in order of priority):

1) Project-Related Costs	₱850,800,000
2) Payment of Maturing Notes	481,977,750
3) Interest Expense	55,860,000
Net Proceeds	**₱1,388,637,750**

The total actual and estimated expenses related to the issuance and distribution of CPs amounting to ₱11,362,250 is shown under "Other Expenses Relating to Issuance and Distribution" on page 59.

1) Project-related costs

The net proceeds from the offering will be used to partially finance the construction of 101 Xavierville and Pioneer Heights 1.

The ₱850,800,000 project-related costs of 101 Xavierville and Pioneer Heights 1 represents the construction and development costs and expenses for the permits and licenses of which utilization is forecasted as follows:

Period	Amount
1st Qtr. (December 2019-February 2020)	₱212,700,000
2ndQtr. (March 2020-May 2020)	212,700,000
3rd Qtr. (June 2020-August 2020)	212,700,000
4th Qtr. (September 2020-November 2020)	212,700,000
Total	**₱850,800,000**

The components of the total project-related costs of 101 Xavierville and Pioneer Heights 1 are as follows:

101 Xavierville	Labor & Materials supplied by Contractor	Materials supplied by Owner	Permits & Licenses	Total
1st Qtr. (December 2019-February 2020)	₱47,300,000	₱36,120,000	2,580,000	₱86,000,000
2nd Qtr. (March 2020-May 2020)	47,300,000	36,120,000	2,580,000	86,000,000
3rd Qtr. (June 2020-August 2020)	47,300,000	36,120,000	2,580,000	86,000,000
4th Qtr. (September 2020-November 2020)	47,300,000	36,120,000	2,580,000	86,000,000
Sub-total	**₱189,200,000**	**₱144,480,000**	**₱10,320,000**	**₱344,000,000**

Pioneer Heights 1	Labor & Materials supplied by Contractor	Materials supplied by Owner	Permits & Licenses	Total
1st Qtr. (December 2019-February 2020)	₱67,151,000	₱57,015,000	₱2,534,000	₱126,700,000
2nd Qtr. (March 2020-May 2020)	67,151,000	57,015,000	2,534,000	126,700,000
3rd Qtr. (June 2020-August 2020)	67,151,000	57,015,000	2,534,000	126,700,000
4th Qtr. (September 2020-November 2020)	67,151,000	57,015,000	2,534,000	126,700,000
Sub-total	**₱268,604,000**	**₱228,060,000**	**₱10,136,000**	**₱506,800,000**
Grand Total	**₱457,804,000**	**₱372,540,000**	**₱20,456,000**	**₱850,800,000**

Extent of financial commitment to complete the projects: The total credit line with financial institutions amounted to ₱2.45 billion as of June 30, 2019 which are available for drawing by any of the companies within Cityland Group. The credit line is with the following financial institutions: Security Bank and Trust Company, Amalgamated Investment Bancorporation, Metrobank Bank and Trust Company and United Coconut Planters Bank.

2) Payment of Maturing Notes

The ₱481,977,750 proceeds from the offering are all estimated to be allocated for the payment of maturing commercial papers.

Outstanding Notes as of June 30, 2019
(based on the Company's financial statements)

Financial Institution	Amount	Average Interest Rate	Maturity Date
Commercial Papers	₱928,600,000	- various -	- various -

The details of outstanding notes with the corresponding amount, interest rate and maturity date are shown in *Exhibit 20*.

(a) Breakdown according to type of investors as of June 30, 2019:

	Amount	Percentage (%)
Individual	₱891,950,000	96.05
Corporate	36,650,000	3.95
Total	**₱928,600,000**	**100.00**

(b) Breakdown according to SEC Permit to Sell as of June 30, 2019:

SEC Permit to Sell No. 31 Series of 2018 ₱928,600,000

3) Interest Expense

Interest expense amounting to ₱55,860,000 is computed based on the average commercial paper interest rate as of June 30, 2019 as shown below:

Lender	Principal	Rate	Term	Interest
New CP	₱1,400,000,000	3.99%	One year	₱55,860,000

In the event of any deviation/adjustment in the planned uses of proceeds, the Company shall inform the Commission and CP investors within thirty (30) days prior to its implementation.

Others:

a) If proceeds are substantially less than the maximum proceeds, the Company will tap existing lines with the bank.
b) If material amount of other funds are necessary to finance the construction of 101 Xavierville and Pioneer Heights 1, the Company will also avail loan from its existing lines with banks. The total credit line available for the Company from the following banks is ₱2.45 billion, all of which is unavailed:

Bank	Amount of Line (in millions)	Nature of Facility	Collateral
Security Bank and Trust Company	₱1,000 600	Contracts to Sell Omnibus Line	Receivables Real Estate Mortgage
Amalgamated Investment Bancorporation	500	Omnibus Line	Clean
Metropolitan Bank and Trust Company	200	Omnibus Line	Real Estate Mortgage
United Coconut Planters Bank	100 50	Contracts to Sell Omnibus Line	Receivable Clean
Total	**₱2,450**		

c) Proceeds from the offering will not be used for reimbursement by any officer, director, employee or any shareholder for service rendered, asset previously transferred or money loaned or advanced.
d) The proceeds from the offering is not intended to acquire properties within the next twelve months.

e) The expenses related to the issuance and distribution of the CPs include the following:

Actual expenses which are determined upon filing and registration of the CPs with the Commission. These include:

- Registration fee - this refers to the amount of filing fee and legal research fee paid to the Commission in accordance with Securities Regulation Code (SRC);
- Legal and accounting fees - these refer to the professional fees paid for the registration of the CPs; and
- Publication fee - this relates to the cost of publication of the notice of filing of CPs with the Commission as required under SRC Rule 8 (2) (b).

The estimated expenses which are determined only upon the actual distribution of the securities registered include the following:

- Printing costs - pertain to the estimated cost of printing of the commercial papers/promissory notes at the time of sale/distribution; and
- Documentary stamps - pertain to the tax to be paid on the documents, notes or papers evidencing the sale of the CPs registered with the Commission.

DETERMINATION OF THE OFFERING PRICE

The Offering Price is One Hundred Percent (100%) of the face value.

The interest rates are fixed and are determinable at the time of issuances of the CPs. The interest rates are based on the prevailing market rates at the time of issuance.

OFFERING PERIOD

The offering period will commence upon approval of the SEC of the CPs and will end upon the expiry of the Permit to Sell of the CPs or one year after SEC approval.

PLAN OF DISTRIBUTION

The Commercial Papers will be distributed by the Issuer itself to institutional buyers and general public as follows:

	% to Total	Amount
General Public	70	₱980,000,000
Institutional Buyers	30	420,000,000
Total	**100**	**₱1,400,000,000**

The projected CPs to be offered within the offering period are as follows:

Period Covered		Amount
Within the First Quarter	(December 2019-February 2020)	₱350,000,000
Within the Second Quarter	(March 2020-May 2020)	350,000,000
Within the Third Quarter	(June 2020-August 2020)	350,000,000
Within the Fourth Quarter	(September 2020-November 2020)	350,000,000
Total		**₱1,400,000,000**

The securities to be registered are to be offered through the Company's salesmen duly licensed by the Commission. The Company's salesmen are registered and authorized to act as Fixed Income Market Salesman with a Certificate of Registration issued by the SEC-Company Registration and Monitoring Department (CRMD). Please see *Exhibit 21* for the Certificate of Registration of Salesmen.

The monthly compensation of these salesmen ranges from ₱25,000.00 to ₱32,000.00. They are also entitled to mandatory benefits and bonuses such as the 13th month pay; and bonuses and incentives which are dependent on the Company's earnings as well as the salesman's performance.

As in the previously approved commercial paper issuance, the Company requested for exemption from the underwriting agreement as it has demonstrated its capability to sell the CPs through its own selling efforts as mentioned in the foregoing paragraph.

Upon approval of the Registration Statement and the request for exemptive relief, the Company will provide a statement that its request for exemption from the submission of underwriting agreement has been granted.

DESCRIPTION OF REGISTRANT'S SECURITIES

1) Total Issue Amount

Up to ONE BILLION FOUR HUNDRED MILLION PESOS (₱1,400,000,000) in aggregate principal amount of the CPs will be issued by the Company pursuant to the Offer upon approval and issuance by the Securities and Exchange Commission (SEC) of the Permit to Sell Securities.

2) Provisions

a) Instrument

The instrument pertains to CPs which constitutes direct, unconditional and general obligations of the Issuer. The CPs maybe in registered or bearer form.

b) Issue Date

The issue dates can be any of the dates within the validity period granted by the SEC.

c) Term/Maturity

The CPs shall have a term not exceeding 365 days from issue date.

d) Interest Rates

The interest rate(s) will be fixed and payable in arrears either monthly, quarterly, semi-annually or annually or at the end of the term based on the prevailing market interest rates at the time of issuance. The average interest rate as of June 30, 2019 is 3.99%.

e) Redemption

Redemption shall be on a one-time payment at the end of each term.

f) Minimum Denomination Purchase

The minimum amount of CP instruments shall not be lower than ₱300,000. The Issuer shall cause the CP certificates to be made available to the purchaser upon full payment of the offering price.

g) Tax on the Interest on the CPs

Interest income on the CPs shall be subject to a twenty percent (20%) final withholding tax or such rate that maybe provided by law or regulation. The tax shall be for the account of the holder of the CPs. Corporate and institutional purchasers who are exempt from or are not subject to the said tax shall submit pertinent documents evidencing their tax-exempt status.

h) Penalty Interest

Should any amount payable by the Issuer under the CPs, whether for principal, interest or otherwise, be not paid on due date, the Issuer shall pay in addition to the computed interest, liquidated damages equivalent to one percent (1%) of the outstanding amount of the note, plus attorney's fees and cost of collection in case of suit, an amount equal to ₱2,000 or 5% of the principal or interest whichever is higher. The Issuer further agrees that any action for the CPs shall be instituted in the proper court of Makati City or the proper Regional Trial Court (RTC) of Metro Manila or the case maybe.

i) Documentary Stamps on Original Issuance

The cost of documentary stamps on the original issues shall be for the account of the Issuer. The documentary stamps by reason of the secondary sales/transfers involving the change of the registered holdings shall be for the account of the secondary buyers.

j) Conversion, amortization, sinking fund and retirement

Conversion, amortization, sinking fund and retirement are not applicable in this CP issue.

3) Substitution

Substitution is not permitted with or without notice.

4) Material Provisions Giving or Limiting Rights of Debt Holders

a) CPs are unsecured obligations; as such, CP debt holders are subordinate to secured creditors.
b) There is no limitation on the declaration of dividends; no restrictions on issuance of additional debt; no maintenance of asset ratios; and no provisions on security (collateral).

5) Financial Ratios

		December 31			Average
	As of June 30, 2019	**2018**	**2017**	**2016**	**(2018-2016)**
Current ratio	3.01	2.34	2.42	2.43	2.40
Asset to equity ratio	1.43	1.47	1.44	1.54	1.48
Debt to equity ratio	0.16	0.19	0.22	0.26	0.22
Asset to liability ratio	5.00	4.56	4.93	3.87	4.45
Solvency ratio*	0.39	0.30	0.30	0.20	0.27
Interest rate coverage ratio	42.33	55.06	84.00	110.18	83.08
Acid-test ratio	1.86	1.40	1.69	1.66	1.58
Return on equity (%)*	9.43	7.67	7.20	6.94	7.27
Earnings per share (₱)*	0.17	0.13	0.12	0.11	0.12

**Annualized for the period of June 30, 2019 and after retroactive effect of 6.5% stock dividends in 2019.*

Manner of Calculations :

Current ratio = Total current assets / Total current liabilities

Asset to equity ratio = $\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instrument designated at fair value through other comprehensive incom/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Debt to equity ratio = $\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruement designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Asset to liability ratio = Total assets / Total liabilities

Solvency ratio = (Net income after tax + Depreciation expense) / Total liabilities

Interest rate coverage ratio = $\frac{\text{Income before income tax + Depreciation expense + Interest expense}}{\text{Interest expense}}$

Acid-test ratio = $\frac{\text{Cash and cash equivalents + Short-term investments + Installment contracts receivable + Current portion of contract assets + Current portion of notes receivable + Current portion of other receivables}}{\text{Total current liabilities}}$

Return on equity Ratio = Net income after tax / Total equity

Earnings per share = Net income after tax / Outstanding number of shares

Significance:

Current ratio and acid-test ratio are ratios to determine short-term solvency which measure the ability of the Company to meet recurring and current financial obligations. Current ratio is often associated with net working capital which is the difference between current assets and current liabilities. Acid-test ratio, on the other hand, is the ratio between quick assets (as enumerated above) and current liabilities. Quick assets are the current assets that are quickly convertible to cash.

Asset to equity ratio measures the financial stability of the entity.

Interest rate coverage ratio is used to determine the company's ability to pay interest payments. It determines how easily a company can pay interest expenses on outstanding debt.

Return on equity or ROE is one of the measurements of the company's profitability from the stockholders' viewpoint. It indicates the profitability of their investment in a company.

Debt to equity ratio provides information about the protection of creditors for insolvency and the ability of the company to obtain additional financing for potentially attractive investment opportunities.

6) Track Record of Securities Registered under Securities Regulation Code (SRC)

SEC Order No.	Date Issued	Nature of Securities	Amount Registered	Amount Outstanding as of June 30, 2019
1. 031 Series of 2018	November 6, 2018	CP	₱1,400,000,000	₱928,600,000
2. 032 Series of 2017	November 6, 2017	CP	1,350,000,000	–
3. 035 Series of 2016	November 14, 2016	CP	1,300,000,000	–
4. 076 Series of 2015	November 11, 2015	CP	1,200,000,000	–
5. 058 Series of 2014	November 10, 2014	CP	1,400,000,000	–
6. 067 Series of 2013	November 22, 2013	CP	1,400,000,000	–
7. 180 Series of 2012	November 23, 2012	CP	1,000,000,000	–
8. 344 Series of 2011	November 25, 2011	CP	1,000,000,000	–
9. 294 Series of 2010	December 2, 2010	CP	1,000,000,000	–
10. 187 Series of 2009	December 7, 2009	CP	900,000,000	–
11. 147 Series of 2008	December 8, 2008	CP	900,000,000	–
12. 195 Series of 2007	December 14, 2007	CP	1,200,000,000	–
13. 182 Series of 2006	December 28, 2006	CP	700,000,000	–
14. 151 Series of 2005	December 28, 2005	CP	595,000,000	–
15. 179 Series of 2004	December 29, 2004	CP	635,000,000	–
16. 378 Series of 2003	November 27, 2003	CP	1,000,000,000	–

MARKET INFORMATION FOR SECURITIES OTHER THAN COMMON EQUITY

Commercial Papers (CPs) have no established public trading market from which market information for CPs can be obtained.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS

Dividends Policy

(Registrant and its subsidiaries and affiliates)

Dividends declared by the Company are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow, and financial condition of the Company. Cash dividends on common shares are deducted from retained earnings upon declaration by the Board of Directors (BOD). Stock dividends on common shares are measured based on the par value of declared stock dividends. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Company.

Dividends

Dividends declared and issued/paid by the Parent Company in 2019, 2018 and 2017 are as follows:

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 30, 2019	–	₱0.0450	June 17, 2019	June 28, 2019
	May 8, 2018	–	0.0301	May 23, 2018	June 07, 2018
	May 23, 2017	–	0.0360	June 6, 2017	June 22, 2017
Stock	April 25, 2019	May 6, 2019	5.00%	July 5, 2019	July 31, 2019
	September 5, 2018	October 5, 2018	6.50%	April 12, 2019	May 10, 2019
	April 27, 2017	June 6, 2017	5.00%	July 6, 2017	August 1, 2017

Fractional shares of stock dividends were paid in cash based on the par value.

On March 21, 2019, the SEC resolved to authorize the issuance of 6.5% stocks dividends to cover the dividends declared by its Board of Directors on May 2, 2018 and readopted on September 5, 2018 and ratified by the stockholders representing two-thirds (2/3) of outstanding capital stocks on June 5, 2018 and readopted on October 5, 2018.

In the special meeting held on April 25, 2019, the Board of Directors approved the declaration of 5% stock dividends to stockholders of record as of July 5, 2019 to be distributed on July 31, 2019. This is for ratification by stockholders' meeting on June 6, 2019. The record date of the said meeting is on May 6, 2019.

Stock Prices

		Unclassified Common Shares	
		High	Low
2019	First Quarter	0.99	0.80
	Second Quarter	1.01	0.85
2018	First Quarter	1.19	0.99
	Second Quarter	1.07	0.90
	Third Quarter	1.10	0.85
	Fourth Quarter	0.93	0.83
2017	First Quarter	1.45	1.13
	Second Quarter	1.63	1.14
	Third Quarter	1.65	1.46
	Fourth Quarter	1.48	1.10

Note: Prices were adjusted as a result of declaration of stock dividends.

Trading Market

The Parent Company's common equity is traded in the Philippine Stock Exchange.

The Group has no plans of acquisition, business combination, or other reorganization that will take effect in the near future that involves issuances of securities.

Price Information on the Latest Practicable Date

The Parent Company's shares were last traded on August 30, 2019 at ₱0.85 per share.

Holders

a) The number of shareholders of record as of June 30, 2019 was 657.
b) The Top 20 Stockholders on record as of June 30, 2019 are as follows:

Name	No. of Shares Held	Percentage (%)
1. Cityland, Inc.	2,137,945,989	50.98
2. PCD Nominee Corporation-Filipino	865,332,012	20.63
3. Liuson, Grace C.	200,791,589	4.79
4. Roxas, Stephen C.	133,718,665	3.19
5. Liuson, Andrew I.	128,369,428	3.06
6. Gohoc, Josef C.	92,704,066	2.21
7. Roxas, Helen C.	63,752,311	1.52
8. PCD Nominee Corporation-Foreign	57,857,013	1.38
9. Recto, Ester C.	32,751,377	0.78
10. Gohoc. Johann C.	28,548,935	0.68
11. Roxas, Stephen C. or Jefferson C. Roxas	22,983,427	0.55
12. Liuson, Grace C. or Josua C. Gohoc	22,983,427	0.55
13. Jefcon, Inc.	19,450,433	0.46
14. Chiong, Daniel	19,125,730	0.46
15. Tan, Joyce Liuson or Tan, Philip Sim	18,734,867	0.45
16. Chang, Rita D.	18,141,573	0.43
17. Obadiah, Inc.	17,913,713	0.43
18. Shao Chien Yin &/or Shao Christine L.	15,322,276	0.37
19. Chiong, Elizabeth	12,768,564	0.30
20. Recto, Ester	12,768,564	0.30

Changes in Control

There are no agreements which may result in changes in control of the registrant.

Recent Sale of Unregistered Securities (including recent issuance of securities constituting an exempt transaction)

The total number of issued and outstanding common shares of the Company increased for the past three (3) years as a result of stock dividends are as follows:

Year Declared	Stock Dividend	Oustanding Shares From	To	Date Distributed
2019	5.0%	4,194,037,550	4,403,739,084	July 31, 2019
2018	6.5%	3,938,063,701	4,194,037,550	May 10, 2019
2017	5.0%	3,750,537,168	3,938,063,701	August 1, 2017
2016	5.0%	3,571,940,453	3,750,537,168	August 2, 2016

Stock dividends are exempted from registration under Section 10.1-2 (d) of the SRC.

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSELS

The validity of the CP offer and other matters concerning the registration and offering of the CPs was passed upon for the Company by Abaya Elias Law Firm.

The audited consolidated financial statements of the Company as of and for the years ended December 31, 2018, 2017 and 2016, together with the notes thereto, have been audited by SGV & Co., independent public accountants, as indicated in their reports which are included herein, in recognition of the authority of SGV & Co. as experts in accounting and auditing in giving such reports.

The above-mentioned experts and independent counsels will not receive a direct or indirect interest from the registrant nor was such expert and independent counsel is a promoter, underwriter, voting trustee, director, officer or employee of the registrant.

INFORMATION WITH RESPECT TO THE REGISTRANT

BUSINESS

A. Background Information

1) *Brief Company History*

Cityland Development Corporation (the Company or CDC) is a domestic publicly listed corporation which is duly organized and existing under and by virtue of the laws of the Philippines since January 31, 1978 with the primary purpose of engaging in real estate development.

2) *Listing in Stock Exchange*

The Company was listed with the Manila and Makati Stock Exchange in March 1983.

3) *Subsidiaries*

a) City & Land Developers, Incorporated (CLDI)
SEC Registration No. 152661

CLDI is a domestic publicly listed corporation and a real estate company incorporated under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 28, 1988. Its principal office address is at 3/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City.

Financial performance:

	As of June 30, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Revenue	₱306,860,145	₱512,812,865	₱526,333,428	₱321,744,555
Expenses	206,022,234	312,825,180	373,542,516	243,472,422
Income before income tax	100,837,911	199,987,685	152,790,912	78,272,133
Net income	75,016,223	149,702,816	131,049,653	65,358,190

b) Cityplans, Incorporated (CPI)
SEC Registration No. 156675

CPI is a pre-need company incorporated under the laws of the Philippines and registered with the SEC on October 27, 1988. Its principal office address is at 3/F Cityland Condominium 10 Tower II, 154 H.V. Dela Costa Street, Makati City.

Financial performance:

	As of June 30, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016
Revenue	₱29,928,136	₱61,584,509	₱37,848,547	₱21,264,864
Expenses	18,831,852	39,931,696	26,392,045	17,742,690
Income before income tax	11,096,284	21,652,813	11,456,502	3,522,174
Net income	8,425,653	16,436,485	10,262,546	3,649,256

4) *Nature of Operations*

The Group's primary purpose is to acquire and develop suitable land sites for residential, office, commercial, institutional and industrial uses.

Its projects include medium to high-rise office, commercial and residential condominiums located in cities of Makati, Mandaluyong, Manila, Pasig and Quezon City; and residential subdivisions and farmlots in Parañaque, Bulacan and Cavite.

B. Development of Business for the past three (3) years and two (2) quarters (2016-June 30, 2019)

We present herewith the status of sales and construction of our projects as of the end of the following years:

Cityland Development Corporation (Parent Company)

	PERCENTAGE SOLD				
	As of June 30, 2019	**2018**	**2017**	**2016**	
Pioneer Heights 1	22.60	12.58*	–	–	Launched in 2018
101 Xavierville	22.84	19.77*	–	–	Launched in 2018
Pines Peak Tower II	76.24	64.36	34.95	14.44*	Launched in 2016
Pines Peak Tower I	99.26	98.96	95.65	90.76	Launched in 2012
Grand Central Residences	98.10	96.52	90.17	78.69	Launched in 2010
Makati Executive Tower IV	99.85	99.71	98.35	96.73	Launched in 2009
Makati Executive Tower III	99.76	99.69	99.62	99.08	Launched in 2006

** The percentage of completion of Pioneer Heights 1 and 101 Xavierville as of December 31, 2018 and Pines Peak II as of December 31, 2016 were not yet beyond the preliminary stage, hence, for accounting purposes, no revenue from sale of real estate properties was recognized. Cash proceeds from the sale of these projects were recorded as part of liabilities in the statement of financial position.*

	PERCENTAGE OF COMPLETION			
	As of June 30, 2019	**2018**	**2017**	**2016**
Pioneer Heights 1	10.06	5.33	–	–
101 Xavierville	16.19	7.45	–	–
Pines Peak Tower II	100.00	90.64	52.98	7.50
Pines Peak Tower I	100.00	100.00	100.00	100.00
Grand Central Residences	100.00	100.00	100.00	100.00
Makati Executive Tower IV	100.00	100.00	100.00	100.00
Makati Executive Tower III	100.00	100.00	100.00	100.00

City & Land Developers, Incorporated (Subsidiary)

	PERCENTAGE SOLD				
	As of June 30, 2019	**2018**	**2017**	**2016**	
One Taft Residences	24.58	20.34	14.29	8.63*	Launched in 2016
North Residences	92.23	84.23	61.63	35.71	Launched in 2014

**The percentage of completion of One Taft Residences as of December 31, 2016 was not yet beyond the preliminary stage, hence, for accounting purposes, no revenue from sale of real estate properties was recognized. Cash proceeds from the sale of this project were recorded as part of liabilities in the statement of financial position.*

	PERCENTAGE OF COMPLETION			
	As of June 30, 2019	**2018**	**2017**	**2016**
One Taft Residences	42.73	25.59	14.93	0.35
North Residences	100.00	100.00	97.37	75.55

Project Description

Cityland Development Corporation

Future Project:

Pioneer Heights 2

Pioneer Heights 2 is an office, residential and commercial condominium to be located at Reliance St., Barangay Highway Hills, Mandaluyong City.

Ongoing Projects:

Pioneer Heights 1

Pioneer Heights 1 is a 24-storey office, commercial and residential condominium located at Pioneer St., Barangay Highway Hills, Mandaluyong City. Its amenities include swimming pool, children's playground, multi-purpose function room, laundry room, information area, administration room and 24-hour association security.

Estimated Date of completion: December 2023

101 Xavierville

101 Xavierville is a 40-storey commercial and residential condominium located along Xavierville Avenue, Loyola Heights, Quezon City. The project is easily accessible to various schools such as Ateneo de Manila University, University of the Philippines and Miriam College; recreational parks and leisure places.

Estimated Date of Completion: February 2024

Completed Projects:

Buildings for Lease:

CityNet Central

CityNet Central is a 22-storey commercial and PEZA-registered building located in central business district along Sultan Street, Brgy. Highway Hills, Mandaluyong City with its proximity to MRT station and various transportation hubs.

CityNet1

CityNet1 is a 5-storey premiere business technology hub located along 183 EDSA, Brgy. Wack-Wack, Mandaluyong City. The said building for lease is also registered with PEZA.

Pines Peak Tower II

Pines Peak Tower II is a 27-storey residential condominium conceptualized for the fast-paced Filipino family. It is beside Pines Peak Tower I along Pines St., Brgy. Barangka Ilaya, Mandaluyong City. It is only a block away from the major thoroughfare of EDSA, near Shaw Boulevard, Pioneer and MRT Boni Station. The project is easily accessible to various commercial centers like Shangri-La Mall, StarMall, Robinson's Place Pioneer, SM Megamall, The Podium, Metrowalk and schools like Lourdes School of Mandaluyong, St. Paul University and University of Asia and the Pacific.

Pines Peak Tower I

Pines Peak Tower I is a 27-storey residential condominium located at Union corner Pines St., Barangka, City of Mandaluyong. Its amenities include swimming pool, viewing deck, multi-purpose function room with movable children play set, gym and 24-hour association security.

Grand Central Residences

Grand Central Residences is a 40-storey office, commercial and residential condominium located at EDSA corner Sultan St., (fronting MRT Shaw), Mandaluyong City. It is in close proximity to schools, churches, malls and hospitals. It is equipped with swimming pool, multi-purpose function room, gym, multi-purpose deck, CCTV and 24-hour association security.

Makati Executive Tower IV

Makati Executive Tower IV is a 29-storey commercial and residential condominium located at Cityland Square, Sen. Gil Puyat Ave., cor. P. Medina St., Makati City. It is in close proximity to schools, malls, hypermarkets and hospitals. Its amenities include swimming pool, gym, playground, function room, roof deck and 24-hour association security.

Makati Executive Tower III

Makati Executive Tower III is a 37-storey commercial, office, and residential condominium located at Cityland Square, Sen. Gil Puyat Avenue, Pio Del Pilar, Makati City. Its amenities include swimming pool, sauna, viewing deck, jogging area, mini-gym, children's playground, function room and 24-hour association security.

City & Land Developers, Incorporated

Future Project:

One Hidalgo

One Hidalgo is a 39-storey mixed residential, office and commercial condominium to be located at 1730 P. Hidalgo Lim St., corner Gen. Malvar St., Malate, Manila. It is near to various universities (De La Salle University, University of the Philippines-Manila, Philippine Christian University), government agencies (Supreme Court, Court of Appeals, Department of Justice) and other leisure establishments.

Ongoing Project:

One Taft Residences

One Taft Residences is a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila. It is with easy access to various universities (De La Salle University, University of the Philippines-Manila, Philippine Christian University), transportation hubs, shopping centers, businesses, commercial and government offices.

Estimated Date of Completion: September 2022

Completed Project:

North Residences

This 29-storey commercial and residential condominium is located along EDSA (beside WalterMart) corner Lanutan, Brgy. Veterans Village, Quezon City. It is conceptualized for the practical modern families to enjoy suburban city living that is friendly on the budget.

1) Marketing

All projects are sold by direct company salesmen and independent brokers.

2) Revenue Contribution to Total Revenues on Sales of Real Estate

	PERCENTAGE (%)			
	As of June 30, 2019	**2018**	**2017**	**2016**
Cityland Development Corporation				
Pines Peak Tower II	26.93	42.99	19.89	–
Pioneer Heights 1	22.27	–	–	–
101 Xavierville	8.74	–	–	–
Grand Central Residences	7.49	13.86	25.42	24.42
One Premier	4.75	–	–	–
Pines Peak Tower I	1.17	7.14	9.92	41.58
Makati Executive Tower III	1.07	1.20	2.23	6.35
Makati Executive Tower IV	0.74	2.53	3.65	7.17
Mandaluyong Executive Mansion III	–	0.78	1.59	1.57
Manila Executive Regency	–	0.40	0.72	0.61
Makati Executive Tower II	–	0.20	0.41	0.17
Others	0.38	0.37	1.29	0.98
City & Land Developers, Incorporated				
One Taft Residences	13.01	5.05	3.86	–
North Residences	10.61	21.78	26.88	13.32
Grand Emerald Tower	0.70	0.43	1.34	1.03
Others	0.20	0.74	1.46	2.53
Cityplans, Incorporated				
The Manila Residences II	1.68	0.41	0.19	–
Grand Central Residences	0.26	0.78	0.17	0.14
Others	–	1.34	0.98	0.13
Total	**100.00**	**100.00**	**100.00**	**100.00**

3) Contribution of the Subsidiaries to the Total Revenue/Total Net Income

	Total Revenue (%)			
	As of June 30, 2019	**2018**	**2017**	**2016**
City & Land Developers, Incorporated	24.50	24.94	28.55	16.70
Cityplans, Incorporated	2.39	3.00	2.05	1.10

	Net Income (%)			
	As of June 30, 2019	**2018**	**2017**	**2016**
City & Land Developers, Incorporated	19.48	23.83	23.74	13.72
Cityplans, Incorporated	2.19	2.62	1.86	0.77

4) Domestic and Foreign Sales Contribution to Total Sales

	P E R C E N T A G E (%)			
	As of June 30, 2019	**2018**	**2017**	**2016**
Sales				
Filipino Citizens	88.42	90.16	89.46	89.28
Foreign Citizens	11.58	9.84	10.54	10.72
Total	**100.00**	**100.00**	**100.00**	**100.00**

5) Competition

In the property development industry, the principal methods of competition among the developers are as follows: price; product or the type of development (i.e. high, middle, low-end); and service or property management after the project is turned over to the buyers.

The Group sells its products, which consist of condominium projects, to both end-users and investors at affordable prices. It foresees that the demand for real estate properties such as residential/condominium units will remain underserved due to: i) continued shift from rural to urban areas; ii) continued increase in number of Overseas Filipino Workers (OFW) who have shown growing propensity for home purchase; iii) population growth; iv) increase in BPO offices; and v) worsening traffic in the business district; and vi) increase in number of tourist arrivals.

The condominium project which is quite similar in price, type of development and proximity to 101 Xavierville is Hawthorne Heights, a project of Vista Residences, which is located along Katipunan Avenue, Quezon City.

The condominium project which is quite similar with Pioneer Heights 1 in terms of price, type of development, market and location is Sunshine 100 City Plaza, a project of Property 101, Inc., which is located at #4 Pioneer St., corner Sheridan St., Mandaluyong City.

The condominium project which is quite similar in price, type of development and proximity to Makati Executive Towers III and IV is The Linear, a project of Filinvest Land, Inc., which is located at corner Yakal, Malugay and Mayapis St., Makati City.

The condominium projects that are quite similar with Grand Central Residences in terms of location is the Fame Residences, a project of SM Development Corporation, which is located along EDSA and Mayflower St., Brgy. Highway Hills, Mandaluyong City.

The condominium project that is quite similar in classification and proximity to Pines Peak Tower I and II is the Avida Towers Centera, a project of Avida Land Corporation, which is located in Mandaluyong City.

The condominium project that is quite similar with One Taft Residences in terms of price, type of development, market and location is Victoria De Manila 2, by New San Jose Builders, which is located along Taft corner General Malvar, Malate, Manila.

The condominium project that is quite similar with North Residences in terms of price, type of development, market and location is Zinnia Residences, a project of DMCI, located at 1211 North EDSA, Muñoz, Quezon City.

The Group believes that its projects are competitive projects because of its good location and affordable pricing.

6) Customers

The Group has a broad market base and is not dependent upon a single or few customers. The Group has no significant transactions with customers in terms of percentage to total sales.

7) Purchases of Raw Materials and Supplies

The Group engaged the services of Millenium Erectors Corporation for the civil and architectural works in the development of its projects.

The Group has no major existing construction materials supply contracts for its projects. The major construction materials like steel bars, cement, etc. are sourced through canvassing and bidding from its list of accredited suppliers. The Group then purchases the construction materials from the lowest bidder.

8) Transactions with and/or Dependence on Related Parties

The Group, in the normal course of business, has transactions and account balances with related parties.

Discussions of Transactions with and/or Dependence on Related Parties are discussed thoroughly in Certain Relationships and Related Party Transactions on page 58 of this report.

9) Number of Employees

The Group has a total of 147 employees as of June 30, 2019 classified as follows:

Managerial	25	Administrative	84
Rank & File	122	Operations	63
Total	**147**	**Total**	**147**

The number of employees is expected to increase by 12% within the next 12 months. The Group maintains an organizational framework whereby important management functions as well as administrative tasks are shared within the Cityland Group.

The Group gives bonuses to its employees. Also, employees are entitled to vacation and sick leaves and are covered by a retirement plan. All employees are not subject to collective bargaining agreement.

The Group's employees are not on strike neither, are threatening to strike nor have they been on strike in the past three (3) years.

10) Patents, Trademarks, Copyrights, Licenses, Franchise, Concessions and Royalty Agreements

The following table summarizes the registered trademarks of the Group:

	TRADEMARK	REGISTRATION No.	Expiry Date
CDC	We Commit, We Deliver	4-2018-00005628	August 2, 2028
	CITYLAND	4-2018-00005627	August 2, 2028
	CDC	4-2018-00005630	August 2, 2028
	CityNet Central	4-2016-00006287	August 11, 2026
	CityNet1	4-2012-00004428	November 15, 2022
CLDI	City & Land Developers, Incorporated	4-2018-00006491	October 14, 2028
	CLDI	4-2018-00005626	In Process
CPI	Cityplans, Inc. with Logo	4-2013-00007503	August 14, 2024
	CITYPLANS, INCORPORATED	4-2018-00006492	October 14, 2028

11) Government Approval of Projects

The following are the government permits obtained by the Company on its ongoing projects:

Government Agency	Status of Approval 101 Xavierville	 Pioneer Heights 1
a. Housing and Land Use Regulatory Board		
- Certificate of Registration/License to Sell	Approval Granted	Approval Granted
b. City/Municipal Building Official/		
Department of Public Works and Highways.		
1. Development Permit by HLURB/Location	Approval Granted	Approval Granted
2. Building Permit		
- Excavation, Civil Works	Approval Granted	Approval Granted
- Mechanical, Electrical, Sanitary, Fire, Sidewalk	Approval Granted	Approval Granted
3. Occupancy Permit (electrical, fire, mechanical, civil, sanitary)	To apply upon project completion	To apply upon project completion
c. Department of Environment and Natural Resources		
- Environmental Compliance Certificate (ECC)	Approval Granted	Approval Granted
- Permit to Construct Sewage Treatment Plant (STP)	Approval Granted	Approval Granted
- Permit to Operate STP	To apply upon project completion	To apply upon project completion
d. Laguna Lake Development Authority (LLDA)		
- Permit to Construct Sewage Treatment Plant (STP)	Approval Granted	N/A
- Permit to Operate STP	To apply upon full operation	N/A

12) Effect of Existing Government Regulations on the Business

The Group has complied with all the appropriate government regulations prior to the development and marketing of its projects. Compliance with these requirements symbolizes the unrelenting commitment of the management to service and protection of its community and environment.

13) Amount Spent for Research/Development Activities

The Group did not spend significant amount for research and development activities.

14) Cost and Effect of Compliance with Environmental Laws

Payments made by the Group for environmental clearances to DENR are as follows:

2019 Payment of ₱117,232.91 to Laguna Lake Development Authority for the LLDA Clearance of City North Tower, a project of CDC.
Payment of ₱4,339.23 to EMB-NCR for the renewal of discharge permit of CityNet1.

2018 Payment of ₱40,000.00 to EMB-NCR for the penalty EMB-NCR Case No.: 18-612.
Payment of ₱328,500.00 to LAQ consulting as final payment for ECC procurement of Pioneer Heights 1&2, a project of CDC.
Payment of ₱10,015.00 to LAQ consulting for Environmental Compliance Certificate Application fee for Pioneer Heights 1&2.
Payment of ₱8,500.00 to Environmental Counselors Inc. for 40-hour training course for pollution control officer of North Residences, a project of CLDI.
Payment of ₱4,000.00 to Environmental Counselors Inc. for environmental training for the Managing Head of NRT.

2017 Final payment of ₱13,440.00 to LAQ consulting for Laguna Lake Development Authority Clearance of 101 Xavierville, a project of CDC.
Payment of ₱89,405.93 to LLDA as application for LLDA Clearance.
Partial payment of ₱107,520.00 to LAQ Consulting for LLDA Clearance of 101 Xavierville.
Payment of ₱135,000.00 to EMB-NCR Credit Cooperative for Environmental Impact Statement review fund of Pioneer Heights 1&2.
Payment of ₱2,849.00 to EMB-NCR for discharge of permit of CityNet1, a project of CDC.
Payment of ₱13,440.00 to LAQ Consulting as downpayment for ECC & LLDA Clearance of Xavierville Property.
Payment of ₱36,500.00 to LAQ Consulting as downpayment for ECC of Pioneer Heights 1&2.
Payment of ₱10,000.00 to LLDA for basic training course pollution control officer.
Final payment of ₱12,500.00 to LAQ Consulting for ECC & LLDA Clearance of One Hidalgo property, a project of CLDI.

Payment of ₱89,350.90 to LLDA as application fee for LLDA Clearance of One Hidalgo property.

2016 Payment of ₱12,500.00 to LAQ Consulting as downpayment for ECC & LLDA Clearance of One Hidalgo property.

Reimursement of ₱5,055.00 for ECC application fee with DENR.

Partial payment of ₱100,000.00 to LAQ Consulting as 100% payment for ECC and LLDA clearance of One Hidalgo property.

15) Major Risks Involved in Each of the Businesses of the Company

The risks to which the Group are exposed include the internal risks such as refinancing risk, credit risk, interest rate risk, market risk and liquidity risk; business risks and operational risks; and external risks arising from political and economic situation, real estate industry outlook, market competition and asset price bubble.

These are discussed in detail under "RISKS FACTORS" on page 4 of this report.

PROPERTIES

Investment properties and real estate properties held for future development as of June 30, 2019 are as follows:

Particular	Location	Area (sq.m.)	Description	Mortgagee/ Limitation
Cityland Development Corporation:				
1. Land	Corner Pioneer and Reliance Sts., partly located in Mandaluyong City & Pasig City	2,918	The property is located near MRT3 Boni Station; about a km. away from Ortigas Center and presently improved with warehouse buildings.	Security Bank/ ₱1,600M & Metrobank/ ₱200M
2. Land	Brgy. Panungyanan, Gen. Trias, Cavite	501,832	The land is adjacent to Eagle Ridge Golf Course & Gateway Business Park.	–
3. Land	Alabang Zapote Road, Almanza Uno, Las Piñas City	2,959	Lot is located at the northeast side of Alabang-Zapote Road.	–
4. Building for lease (CityNet1)	Bo. Wack-Wack, Mandaluyong City	2,367	The property is located near POEA in front of Robinson's Galleria; along EDSA very near MRT3 Ortigas Station.	Security Bank/ ₱1,600M
5. Building for lease (CityNet Central)	Brgy. Highway Hills, Mandaluyong City	3,300	Lot is located near EDSA Central & Shangri-La Mall in Shaw Blvd.	–
6. Office Condo	H.V. Dela Costa St., Salcedo Village, Makati City	891	This is an office condominium for lease and office use located at Cityland 10 Tower I&II in H.V.dela Costa corner Geronimo and Valero Sts., Makati City.	Metrobank/ ₱200M
7. Land	Brgy. Bagong Pag-asa, Quezon City	2,025	Lot is located along North Avenue, Brgy. Bagong Pag-asa, Quezon City	–
8. Land	Brgy. Panungyanan, General Trias, Cavite	30,000	Lot is located along Amadeo-Tagaytay Road	–
City & Land Developers, Incorporated:				
1. Land	Roxas Blvd. Cor. Mia Road, Brgy. Tambo, Parañaque City	3,154	Lot is located along Roxas Blvd. Property	–
2. Land	0007 Boni Ave., Malamig Mandaluyong City	5,000	Lot is located along Boni Avenue	–

Ownership

The Group has complete ownership of the above-mentioned properties.

Plan to Purchase

The Group has intentions to acquire property(ies) within the next 12 months depending on the outcome of its negotiation with the prospective seller(s). The Group is also continuously receiving property offers and at the same time reviewing such offers but no definite property is identified yet.

Lease Contracts

Leased properties of the Group as of June 30, 2019 are as follows:

Project Name	**Consolidated Rental Income**
CityNet1 - Building for Lease	₱21,157,681
CityNet Central - Building for Lease	18,704,263
Pioneer - Units/Warehouse/Parking	6,700,669
Grand Central Residences - Condominium Units	5,497,041
Cityland Condominium 10 Towers I and II - Condominium Units/Parking	2,669,515
North Residences - Condominium Units	2,013,852
Cabahug Property - Lot for lease	1,694,020
Grand Emerald Tower - Condominium Units	1,456,865
The Manila Residences Tower II - Condominium Units	1,255,110
Pines Peak Tower I - Condominium Units	1,161,766
Makati Executive Tower IV - Condominium Units/Parking	473,925
Makati Executive Tower III - Condominium Units/Parking	240,893
Pacific Regency - Condominium Units	219,375
Manila Executive Regency - Condominium Units/Parking	176,167
Cityland Herrera Tower - Parking/Storage	173,553
Corinthian Executive Regency - Condominium Units	91,550
Rada Regency - Parking	34,202
Cityland Dela Rosa Condominium Units	23,982
Others - Signage	46,281
Total	**₱63,790,710**

Leased properties as of June 30, 2019 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

	PEZA Registration No.	Date Registered
CityNet1	EZ14-04	March 3, 2014
CityNet Central	EZ15-06	February 17, 2015

The Group entered into long-term lease contracts with terms ranging from three (3) to ten (10) years. Other lease contracts range from one (1) month to one (1) year.

LEGAL PROCEEDINGS

The material legal proceeding to which the Cityland Group is a party or of which any of its property is subject during the past five (5) years up to latest date are as follows:

1) Cityland Development Corporation (Registrant)

Cristy Katsui vs. Cityland Development Corporation
OP Case No. 15-A-001
Office of the President
Date Instituted: June 26, 2012

Cristy Katsui filed a Complaint dated June 20, 2012 which was received by Cityland on July 20, 2012, seeking an order for the rescission of the Contract to Sell over a commercial unit no. G-11 in Makati Executive Tower IV and for the return of all the amortizations paid by her and her children in the total amount of ₱1,634,000.00.

Cityland stated in its Answer that it cancelled the above-mentioned Contract to Sell in compliance with the instruction of Katsui in her letter, in behalf of all the Buyers, dated June 21, 2011. She was informed that she is not entitled to any cash surrender value under R.A. No. 6552 that requires a minimum payment of 24 monthly installments. Katsui paid only 14 installments. Besides, the unit is a commercial unit which is not covered by the law which seeks to protect buyers of residential units. Unfavorable decision was rendered by the HLURB and the same was elevated to the Office of the President which is now pending.

2) Cityland, Inc. (Ultimate Parent Company)

Sps. Banson & Electra Cheng vs. Cityland Inc.
O.P. Case No. 15-G-201
Office of the President
Date Instituted: March 20, 2013

Spouses Cheng filed a Complaint for Specific Performance with Damages praying that Cityland comply and continue with the sale of Condominium Unit No. 6017 and Parking Slot No. B-104 and B-105 of Tagaytay Prime Residences. Cityland stated in its Answer that no Deed of Absolute Sale or Contract to Sale was entered into by the parties. There was no meeting of minds to consummate a contract because there was no consent made by the seller (Cityland). The HLURB-Region IV Office decided in favor of the complainant. The Board of Commissioners in a Decision dated June 22, 2015 reversed and set aside the decision of the HLURB-Region IV, and rendered a new judgment dismissing the complaint. Sps. Cheng appealed the case before the Office of the President which is now pending.

Republic of the Philippines represented by the Department of Public Works and Highways (DPWH) vs. Cityland Inc.
Civil Case No. SCA-1063
Pasig Regional Trial Court - Branch 71
Date Instituted: January 30, 2014

DPWH filed a Complaint for Expropriation for the 248 sqm. portion of the property owned by Cityland, located along Shaw Blvd., Ortigas Center, Pasig City, which became a part of the Shaw Blvd. Flyover. A Decision was issued on March 30, 1998 and just compensation has been paid by DPWH. However, the portion of the remaining legal interest remained unpaid, thus Cityland filed a Motion to direct that an accounting be made of the unsatisfied amount. Court ordered accounting. Office of the Solicitor General filed Motion for Reconsideration which was denied. Court issued decision dated April 15, 2016 upholding Cityland's position that legal interest is 12% and the decision became final. The Alias Writ of Execution was served by the Sheriff on June 13, 2019. We await payment by DPWH.

Tagaytay Executive Village Homeowners' Association, Inc. vs. Cityland, Inc.
Petition for the Revocation of the Certificate of Completion (COC) issued in favor of CITYLAND, INC., owner and developer of TAGAYTAY EXEC. VILLAGE, Brgy. San Jose, Tagaytay City
OP Case No. 12-C-045
Office of the President
Date Instituted: November 9, 2011

Tagaytay Executive Village Homeowners' Association, Inc. (TEVHAI) filed an Appeal Memorandum dated November 9, 2011 with the HLURB Board of Commissioners and received by Cityland last November 14, 2011. The case involves a petition to revoke the certificate of completion ("COC"), dated March 10, 2010 issued by the Regional Office, HLURB, Southern Tagalog Region, in favor of Cityland, Inc., owner and developer of Tagaytay Executive Village located at Brgy. San Jose, Tagaytay City. TEVHAI wants the Court to recall/cancel the COC and that Cityland be ordered to fully complete the alleged deficiencies in the amenities. The case was dismissed by the HLURB Board of Commissioners in a Decision dated February 2, 2012.The TEVHAI appealed this case before the Office of the President which is now pending.

3) City & Land Developers, Incorporated (Subsidiary)

Republic of the Philippines represented by the Department of Public Works and Highways (DPWH), through the Bureau of Design-Right of Way Office (BOD-ROWO) vs. City & Land Developers, Inc.
Civil Case No. 13-0209
Parañaque Regional Trial Court - Branch 274
Date Instituted: July 16, 2013

DPWH filed a Complaint for Expropriation for certain portions of the properties, including the improvements therein, of CLDI located in Barangay Tambo, Parañaque City, which will be part of the NAIA Expressway Project Phase II.

CLDI disputed the valuation made by the DPWH on the properties. The court issued a Decision in favor of CLDI. The DPWH thru the Office of the Solicitor General (OSG) filed its Motion for Reconsideration which was granted by the new presiding Judge. CLDI filed its Notice of Appeal of the said Order before the Court of Appeals which is now pending.

Sta. Ana Village Homeowners' Assoc. Inc. (SAVHA) vs. City & Land Developers, Inc.
Civil Case No. 12-009
Parañaque Regional Trial Court - Branch 274
Date Instituted: January 16, 2012

SAVHA filed a Complaint dated January 16, 2012 which was received by CLDI on March 3, 2012, to enjoin defendant and all persons allowed by said defendant CLDI from using Benedictine Street in Sta. Ana Village, Barangay Sun Valley, Parañaque City; and to order the defendant by way of a writ of mandatory injunction to open another outlet to the main road without cost or liability to plaintiff.

CLDI stated in its Answer that plaintiff has not proven its claim over Benedictine Street because the Deed of Donation used by the plaintiff is a falsified and/or spurious document. Furthermore, there is a Right-of-Way Agreement for Benedictine Street. Case was dismissed. However, SAVHA filed a Motion for Reconsideration which was granted. SAVHA's unnotarized Judicial Affidavit of first witness was expunged from the records of the case. SAVHA's legal counsel withdrew from the case. New counsel for SAVHA appeared. First witness of SAVHA was cross-examined by CLDI counsel - got confused. SAVHA counsel moved for 15 days to amend the complaint. CLDI counsel was also granted 15 days to comment on the motion to be filed. Then matter is submitted for resolution of the court. No dates were set for hearing.

Property

Aside from the mentioned cases, there were no cases filed wherein the Group's property/ies is/are the subject.

The Group does not expect that the outcome of the material legal proceedings involving the Group will have a material adverse effect on the financial condition of the Group.

During the past five years up to present, there is no bankruptcy petition filed by or against any business of which such person was a general partner or executive officer of the Group either at a time of the bankruptcy or within two years prior to that time.

During the past five years up to present, the Group, any of its directors or executive officers has no conviction by final judgment, domestic or foreign, or is not subject to a pending criminal proceeding, domestic or foreign.

During the past five years up to present, the Group, any of its directors or executive officers is not subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities.

During the past five years up to present, the Group, any of its directors or executive officers has not been found by a domestic or foreign court of competent jurisdiction (in civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

For the six months ended June 30, 2019

The Philippine economy is expected to remain strong and resilient in 2019. The government expects the country's gross domestic product (GDP) growing more than 6 percent in the second quarter of 2019. Former National Economic Development Authority chief and socioeconomic minister, Gerardo Sicat, attributed the growth to the Build, Build, Build infrastructure program and other factors such as overseas workers remittances, growth of exports, business process outsourcing sector and growing tendency for the recent cycle to be significant.

Moreover, the Philippines earned an upgrade of 'BBB+'- its highest in credit rating history from Global debt watcher, Standard & Poor's which cited the country's strong growth trajectory, healthy external position and sustainable public finances. According to the debt watcher, this development will likely translate to lower borrowing costs from the international market for both government and private corporations. This will support the various projects of the Philippine government which aims to improve accessibility thereby increasing investments that will spur construction activities in both public and private sectors.

The present economic condition paves the way for the real estate industry to flourish. The Philippine real estate industry has grown robustly through the years and the increase in demand for residential and commercial properties can be attributed to various factors. These includes, rising urban population growth, housing needs of BPO (business process outsourcing) employees and remittances of the overseas Filipino workers (OFWs). The leasing market was fueled by the influx of tourist arrivals and from young professionals from BPO firms, while the sales market was fueled by the demand from local and foreign individuals. The cultural shift led by the millennial generation has driven the popularity of condominium living. The worsening traffic in metropolis has encouraged them to live near their school or workplace. Due to the emergence of new trends and opportunities in the country, 2019 is anticipated to be another solid year for the Philippine real estate industry.

Cityland Development Corporation (CDC or the Parent Company) is selling the following projects as of June 30, 2019:

Pioneer Heights 1 is a 24-storey office, commercial and residential condominium located at Pioneer St., Barangay Highway Hills, Mandaluyong City which was launched last August 2018 and estimated to be completed in December 2023.

101 Xavierville is a 40-storey commercial and residential condominium located along Xavierville Avenue, Loyola Heights, Quezon City which was launched last April 2018 and estimated to be completed in February 2024.

Pines Peak Tower II, a 27-storey residential condominium located at Union corner Pines St., central business district of Mandaluyong was launched last June 2016 and turned over last May 2019.

Pines Peak Tower I, a 27-storey residential condominium located at Union corner Pines St., central business district of Mandaluyong.

Grand Central Residences, a 40-storey office, commercial and residential condominium located at EDSA corner Sultan St., Mandaluyong City.

Makati Executive Tower IV, a 29-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Makati Executive Tower III, a 37-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Buildings for lease

CityNet Central, a 22-storey commercial and BPO office building located in Sultan Street, Brgy. Highway Hills (close to MRT Shaw), Mandaluyong City.

CityNet1, a 5-storey premiere business technology hub located along 183 EDSA, Brgy. Wack-Wack, Mandaluyong City.

Also the Company's subsidiary, City & Land Developers, Incorporated (CLDI), is selling the following projects:

One Taft Residences, a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila was launched last October 2016 and is estimated to be completed in September 2022.

North Residences, a 29-storey commercial and residential condominium located in EDSA (beside WalterMart) corner Lanutan, Brgy. Veterans Village, Quezon City was launched in October 2014 and estimated to be completed in September 2018. The project was turned over in March 2018.

CDC, CLDI and Cityplans, Incorporated (CPI) [collectively referred to as "the Group"] has also a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

Internal sources of liquidity come from sales of condominiums and real estate projects, rental income from leased properties, collection of installment receivables and contract assets, maturing short-term investments and notes receivable while external sources come from SEC-registered commercial papers.

The estimated development cost of ₱101.89 million as of June 30, 2019 representing the cost to complete the development of real estate projects sold will be sourced through:

a) Sales of condominium and real estate projects
b) Collection of installment contracts receivable and contract assets
c) Maturing short-term investments and notes receivable
d) Issuance of commercial papers

Financial Condition (June 30, 2019 vs. December 31, 2018)

The Group maintained a healthy financial position as it ended the first semester of 2019 with total assets of ₱10.52 billion, slightly lower by 0.35% as compared to last year's balance of ₱10.56 billion. The slight decrease in assets can be attributed to the usage of funds for the partial settlement of notes payable. On the other hand, increase in real estate properties for sale was substantially due to additional development costs incurred on the ongoing projects and transfer of real estate property from held for future development. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 2.31% to 4.69%. Majority of funds were utilized for operations and to finance the Group's construction of the condominium projects which led to the completion of Pines Peak Tower II in May 2019 and the increase in completion rates of Pioneer Heights 1, 101 Xavierville and One Taft Residences.

On the liability side, total liabilities decreased by ₱210.85 million or 9.11%. The Group partially settled its short-term notes payable which amounted to ₱219.35 million, bringing down the outstanding notes payable by 16.15% from its previous balance of ₱1,358.05 million. The Group's liquidity position remained manageable as cash and cash equivalents and short-term investments stood at ₱1,891.56 million and ₱520.90 million, respectively. Excess funds were placed in both short-term and long-term investments. The stable cash position allowed the declaration of cash dividends of CDC and CLDI resulting to the increase in accounts payable and accrued expenses. In addition, increase in the latter account was also due to additional development costs of the projects and withholding tax payable.

Total equity stood at ₱8.42 billion as of June 30, 2019, higher by 2.10% from ₱8.25 billion as of December 31, 2018 due to comprehensive income of ₱385.44 million net of cash dividends of ₱216.71 million.

As a result of the foregoing, the Group's liquidity position improved with acid-test and current ratio of 1.86:1 and 3.01:1 as of June 30, 2019, as compared to 1.40:1 and 2.34:1 as of December 31, 2018, respectively. On the other hand, debt-equity ratio likewise improved to 0.16:1 as of June 30, 2019 as compared to 0.19:1 as of December 31, 2018.

Results of Operation (June 30, 2019 vs. June 30, 2018)

Sales increased by 17.16% in June 30, 2019 reaching ₱852.24 million from ₱727.42 million of the same period of the previous year. The increase in sales was attributed to higher sales and percentage of completion of several projects. As of June 30, 2019, CDC contributed 70.16% of the total revenue on sales of real estate properties. Pines Peak Tower II was in full blast construction which led to its completion in May 2019 and contributed significantly to the Group's total sales reaching ₱337.02 million. In addition, 101 Xavierville and Pioneer Heights 1 reached a completion rate of 16.19% and 10.06%, respectively thereby allowing the partial recognition of income as of June 30, 2019 amounting to ₱92.76 million and ₱47.21 million, respectively. Sales from the remaining units of Grand Central Residences contributed ₱68.59 million. Since Grand Central Residences and Pines Peak Tower I were almost sold out, future revenues of CDC are projected to be generated from Pines Peak Tower II, 101 Xavierville and Pioneer Heights 1.

Further, the subsidiaries, CLDI and CPI accounted for the remaining 29.84% of the Group's sales. CLDI and CPI recorded sales of ₱236.55 million and ₱17.74 million, respectively. Sales of CLDI was driven by North Residences and One Taft Residences generating ₱97.14 million and ₱131.21 million, respectively as completion rate of One Taft Residences rose to 42.73% as of the first semester of 2019 as compared to 18.18% of the same period last year.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, contract assets, cash and cash equivalents, short-term and long-term investments, notes receivable, dividends and guaranty deposits increased by 53.33% and contributed 21.59% of total revenues. On the other hand, rent income contributed 5.09% of total revenues amounting to ₱63.79 million slightly lower by 2.04% as compared to the same period last year. Rent income significantly came from the lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account increased by 20.56%, amounting to ₱66.17 million from ₱54.89 million for the first semester of 2019 and 2018, respectively.

On the cost side, cost of real estate sales increased as this account move in tandem with sales. Although revenues increased, operating expenses decreased substantially due to lower personnel expenses and insurance expense. Financial expenses increased due to higher loan rates in 2019.

The Group ended the first semester of 2019 with a net income of ₱385.18 million, 41.26% higher than the first semester of 2018, generated from the consolidated revenues amounting to ₱1.25 billion, which grew by 22.35% from the same period in 2018. This translated into an improved the annualized earnings per share and return on equity of ₱0.17 and 9.43% as compared to the same period of the previous year of ₱0.11 and 6.99%, respectively.

Financial Ratios

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	June 30, 2018 (Unaudited)
Earnings per share*	**₱0.17**	₱0.13	₱0.11
Return on equity* (%)	**9.43**	7.67	6.99
Solvency ratio*	**0.39**	0.30	0.31
Interest rate coverage ratio	**42.33**	55.06	48.99
Asset-to-liability ratio	**5.00**	4.56	4.99
Asset-to-equity ratio	**1.43**	1.47	1.43
Debt-to-equity ratio	**0.16**	0.19	0.19
Current ratio	**3.01**	2.34	1.99
Acid-test ratio	**1.86**	1.40	1.23

**Annualized for the period of June 30, 2019 and June 30, 2018 and after retroactive effect of 6.5% stock dividends as of June 30 2019.*

Manner of Calculations:

$$\text{Earnings per share} = \frac{\text{Net income after tax}}{\text{Outstanding number of shares}}$$

$$\text{Return on equity ratio} = \frac{\text{Net income after tax}}{\text{Total Equity}}$$

$$\text{Solvency ratio} = \frac{\text{Net income after tax + Depreciation expense}}{\text{Total liabilities}}$$

$$\text{Interest rate coverage ratio} = \frac{\text{Income before income tax + Depreciation expense + Interest expense}}{\text{Interest expense}}$$

$$\text{Asset-to-liability ratio} = \text{Total assets / Total liabilities}$$

$$\text{Asset-to-equity ratio} = \frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$$

$$\text{Debt-to-equity ratio} = \frac{\text{Notes payable and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$$

$$\text{Current ratio} = \text{Total current assets / Total current liabilities}$$

$$\text{Acid-test ratio} = \frac{\text{Cash and cash equivalents + Short-term investments + Installment contracts receivable + Current portion of contract assets + Current portion of notes receivable + Current portion of other receivables}}{\text{Total current liabilities}}$$

Any issuances, repurchases, and repayments of debt and equity securities

Debt securities

The Parent Company and CLDI issued SEC-Registered Commercial Papers during the period with outstanding balance of ₱928.60 million and ₱210.10 million, respectively, as of June 30, 2019.

Equity securities

There are no issuances, repurchases and repayments of equity securities as of the second quarter of 2019.

Any Known Trends, Events or Uncertainties (material impact on liquidity)

There are no known trends, events and uncertainties that have a material effect on liquidity.

Any unusual items affecting assets, liabilities, equity, net income or cash flows in the current interim financial statements

There are no unusual items affecting assets, liabilities, equity and net income or cash flows in the current interim financial statements.

Any significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period

There are no significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period.

Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations

There are no significant effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

Changes in contingent liabilities or contingent assets since the last balance sheet date

There are no contingent liabilities or contingent assets recorded since the last balance sheet date.

Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income from Continuing Operations)

There are no known trends, events or uncertainties that have a material effect on the net sales or revenues or income from continuing operations.

Any Significant Elements of Income or Loss that did not arise from Registrant's Continuing Operations

There are no significant elements of income or loss that did not arise from registrant's continuing operations.

Causes for any Material Changes from Period to Period in One or More Line of the Registrant's Financial Statements

Financial Condition (June 30, 2019 vs December 31, 2018)	%(+/-) (Increase/ Decrease)
1. Increase in Cash and Cash Equivalents was substantially due to sales and lease of real estate properties, collection of receivables and contract assets and shift of funds to shorter period investments.	302.19
2. Decrease in Short-term Investments was substantially due to shift of funds to shorter period placements, partial payment of notes payable, income tax payable, payment of cost of operations and development of projects.	-67.24
3. Net increase in Installment Contracts Receivables was due to sale of real estate property of CPI and increase in past due accounts.	23.01
4. Increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the percentage of completion.	2.94
5. Net increase in Contract Assets was due to sales of real estate properties.	0.34
6. Decrease in Other Receivables was substantially due to collection of advances to customers, accrued interest and write-off of due from BIR.	-20.49
7. Increase in Real Estate Properties for Sale was due to additional development cost incurred and transfer of property from held for future development.	11.11
8. Increase in Investments in Trust Fund was due to increase in fair value of investments and additional contribution to the fund.	12.01
9. Decrease in Real Estate Properties Held for Future Development was due to transfer of property to Real Estate Properties for Sale.	-5.14
10. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease and transfer of property to real estate properties for sale of CPI.	-1.95
11. Increase in Property and Equipment was due to recognition of right-of-use asset as an effect of adoption of PFRS 16, Leases.	10.08
12. Increase in Deferred Income Tax Assets – net was due to increase in realized gain on sale of real estate transactions and higher accrued expenses of CLDI.	20.35
13. Net decrease in Other Asset - Current was due to utilization of input VAT and amortization of prepaid real estate tax.	-25.32
14. Increase in Accounts Payable and Accrued Expenses was substantially due to higher accrued development cost, taxes on real estate properties, dividends payable, withholding tax payable, VAT payable and recognition of lease liability in compliance with PFRS 16.	40.07
15. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.	-16.06
16. Decrease in Income Tax Payable was due to payment.	-67.01
17. Increase in Deferred Tax Liabilities – net was primarily due to higher capitalized interest and cost to obtain contract.	14.52
18. Increase in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to increase in market value of shares of stocks.	33.43
19. Increase in Non-Controlling Interest was due to net income of subsidiaries.	0.99

Results of Operation (June 30, 2019 vs June 30, 2018)	%(+/-) (Increase/ Decrease)
1. Increase in Sales of Real Estate Properties was primarily due to higher sales generated from Pines Peak Tower II, 101 Xavierville, North Residences and One Taft Residences and increase of percentage of completion of ongoing projects.	17.16
2. Increase in Financial Income was due to higher interest income from installment contracts receivables and contract assets, cash equivalent and investments, notes receivable, guaranty deposit and dividend income.	53.33
3. Decrease in Rental Income was due to pre-termination of a lease contract in CityNet1.	-2.04

Results of Operation (June 30, 2019 vs June 30, 2018)	%(+/-) (Increase/ Decrease)
4. Increase in Other Income was due to the valuation of repossessed real estate properties for sale.	20.56
5. Increase in Cost of Real Estate Sales was primarily due to higher sales of real estate properties.	22.01
6. Decrease in Operating Expenses was due to lower personnel expenses and insurance expense, depreciation, outside services, repairs and maintenance.	-4.41
7. Increase in Financial Expenses was due to higher interest rates.	67.53
8. Decrease in Other Expenses was due to lower adjustment of prior years' income from forfeited units.	-14.69
9. Increase in Provision for income tax was due to higher taxable income and expiration of Income Tax Holiday (ITH) entitlement of One Taft Residences and Pines Peak Tower II.	77.65
10. Increase in Net Income was primarily due to higher revenues and lower operating expenses and other expenses.	41.25

Any seasonal aspects that had a material effect on the financial condition and results of operation

There were no seasonal aspects that had a material effect on the financial condition and results of operations.

Compliance to Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*

The Group's unaudited interim consolidated financial statements is in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The same accounting policies and methods of computation are followed as compared with the most recent annual audited consolidated financial statements. However, the unaudited interim consolidated financial statements as of June 30, 2019 do not include all of the information and disclosures required in the annual audited consolidated financial statements and therefore, should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended December 31, 2018. There are no any events or transactions that are material to an understanding of the current interim period.

FULL FISCAL YEARS:

For the year ended December 31, 2018

Financial Performance

The Group is pre-selling the following ongoing projects as of December 31, 2018

- Pioneer Heights 1 (a project of CDC)
- 101 Xavierville (a project of CDC)
- Pines Peak II (a project of CDC)
- One Taft Residences (project of CLDI)

Also, the Group is selling the remaining units of the following completed and operational projects:

Cityland Development Corporation

- Pines Peak Tower I
- Grand Central Residences
- Makati Executive Tower IV
- Makati Executive Tower III

City & Land Developers, Incorporated

- North Residences
- Grand Emerald Tower
- Pacific Regency

Cityplans, Incorporated (joint project with Cityland, Inc.)

- Oxford Mansion
- Windsor Mansion

The Group has also a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

Internal sources of liquidity come from sales of condominiums and real estate projects, rental income from leased properties, collection of installment receivables and contract assets, maturing short-term investments and notes receivable while external sources come from SEC-registered commercial papers.

Plan of Operations

The Group will continue to maintain a cautious stance in order to continuously achieve a healthy financial position. This will ensure that the development and construction of all its existing projects will be delivered on time or even ahead of its scheduled turnover. The Group will also continue to scout and develop quality projects suited for the middle and working class which will be situated at convenient locations with affordable and flexible payment terms. The Group's projects will be funded through cash generated from operations and issuance of commercial papers. The Group plans to remain liquid in order to avail attractive investment opportunities to meet the demands of the present growing economy.

Financial Condition (December 31, 2018 vs. December 31, 2017)

The Group's balance sheet remained solid with total assets of ₱10.56 billion, 8.89% higher as compared to the 2017 year-end balance of ₱9.70 billion. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 1.31% to 5.00%. Majority of the funds were substantially utilized for operations and to finance the Group's construction of Pines Peak Tower II, One Taft Residences and the newly launched condominium projects, Pioneer Heights 1 and the 101 Xavierville and the completion of North Residences. The stable financial position allowed the acquisition of two parcels of land increasing the Group's total assets. In addition, in compliance with the Philippine Financial Reporting Standard (PFRS 15, *Revenue from*

Contracts with Customers), the Group has reclassified a substantial portion of installment contracts receivable to contract assets, the net effect of which was an increase of ₱241.63 million in the said accounts due to sales and increase in percentage of completion. Moreover, the cash position allowed CDC to distribute cash dividends amounting to ₱118.54 million, while the subsidiary, CLDI distributed cash dividends amounting to ₱19.19 million. The Group's liquidity position remained stable as cash and cash equivalents and short-term cash investments both stood at ₱0.47 billion and ₱1.59 billion, respectively. Excess funds were placed in both short and long term investments contributing to the increase in financial income.

On the liability side, total liabilities increased by ₱348.24 million or 17.72%, primarily from higher contract liabilities and income tax payable. Contract liabilities pertains to the collections of pre-selling of condominium projects which have not yet reached the preliminary stage of completion. The increase was partially offset by the settlement of matured notes and contracts payable amounting to ₱87.90 million and decrease in accounts payable and accrued expenses by ₱66.51 million and deferred tax liabilities-net by ₱56.16 million.

Total equity stood at ₱8.25 billion as of December 31, 2018, higher by 6.65% from ₱7.73 billion as of December 31, 2017 due to comprehensive income of ₱634.011 million net of cash dividends declared and paid by the Group amounting to ₱137.73 million.

As a result of the foregoing, the Group's liquidity position remained stable with acid-test and current ratio of 1.40:1 and 2.34:1 as of December 31, 2018, as compared to 1.69:1 and 2.42:1 in December 31, 2017, respectively. On the other hand, debt-equity ratio slightly improved to 0.19:1 as of December 31, 2018, as compared to 0.22:1 in December 31, 2017.

Financial Condition (December 31, 2017 vs. December 31, 2016)

Total assets amounted to ₱9.70 billion as of December 31, 2017, lower by 1.74% as compared with the previous year's ending balance of ₱9.87 billion. Sale of condominium units decreased the Group's real estate properties for sale, while collections from sale of real estate properties decreased installment contracts receivable. The Group's fund were generated from sales of condominium projects and rental income, while other financial sources came from issuance of commercial papers with interest rates ranging from 1.06% to 1.25%. Majority of the funds were utilized for operations, development of projects and partial settlement of liabilities. This led to increase in the percentage of completion of the Group's ongoing projects and completion of a new building for lease in Mandaluyong City, the CityNet Central. Excess cash and cash equivalents were shifted to both short-term and long-term investments consequently, increasingly the balance of notes receivable.

On the liability side, total liabilities were reduced by ₱587.16 million, equivalent to 23.00% of total liabilities. The reduction was due to partial payment of accounts payable and accrued expenses and reversal of deposit of Pines Peak Tower II and One Taft Residences since these projects reached beyond preliminary stage of construction. In addition, income taxes paid including creditable and final withholding taxes in 2017 amounted to ₱181.52 million.

Total equity stood at ₱7.73 billion as of December 31, 2017, higher by 5.67% from 2016 year-end balance of ₱7.32 billion due to comprehensive income of ₱552.42 million less cash dividends declared by CDC of ₱135.02 million and by the subsidiaries of ₱8.08 million.

As a result of the foregoing, the Group's liquidity position recorded an acid-test and current ratio of 1.69:1 and 2.42:1 as of December 31, 2017, as compared to 1.66:1 and 2.43:1 in December 31, 2016, respectively. On the other hand, debt to equity ratio slightly improved to 0.22:1 as of December 31, 2017, as compared to 0.26:1 as of the same period of the previous year.

Results of Operation (December 31, 2018 vs. December 31, 2017)

The Group's sale of real estate properties increased by 11.60% as of December 31, 2018 reaching ₱1,462.26 million from the previous year's ₱1,311.71 million. Growth was driven by sales and higher percentage of completion of the projects. Total sales of the Group was substantially generated from CDC, reaching ₱1,015.59 million or 69.47% of the Group's sales. Construction accomplishment of Pines Peak Tower II steadily progressed from the previous year's percentage of completion of 52.98% to 90.64% in 2018. The project was already 64.36% sold as of December 31, 2018. The Group has been applying the percentage of completion (POC) in sales and income recognition and therefore, aside from the current year sales, additional revenue from its sales from prior years were also recognized. Consequently, this project generated the highest sales revenue amounting to ₱627.60 million followed by the sale of the remaining units of Grand Central Residences, Pines Peak Tower I and Makati Executive Tower IV, contributing ₱202.67 million, ₱104.50 million and ₱36.99 million, respectively. Sales from Grand Central Residences and Pines Peak Tower I came from the remaining inventory last year. To increase future sales, CDC launched Pioneer Heights 1 and 101 Xavierville in 2018. The Group has not yet realized revenue on sales of these projects under the POC since it has not reached beyond the preliminary stage of completion. In view of this, future sales of CDC is seen to be generated from the sale and construction accomplishment of Pines Peak Tower II and from the newly launched condominium projects.

Moreover, the subsidiaries, CLDI and CPI recorded 28.00% and 2.53% of total revenue on sales of real estate, respectively. Sales of real estate properties of CLDI reached ₱409.54 million as compared to the same period last year of ₱439.58 million. The decrease in sales can be attributed to the sales revenue generated from One Taft Residences since realization of sales was based on percentage of completion (POC). The POC of this project at the end of 2018 was 25.59% but is expected to increase in the succeeding months. In addition, sales of Grand Emerald Tower and Manila Residences Bocobo were lower as compared to the previous year since these were generated from the remaining units last year. On the other hand, North Residences was in full blast construction which led to its completion in March 2018. This project was sold at 84.23% in 2018, as compared to last year at 61.63%. Majority of the 2018 sales were generated from North Residences which contributed ₱318.54 million, while One Taft Residences accounted for ₱78.78 million of total sales. The remaining ₱17.19 million of sales were generated from Grand Emerald Tower and Manila Residences Bocobo.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from installment contracts receivable, contract assets, cash and cash equivalents, short-term investments, notes receivable and guaranty deposit contributed 18.62% of total revenues. Likewise, rental income from lease operations of buildings and properties contributed 6.14% and grew by 5.54% due to additional lease contracts and higher rental rates. Other revenue, on the other hand, pertains to adjustment of market value of repossessed units, penalties charged to clients and other miscellaneous income contributed 4.08% of total revenues.

On the cost side, cost of real estate sales and operating expenses increased as these move in tandem with sales. Although the Group reduced its notes payable balance, interest expense increased due to higher interest rates.

Altogether, the Group posted a consolidated income of ₱628.26 million in 2018, 13.83% higher than the previous year's level of ₱551.93 million. This translated into an improved annualized earnings per share and return on equity of ₱0.14 and 7.67% as compared to the same period of the previous year of ₱0.12 and 7.20% respectively.

Results of Operation (December 31, 2017 vs. December 31, 2016)

Net income for the year 2017 reached ₱551.93 million, higher by 15.86% as compared to ₱476.37 million last year. The Group follows the percentage of completion method in recognizing revenue hence, realized revenue for projects in the initial stages of completion is lower as compared to projects with higher completion rates. As of December 31, 2017, Pines Peak Tower II reached a completion rate of 52.98% thereby allowing the partial recognition of income for this project as compared to last year's completion rate of 7.50%. CDC contributed 65.12% in total revenue on

sales of real estate properties. Pines Peak Tower II contributed ₱261.39 million, while a large portion came from the sales of the remaining units of Grand Central Residences and Pines Peak Tower I, totaling ₱333.14 million and ₱130.06 million, respectively. Percentage of sales contribution to total Group sales of Pines Peak Tower II, Grand Central Residences and Pines Peak Tower I reached 19.89%, 25.42% and 9.92%, respectively. It is to be noted that Pines Peak Tower I inventory level was already less than 10% at the beginning of the year resulting to lower sales of this project in 2017 as compared to the previous year.

On the other hand, CLDI contributed 33.54% of the Group's sales. Its latest condominium project, North Residences, reached a high completion rate of 97.37% from 75.55% of the same period last year. This project reached total sales of ₱352.28 million, representing 26.88% of the Group's sales. One Taft Residences, the latest condominium project launched last year reached 14.93% completion rate allowing the partial realization of revenues in 2017. The Group is optimistic that this project will contribute significantly to future sales revenue.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, cash and cash equivalents, short-term cash investments and notes receivable contributed 17.80% of total revenues. Likewise, rent income contributed ₱119.68 million, higher from the previous year's level of ₱92.76 million brought about by rental income from CityNet Central and other lease contracts entered into by the Group. Other income consists primarily from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account reached ₱84.78 million and ₱65.37 million for the years ended December 31, 2017 and 2016, respectively.

On the cost side, cost of real estate sales and operating expenses decreased as these accounts move in tandem with sales.

Altogether, the consolidated net income of 2017 reached ₱551.93 million, 15.86% higher as compared to ₱476.37 million of the same period last year. This translated to earnings per share and return on equity of ₱0.12 and 7.20% as compared to the same period of the previous year of ₱0.11 and 6.94%, respectively.

Key Performance Indicators

Cityland Development Corporation (Consolidated)	As of June 30, 2019	2018	2017	2016
Earnings per share* (₱)	0.17	0.13	0.12	0.11
Return on equity* (%)	9.43	7.67	7.20	6.94
Solvency ratio*	0.39	0.30	0.30	0.20
Interest rate coverage ratio	42.33	55.06	84.00	110.18
Asset to liability ratio	5.00	4.56	4.93	3.87
Asset to equity ratio	1.43	1.47	1.44	1.54
Debt to equity ratio	0.16	0.19	0.22	0.26
Current ratio	3.01	2.34	2.42	2.43
Acid-test ratio	1.86	1.40	1.69	1.66

City & Land Developers, Incorporated (Subsidiary)	As of June 30, 2019	2018	2017	2016
Earnings per share* (₱)	0.11	0.11	0.10	0.05
Return on equity* (%)	7.26	7.31	6.79	3.60
Solvency ratio*	0.31	0.34	0.49	0.15
Interest rate coverage ratio	–	–	21,937.96	132.46
Asset to liability ratio	5.30	5.59	8.17	5.26
Asset to equity ratio	1.23	1.22	1.14	1.23
Debt to equity ratio	0.11	0.10	0.08	0.08
Current ratio	3.52	3.73	6.59	5.05
Acid-test ratio	1.65	1.92	4.39	2.96

Cityplans, Incorporated (Subsidiary)	As of June 30, 2019	2018	2017	2016
Earnings per share* (₱)	0.12	0.12	0.08	0.03
Return on equity* (%)	5.74	5.77	3.90	1.41
Solvency ratio*	0.43	0.44	0.35	0.20
Asset to liability ratio	6.43	6.44	6.28	5.84
Asset to equity ratio	1.22	1.22	1.24	1.26
Current ratio	12.77	15.90	14.43	12.13
Acid-test ratio	13.34	16.70	15.31	12.76

* *Annualized for the period of June 30, 2019.*

Manner of Calculations:

Earnings per Share = Net income after tax / Outstanding number of shares

Return on Equity Ratio = Net income after tax / Total equity

Solvency Ratio = (Net income after tax + Depreciation expense) / Total liabilities

Interest Rate Coverage Ratio = $\frac{\text{Income before income tax + Depreciation expense + Interest expense}}{\text{Interest expense}}$

Asset to liability Ratio = Total assets / Total liabilities

Asset to equity Ratio = $\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instruments designed at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Debt to equity Ratio = $\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruments designed at fair value through other comprehensive income/ available-for-sale financial assets and accumulated re-measurement on defined benefit plan)}}$

Current Ratio = Total current assets / Total current liabilities

Acid-Test Ratio = $\frac{\text{Cash and cash equivalents + Short-term investments + installment contracts receivable + Current portion of contract assets + Current portion of notes receivable + Current portion of other receivables}}{\text{Total current liabilities}}$

Causes for any Material Changes from Period to Period in One or More Line of the Registrant's Financial Statements

Financial Condition (December 31, 2018 vs. December 31, 2017)	%(+/-) (Increase/ Decrease)
a) Decrease in Cash and Cash Equivalents was substantially due to payment of operating and development cost, accounts payable and accrued expenses, notes payable, placement of funds to secure cash bonds, payment of cash dividends, acquisition of new property and shift of funds to short-term investments.	-45.37
b) Increase in Short-term Investments was substantially due to sales and shift of funds from cash and cash equivalents.	4.41
c) Decrease in Installment Contract Receivables was due to reclassification of account to contract asset due to the adoption of PFRS 15 and increase in sales.	-98.31
d) Increase in Contract Asset was due to reclassification from installment contracts receivable due to the adoption of PFRS 15.	100.00
e) Increase in Cost to Obtain Contract was due to recognition of performance obligation as a result of adoption of PFRS 15.	100.00
f) Increase in Notes Receivable was due to additional long-term placements.	25.89
g) Increase in Other Receivable was substantially due to rent receivable and accrued interest from investments.	8.87
h) Increase in Real Estate Properties for Sale was due to transfers from real estate properties for future development and investment properties, additional construction/development costs incurred. In 2018, CDC launched 101 Xavierville and Pioneer Heights 1 contributing to the reclassification of land cost as part of real estate properties for sale.	62.74
i) Increase in Investments in Trust Fund was due to additional trust fund contributions.	2.39
j) Decrease in Prepaid Income Tax was due to application to income tax payable.	-100.00
k) Decrease in Real Estate Properties Held for Future Development was due to the transfer to real estate properties for sale.	-18.49
l) Decrease in Investment Properties was due to depreciation and transfer to property and equipment and to real estate properties for future development.	-2.91
m) Increase in Property and Equipment was due to completion of building used in the operation of CDC.	477.63
n) Increase in Retirement Plan assets was due to re-measurement gain recognized in 2018.	58.04
o) Decrease in Deferred Income Tax Assets-net was due to the effect of the adoption of the new standard PFRS 15 and adjustment in contract asset of CLDI.	-26.02
p) Increase in Other Assets was due to the guaranty deposit made for the Group's ongoing projects.	140.29
q) Decrease in Accounts Payable and Accrued Expenses was substantially due to payment of trade payables and estimated development cost.	-18.71
r) Increase in Contract Liabilities was due to reclassification of deposit of Pines Peak Tower II and One Taft Residences as a result of adoption of PFRS 15.	100.00
s) Decrease in Notes and Contracts Payable was due to settlement of matured notes payable.	-6.05
t) Increase in Income Tax Payable was due to higher taxable income and expiration of income tax holiday entitlement of North Residences.	100.00
u) Increase in Pre-need and Other Reserves was due to decrease in return on investment used in valuation of pension plans.	0.04
v) Decrease in Retirement Benefits Liabilities was due to increase in fair value of plan assets.	-33.61
w) Decrease in Deferred Income Tax Liabilities-net was primarily due to deferred income tax assets as a result of reversal of sales of projects in which the percentage of completion has not reached beyond the preliminary stage of completion.	-51.17

Financial Condition (December 31, 2018 vs. December 31, 2017)	%(+/-) (Increase/ Decrease)
x) Increase in Retained Earnings was due to net income recognized in 2018.	15.75
y) Increase in Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) was due to the effect of the adoption of the new Philippine Financial Reporting Standard (PFRS 9, *Financial Instrument*).	100.00
z) Decrease in Net Changes in Fair Value of Investment was due to the effect of the adoption of the new standard PFRS 9.	-100.00
aa) Increase in Accumulated re-measurement of defined benefit plans was due to increase in value of plan assets.	27.73
ab) Increase in Non-Controlling Interest was due to net income of subsidiaries.	6.16

Financial Condition (December 31, 2017 vs. December 31, 2016)	%(+/-) (Increase/ Decrease)
a) Decrease in Cash and Cash Equivalents was substantially due to shift of investments to short and long-term investments, partial payment of notes and accounts payable and accrued expenses, income tax and development costs of projects and payment of cash dividends.	-51.88
b) Increase in Short-term Cash Investments was substantially due to sales, collection of receivables and shift of excess cash and cash equivalents to longer period placements.	25.01
c) Net decrease in Installment Contract Receivables was due to collections.	-8.58
d) Increase in Notes Receivable was due to placements made by the Company in different financial institutions.	3,540.00
e) Net decrease in Other Receivables was substantially due to collections of advances paid for real estate taxes and advances paid to contractors.	-1.30
f) Decrease in Real Estate Properties for Sale was due to sales of real estate properties and partial reclassification of account to investment properties.	-22.45
g) Decrease in Investments in Trust Fund was due to payment of matured and terminated pension plans.	-1.96
h) Increase in Prepaid Income Tax was due to higher creditable withholding tax charged to income tax payable.	100.00
i) Increase in Real Estate Properties for Future Development was due to additional cost incurred and properties transferred from Investment Properties.	22.16
j) Increase in Investment Properties was due to additional development costs incurred for the construction of the building for lease.	1.19
k) Increase in Property and Equipment was due to acquisition of office equipment.	1.88
l) Increase in Retirement Plan Assets was due to increase in contributions in 2017 and increase in investments.	14.23
m) Increase in Deferred Tax Assets-net was due to increase realized gain on sale of real estate transactions of CLDI and higher accrued expenses of the Group.	195.97
n) Increase in Other Assets-current was due to prepaid real estate taxes while Decrease in Other Assets-noncurrent was primarily due to refund of Meralco meter deposits.	13.11 -1.34
o) Decrease in Accounts Payable and Accrued Expenses was primarily due to reversal of deposits of Pines Peak II and One Taft Residences, lower deferred rent and partial payment development costs, withholding taxes and other trade payables.	-47.30
p) Decrease in Notes Payable was due to partial settlement of notes payables.	-13.12
q) Decrease in Income Tax Payable was due to payment and lower taxable income.	-100.00
r) Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plans.	-8.34
s) Decrease in Deferred Tax Liabilities-net was primarily due to decrease in deemed cost adjustment and unrealized gain on real estate transactions of CDC.	-11.76
t) Increase in Capital Stock was due to issuance of 5% stock dividends.	5.00

Financial Condition (December 31, 2017 vs. December 31, 2016)	%(+/-) (Increase/ Decrease)
u) Increase in Retained Earnings was due to net income recognized as of December 31, 2017, net of cash and stock dividends.	6.29
v) Decrease in Net Changes in Fair Value of Investments was due to decrease in market value of available-for-sale financial assets.	-26.67
w) Increase in Accumulated Re-measurements on Defined Benefit Plan was due to increase in value of plan assets.	3.40
x) Increase in Non-Controlling Interests was due to net income of subsidiaries.	6.31

Results of Operation (December 31, 2018 vs. December 31, 2017)	%(+/-) (Increase/ Decrease)
a) Increase in Sales of Real Estate Properties was primarily due to higher sales generated from Pines Peak Tower II and North Residences and construction accomplishment of Pines Peak Tower II, North Residences and One Taft Residences.	11.60
b) Increase in Financial Income was due to higher interest income from installment contracts receivables and cash investments, contract assets, notes receivables and guaranty deposit.	16.65
c) Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet1 and CityNet Central and additional long-term lease contracts entered by the Group.	5.54
d) Decrease in Other Income was due to the decrease in reversal of realized gross profit from prior year's sales arising from forfeitures.	-0.95
e) Increase in Cost of Real Estate Sales was due to higher sales of real estate properties.	0.45
f) Increase in Operating Expenses was due to higher sales and increase in personnel expenses, depreciation, professional fees, taxes and licenses, outside services, repairs and maintenance, rent expense, brokers' commission, insurance expense, power, light and water and other operating expenses.	34.48
g) Increase in Financial Expenses was due to higher interest rates.	68.06
h) Increase in Other Expenses was due to higher income from prior years' forfeited units.	11.10
i) Decrease in Provision for Income Tax was due to lower deferred income tax from the decrease in unrealized gain on real estate transactions.	-6.25
j) Increase in Net Income was primarily due to higher revenues and lower provision for income tax.	13.83

Results of Operation (December 31, 2017 vs. December 31, 2016)	%(+/-) (Increase/ Decrease)
a) Decrease in Sale of Real Estate was primarily due to lower sales recognized from Pines Peak Tower I, since this was almost fully sold last year. Furthermore, revenues are recognized under the percentage of completion under the accounting method and One Taft Residences is still in its initial stage of completion.	-11.47
b) Increase in Financial Income was due to higher interest income from sale of real estate properties and long-term cash investments.	13.94
c) Increase in Rent Income was due to rentals earned from the new building for lease, CityNet Central and additional lease contracts entered by the Group.	29.02
d) Increase in Other Income was due to the higher management fees charged by the Group and increase in value of repossessed real estate properties for sale.	29.69
e) Decrease in Cost of Real Estate Sales was primarily due to lower sales.	-10.56
f) Decrease in Operating Expenses was due to decrease in personnel expenses, decrease in taxes and licenses, professional fees, outside services, membership dues, advertising and promotions, brokers' commission, repairs and maintenance, rent expense, donations, postage, telephone and telegraph, stationery and office supplies and other miscellaneous expenses.	-11.23

Results of Operation (December 31, 2017 vs. December 31, 2016)	%(+/-) (Increase/ Decrease)
g) Increase in Financial Expenses was primarily due to increase in interest expense on commercial papers.	33.31
h) Decrease in Other Expenses was due to decrease in forfeiture/cancellation of prior year's sales.	-18.48
i) Decrease in Provision for Income Tax was due to lower taxable income.	-12.83
j) Increase in Net Income was due to lower expenses and provision for inome tax.	15.86

Information On Independent Accountant

	External Audit Fee	
	2018	**2017**
Audit and audit-related Fees	₱1,025,000	₱950,000
Tax Fees	–	–
All other fees	–	–
Total	**₱1,025,000**	**₱950,000**

SyCip Gorres Velayo & Co. is the Group's external auditor for the calendar years 2018, 2017 & 2016. The engagement partner for the year 2017 is Ms. Aileen L. Saringan while in 2016, the engagement partner is Ms. Josephine H. Estomo.

The Group did not avail any non-audit related services from external parties.

The Audit and Risk Committee's approval policies and procedures consist of:

a) Discussion with the external auditors of the Audited Financial Statements.
b) Recommendation to the Board of Directors for the approval and release of the Audited Financial Statements.
c) Recommendation to the Board of Directors for the appointment of the external auditors.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There are no changes in and disagreements with accountants on accounting and financial disclosure.

DIRECTORS AND EXECUTIVE OFFICERS

1) Identify Directors, Independent Directors and Executive Officers

Name	Citizenship	Position	Period of Service	Term of Office (Year)	Age	Family Relationship
Dr. Andrew I. Liuson	Filipino	Director Chairman of the Board	Sept. 25, 1979 to Present Dec. 13, 2017 to Present	1	75	Husband of Grace C. Liuson; brother-in-law of Stephen C. Roxas; and brother of Benjamin I. Liuson
Stephen C. Roxas	Filipino	Director Chairman of the Executive Committee	Sept. 25, 1979 to Present July 1, 1997 to Present	1	77	Husband of Helen C. Roxas; brother of Grace C. Liuson; brother-in-law of Dr. Andrew I. Liuson; and uncle of Josef C. Gohoc
Grace C. Liuson	Filipino	Director Vice Chairman of the Board	Sept. 25, 1979 to Present Jan. 5, 2018 to Present	1	73	Wife of Dr. Andrew I. Liuson; sister of Stephen C. Roxas; aunt of Josef C. Gohoc; and sister-in-law of Helen C. Roxas and Benjamin I. Liuson
Josef C. Gohoc	Filipino	Director President	Jan. 4, 2011 to Present Feb. 1, 2011 to Present	1	49	Nephew of Stephen C. Roxas, Helen C. Roxas, Grace C. Liuson and Dr. Andrew I. Liuson
Atty. Sabino R. Padilla, Jr.	Filipino	Director	June 2006 to Present	1	83	-
Peter S. Dee	Filipino	Independent Director Chairman-Audit & Risk Committee	Oct. 1979 to Present Aug. 2002 to Present	1	77	-
George Edwin Y. SyCip	American	Independent Director Chairman-Corporate Governance Committee	Dec. 13, 2017 to Present Apr. 6, 2018 to Present	1	63	-
Helen C. Roxas	Filipino	Director	Sept. 25, 1979 to Present	1	70	Wife of Stephen C. Roxas; sister-in-law of Grace C. Liuson and Dr. Andrew I. Liuson
Benjamin I. Liuson	Filipino	Director	June 6, 2019 to Present	1	69	Brother of Dr. Andrew I. Liuson; and brother-in-law of Grace C. Liuson
Emma A. Choa	Filipino	Executive Vice President Treasurer	Jan. 1, 2015 to Present Feb. 1, 2011 to Present	1	58	-
Rudy Go	Filipino	Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer Data Protection Officer Investor Relations Officer	Jan. 1, 2015 to Present Aug. 29, 2017 to Present June 6, 2018 to Present	1	59	-
Melita M. Revuelta	Filipino	Vice President Alternate Compliance Officer & Alternate Corporate Information Officer	Jan. 16, 2008 to Present Jan. 1, 2015 to Present	1	60	-
Melita L. Tan	Filipino	Vice President	Feb. 21, 2004 to Present	1	59	-
Romeo E. Ng	Filipino	Vice President	Jan. 10, 2005 to Present	1	57	-
Rosario D. Perez	Filipino	Vice President-Executive Affairs	Feb. 9, 2017 to Present	1	60	-

Name	Citizenship	Position	Period of Service	Term of Office (Year)	Age	Family Relationship
Winefreda R. Go	Filipino	Vice President-Purchasing Department	Jan. 5, 2018 to Present	1	61	-
Atty. Emma G. Jularbal	Filipino	Vice President-Legal Affairs	July 2001 to Present	1	63	-
		Corporate Secretary	July 1997 to Present			
Dorothy U. So	Filipino	Assistant Vice President-Head of Internal Audit Department	July 2001 to Present	1	61	-
Catherine Grace T. Wong	Filipino	Assistant Corporate Secretary	July 1, 2013 to Present	1	62	-

Positions in other institutions:

a) Dr. Andrew I. Liuson

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Director	May 15, 1979
	Vice Chairman of the Board	Jan. 16, 2008
City & Land Developers, Incorporated	Director	June 28, 1988
	Vice Chairman of the Board	Jan. 16, 2008
Cityplans, Incorporated	Director	Oct. 27, 1988
	Chairman of the Board	Sept. 25, 2006
Febias College of Bible	Chairman	
International Graduate School of Leadership	Chairman	
Philippine Council of Evangelical Churches	Chairman	
Makati Gospel Church	Corporate Secretary/Trustee	
Past positions in other institutions:		
Cityland, Inc.	President	July 1, 1997 to Jan. 15, 2008
	Executive Vice President	May 15, 1979 to June 30, 1997
City & Land Developers, Incorporated	President	July 1, 1997 to Jan. 15, 2008
	Executive Vice President	June 28, 1988 to June 30, 1997
Cityplans, Incorporated	Executive Vice President	Oct. 27, 1988 to Sept. 24, 2006
Grace Christian College	Chairman	1998 to June 30, 2015
Philippine Council of Evangelical Churches	Vice Chairman	2013 to July 2015

b) Stephen C. Roxas

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Director	May 15, 1979
	Chairman of the Board	July 1, 1997
City & Land Developers, Incorporated	Director	June 28, 1988
	Chairman of the Executive Committee	July 1, 1997
Cityplans, Incorporated	Director/President	Oct. 27, 1988
MGC New Life Christian Academy	Chairman	
Center for Community Transformation	Vice Chairman	
Past positions in other institutions:		
Cityland, Inc.	President	May 15, 1979 to June 30, 1997
City & Land Developers, Incorporated	President	June 28, 1988 to June 30, 1997

c) Grace C. Liuson

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Director	May 15, 1979
	Deputy Vice Chairman of the Board	Feb. 1, 2011
City & Land Developers, Incorporated	Director	June 28, 1988
	Deputy Vice Chairman of the Board	Feb. 1, 2011
Cityplans, Incorporated	Director	Oct. 27, 1988
	Executive Vice President/Treasurer	Sept. 25, 2006
Youth Gospel Center in the Philippines	Treasurer/Trustee	
Makati Gospel Church	Treasurer/Trustee	

Name of Office	Position	Date Assumed
Past positions in other institutions:		
Cityland, Inc.	President	Feb. 14, 2008 to Jan. 31, 2011
	Executive Vice President & Treasurer	July 1, 1997 to Feb. 13, 2008
	Senior Vice President & Treasurer	July 1, 1982 to June 30, 1997
	Vice President & Treasurer	May 15, 1979 to June 30, 1982
City & Land Developers, Incorporated	President	Feb. 14, 2008 to Jan. 31, 2011
	Executive Vice President & Treasurer	July 1, 1997 to Feb. 13, 2008
	Senior Vice President & Treasurer	June 28, 1988 to June 30, 1997
Cityplans, Incorporated	Senior Vice President	Oct. 27, 1988 to Sept. 24, 2006

d) Josef C. Gohoc

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Director	June 29, 2007
	President	Feb. 1, 2011
City & Land Developers, Incorporated	Director	Jan. 4, 2011
	President	Feb. 1, 2011
Asian Business Solutions, Inc.	Director	1996
Philippine Trading & Investment Corporation	Director	1997
Atlas Agricultural & Mercantile Development Corp.	Director	1997
Febias College of Bible	Board of Trustee	2015
International Graduate School of Leadership	Board of Trustee	
Past positions in other institutions:		
Cityland, Inc.	Senior Vice President	Jan. 16, 2008 to Jan. 31, 2011
	Treasurer	June 11, 2008 to Jan. 31, 2011
	First Vice President	Sept. 2006 to Jan. 15, 2008
City & Land Developers, Incorporated	Senior Vice President	Jan. 16, 2008 to Jan. 31, 2011
	Treasurer	June 11, 2008 to Jan. 31, 2011
	First Vice President	Sept. 2006 to Jan. 15, 2008
Cityland Foundation, Inc.	Director	Nov. 11, 2002 to May 18, 2015

e) Atty. Sabino R. Padilla, Jr.

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Padilla Law Office	Partner	Past 5 years up to Present
Apostolic Nunciature to the Phils.	Legal Counsel	-do-
Catholic Bishops' Conference of the Philippines (CBCP) and various archdioceses, dioceses and prelatures	Legal Counsel	-do-
Association of Major Religious Superiors of the Philippines	Legal Counsel	-do-
Philippine Association of Religious Treasurers	Legal Counsel	
Grace Christian College	Legal Counsel	-do-
Various Catholic religious congregations, orders and societies for men and women (Dominicans, Augustinians, Franciscans, Columbans, Religious of the Virgin Mary, Daughters of Charity, Sisters of St. Paul of Chartres, Carmelite Sisters, Holy Spirit Sisters, etc.)	Legal Counsel	-do-
Bank of the Philippine Islands and its subsidiaries	Legal Counsel	-do-
Ayala Land, Inc.	Legal Counsel	-do-
City & Land Developers, Incorporated	Director/Chairman of the Board	-do-
State Investment Trust, Inc.	Legal Counsel	-do-
Stateland Investment, Inc.	Chairman of the Board/Legal Counsel	-do-
Mother Seton Hospital	Legal Counsel	-do-
St. Paul Hospital Cavite	Legal Counsel/Trustee	-do-
Various Catholic universities, colleges, schools and foundations	Trustee	

f) Peter S. Dee

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Alpolac, Inc.	Director	1994
China Banking Corporation	Director	1977
CBC Insurance Brokers, Inc.	Chairman of the Board	1998
CBC Properties & Computer Center, Inc.	Director/President	1984
Cityland, Inc.	Independent Director	Dec. 2006

Name of Office	Position	Date Assumed
	Chairman-Audit & Risk Committee	Jan. 2007
	Chairman-Corporate Governance Committee	July 27, 2018
City & Land Developers, Incorporated	Independent Director/Chairman-Audit & Risk Committee	Nov. 22, 2004
Cityplans, Incorporated	Independent Director	1991
	Chairman-Compensation Committee/Chairman-Audit Committee/Member-Nomination and Election Committee	2002
Commonwealth Foods, Inc.	Director	May 2013
GDSK Development Corporation	Director	1990
Hydee Management & Resources Corporation	Director	1991
Kemwerke, Inc.	Director	1994
Makati Curbs Holdings Corporation	Director	2012
Great Expectation Holdings, Inc.	Director/Chairman/President	Oct. 2012
The Big D Holdings Corporation	Director/Chairman/President	Apr. 2013
Past positions in other institutions:		
Can Lacquer, Inc. *	Director	
GPL Holdings, Inc. *	Director	
KK Converters Co. Ltd.	Director	
MSD Company Inc. *	Director	
Prochem, Inc.	Director	
Sinclair (Phils.) Inc. *	Director	
Sol Mar Y Tierra Resources *	Director	
Silver Falcon Insurance Agency**	Director	
Banker's Association of the Philippines**	Director	
China Banking Corp.***	President & CEO	
CBC Forex Corporation****	Director/Chairman of the Board	
Asean Finance Corporation Limited	Director	

** ceased operations **resigned ***retired ****dissolved*

g) George Edwin Y. SyCip

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Halanna Management Corp.	President	Dec. 1987
Bank of the Orient	Director	May 1993
Asian Alliance Holdings and Development Corp.	Director	Nov. 1995
FMF Development Corporation	Director	July 1996
Paxys, Inc.	Director	Oct. 2004
Premiere Horizon Alliance Corporation	Director	Feb. 6, 2018
Past positions in other institutions:		
Beneficial Life Insurance Company	Director	July 1998 to 2018
Alliance Select Foods International, Inc.	Director	June 2005 to 2018

h) Helen C. Roxas

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Director	May 15, 1979
City & Land Developers, Incorporated	Director	June 28, 1988
Cityplans, Incorporated	Director	Oct. 27, 1988
Good Tidings Foundation Inc.	Treasurer	1992
MGC New Life Christian Academy	Board Member	2015

i) Benjamin I. Liuson

Name of Office	Position	Date Assumed
Present positions in other institution:		
City & Land Developers, Incorporated	Director	June 11, 2019
The Generics Pharmacy, Inc.	Vice Chairman	2016
TGP Pharma Inc.	Vice Chairman	2016
CL Realty Development Inc.	President	1989
Romans 828 Land, Inc.	President	2010
Silverwind Alloy Castings Inc.	Director	1989
Drugmakers Lab Inc.	Director	2012
Febias College of Bible	Trustee	2001
Center for Community Transformation, Inc.	Trustee	2001
Gospel Operation Phil. Inc.	Trustee	2011

Name of Office	Position	Date Assumed
Bless Foundation Inc.	Trustee	2014
Global Filipino Movement, Inc.	Trustee	2013
Makati Gospel Church	Trustee	1990
Jedidiah Inc.	President	1996
Keziah Inc.	President	1996

j) Emma A. Choa

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Executive Vice President	Jan. 1, 2015
	Treasurer	Feb. 1, 2011
City & Land Developers, Incorporated	Executive Vice President	Jan. 1, 2015
	Treasurer	Feb. 1, 2011
WorldNet Information and Services, Inc.	Treasurer	

k) Rudy Go

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer	Jan. 1, 2015
	Data Protection Officer	Aug. 29, 2017
City & Land Developers, Incorporated	Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer	Jan. 1, 2015
	Data Protection Officer	Aug. 29, 2017
	Investor Relations Officer	June 14, 2018
Cityplans, Incorporated	Senior Vice President/Compliance Officer	Jan. 1, 2015
	Data Protection Officer	Aug. 29, 2017

l) Melita M. Revuelta

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President & Assistant Corporate Secretary	Jan. 16, 2008
	Alternate Compliance Officer & Alternate Corporate Information Officer	Jan. 1, 2015
City & Land Developers, Incorporated	Vice President	Jan. 16, 2008
	Alternate Compliance Officer & Alternate Corporate Information Officer	Jan. 1, 2015
Cityplans, Incorporated	Vice President/Alternate Compliance Officer	Jan. 1, 2015
WorldNet Information and Services, Inc.	President	

m) Melita L. Tan

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President	Feb. 21, 2004
City & Land Developers, Incorporated	Vice President	Feb. 21, 2004

n) Romeo E. Ng

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President	Jan. 10, 2005
City & Land Developers, Incorporated	Vice President	Jan. 10, 2005

o) Rosario D. Perez

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President-Executive Affairs	Feb. 9, 2017
City & Land Developers, Incorporated	Vice President-Executive Affairs	Feb. 9, 2017
WorldNet Information and Services, Inc.	Auditor	

p) Winefreda R. Go

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President-Purchasing Department	Jan. 5, 2018
City & Land Developers, Incorporated	Vice President-Purchasing Department	May 16, 2017

q) Atty. Emma G. Jularbal

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Vice President-Legal Affairs	July 2001
	Corporate Secretary	July 1997
City & Land Developers, Incorporated	Vice President-Legal Affairs	July 1, 2001
	Corporate Secretary	Jan. 1, 2013
WorldNet Information and Services, Inc.	Director/Vice President	
Servicore, Inc.	Director	
Cityland Foundation, Inc.	Trustee/Chairman	
Cityland for Social Progress Foundation, Inc.	Trustee/President	
Christian Executive, Inc.	Trustee/Corporate Secretary	

r) Dorothy U. So

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Assistant Vice President-Head of Internal Audit Department	July 2001
City & Land Developers, Incorporated	Assistant Vice President-Head of Internal Audit Department	July 2001

s) Catherine Grace T. Wong

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland, Inc.	Executive Secretary of Chairman of the Executive Committee	July 1, 1997
WorldNet Information and Services, Inc.	Corporate Secretary	

2) Identify Significant Employees

There is no identifiable significant employee because the Group expects each employee to do his/her share in achieving the corporation's set goal.

3) Involvement in Certain Legal Proceedings of Any of the Directors and Executive Officers, during the past five years:

During the past five years, there is no involvement in certain legal proceedings of any of the directors and executive officers in any court or administrative agency of the government.

a) None of them has been involved in any bankruptcy petition.
b) None of them has been convicted by final judgment in any criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.
c) None of them has been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

EXECUTIVE COMPENSATION

Executive Compensation Summary Table

Name	Position	2019 (estimate)
Josef C. Gohoc	President	x
Emma G. Jularbal	Vice President-Legal	x
Melita L. Tan	Vice President	x
Ma. Veronica S. Emaguin	Senior Manager	x
Alvin Albert Anthony H. Ocampo	Assistant Manager	x
Salaries		₱6,532,986
Bonus		1,651,716
Others		152,400
Total (Top 5)		**₱8,337,102**
Salaries		₱22,114,123
Bonus		5,638,710
Others		836,400
All officers & directors as a group unnamed		**₱28,589,233**
Grand Total		**₱36,926,335**

Name	Position	2018 (actual)
Josef C. Gohoc	President	x
Emma G. Jularbal	Vice President-Legal	x
Melita L. Tan	Vice President	x
Dorothy U. So	Assistant Vice President-Internal Audit	x
Therese Raimunda A. Anoos	Assistant Vice President-Financial Management and Service Department	x
Salaries		₱5,778,395
Bonus		1,492,200
Others		11,566,691
Total (Top 5)		**₱18,837,286**
Salaries		₱21,380,623
Bonus		5,500,140
Others		7,489,865
All officers & directors as a group unnamed		**₱34,370,628**
Grand Total		**₱53,207,914**

Name	Position	2017 (actual)
Josef C. Gohoc	President	x
Emma G. Jularbal	Vice President-Legal	x
Melita L. Tan	Vice President	x
Dorothy U. So	Assistant Vice President-Internal Audit	x
Therese Raimunda A. Anoos	Senior Manager	x
Salaries		₱5,382,448
Bonus		1,375,321
Others		10,490,280
Total (Top 5)		**₱17,248,049**
Salaries		₱20,781,156
Bonus		5,231,708
Others		8,037,325
All officers & directors as a group unnamed		**₱34,050,189**
Grand Total		**₱51,298,238**

X= represents the top five (5) officers for the specific or given year

The Group has no standard arrangements with regard to the remuneration of its directors. In 2018, 2017 and 2016, the Board of Directors received a total of ₱23.52 million, ₱20.43 million and ₱29.44 million, respectively, including a total per diem of ₱1.24 million per annum (aggregate of CLDI and CDC) for the board meetings attended. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received nor any other arrangement with employment contracts, compensatory plan and stock warrants or options.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

a) Security Ownership of Record and Beneficial Owner owning more than 5% of the outstanding capital stock of the Registrant as of June 30, 2019:

Title of Class	Name, Address & Relationship with Issuer	Beneficial Owner & Relationship	Citizenship	No. of Shares Held (Direct & Indirect)	%
Unclassified common shares	Cityland, Inc. 3/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa St., Makati City -Principal Stockholder	- NA -	Filipino	2,137,945,989	50.98
Unclassified common shares	Grace C. Liuson 2072 Lumbang cor. Cypress Dasmariñas Village, Makati -Director/Vice Chairman of the Board	- NA -	Filipino	223,775,016	5.34

The following directors direct the voting or disposition of the shares held by Cityland, Inc. (Beneficial Owners):

Name	Position
Stephen C. Roxas	Director/Chairman of the Board
Dr. Andrew I. Liuson	Director/Vice Chairman of the Board
Grace C. Liuson	Director/Deputy Vice Chairman of the Board
Josef C. Gohoc	President/Director
Peter S. Dee	Independent Director/Chairman-Audit & Risk Committee/Chairman-Corporate Governance Committee
Helen C. Roxas	Director

b) No change of control in the corporation has occurred since the beginning of its last fiscal year.

c) Security Ownership of Management as of June 30, 2019:

Title of Class	Name of Beneficial Owner/ Position	No. of Shares Held	Nature of Ownership	Citizenship	%
Directors:					
Unclassified common shares	Dr. Andrew I. Liuson Director/Chairman of the Board	152,622,623	Direct/ Indirect	Filipino	3.64
Unclassified common shares	Stephen C. Roxas Director/Chairman of the Executive Committee	194,066,238	Direct/ Indirect	Filipino	4.63
Unclassified common shares	Grace C. Liuson Director/Vice Chairman of the Board	223,775,016	Direct	Filipino	5.34
Unclassified common shares	Josef C. Gohoc Director/President	101,128,596	Direct/ Indirect	Filipino	2.41
Unclassified common shares	Atty. Sabino R. Padilla, Jr. Director	76,604	Direct	Filipino	–
Unclassified common shares	Peter S. Dee Independent Director/Chairman-Audit & Risk Committee	536,272	Direct	Filipino	0.01
Unclassified common shares	George Edwin Y. SyCip Independent Director/Chairman-Corporate Governance Committee	1,065	Direct	American	–
Unclassified common shares	Helen C. Roxas Director	63,752,311	Direct	Filipino	1.52
Unclassified common shares	Benjamin I. Liuson Director	1,000	Direct	Filipino	–

Title of Class	Name of Beneficial Owner/ Position	No. of Shares Held	Nature of Ownership	Citizenship	%
Executive Officers:					
Unclassified common shares	Emma A. Choa Executive Vice President /Treasurer	2,832,513	Direct	Filipino	0.07
Unclassified common shares	Rudy Go Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer/Data Protection Officer/Investor Relations Officer	1,911,495	Direct	Filipino	0.05
Unclassified common shares	Melita M. Revuelta Vice President/Alternate Compliance Officer & Alternate Corporate Information Officer	177,898	Direct	Filipino	–
Unclassified common shares	Melita L. Tan Vice President	641,521	Direct	Filipino	0.02
Unclassified common shares	Romeo E. Ng Vice President	2,452,022	Direct	Filipino	0.06
Unclassified common shares	Rosario D. Perez Vice President-Executive Affairs	675,693	Direct	Filipino	0.02
Unclassified common shares	Winefreda R. Go Vice President-Purchasing Department	7,740	Direct	Filipino	–
Unclassified common shares	Atty. Emma G. Jularbal Vice President-Legal Affairs/Corporate Secretary	3,697	Direct	Filipino	–
Unclassified common shares	Dorothy U. So Assistant Vice President-Head of Internal Audit Department	3,353,395	Direct	Filipino	0.08
Unclassified common shares	Catherine Grace T. Wong Assistant Corporate Secretary	4,739,286	Direct	Filipino	0.11

Note: The above security ownership of management consists of Unclassified Common Shares amounting to ₱752,754,985 which is equivalent to 17.96%.

It is the policy of the Group to have a timely and accurate disclosures to regulatory agencies. Any change in the shareholdings of the Group resulting from transactions entered into by the directors and executive officers, either by acquisition or disposal are reported to the PSE and SEC within five days from the date of the transaction. The Group requires its directors and officers to report to the Group immediately any plan to transact with the Company's shares.

For the past five (5) years, there were no trading by insiders. The Group continues to adhere with existing government regulations.

d) The Company knows no person holding more than 5% of common shares under a voting trust or similar agreement.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1) Transactions of Registrants with Any Director, Executive Officer of the Registrant and Any Nominee for Election as a Director

   There is no transaction (or series of similar transactions) with or involving the registrant or any of each subsidiary with a director, executive officer and a nominee for election as a director.

2) Related Party Transactions

   The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with its related parties principally consisting of advances, reimbursement of expenses and purchase and sale of real estate properties. These transactions to and from related parties are made at current market prices at the time of the transaction.

   There is an existing management contract with Cityland, Inc. (CI), its parent company, wherein CI provides management services for the business of the Registrant. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other six months prior to expiration. The management fee is based on a certain percentage of net income as mutually agreed upon by both parties. The management fees for 2018, 2017 and 2016 were waived by CI. There are no conditions attached to the waiver of these management fees.

   The Company or its related parties have no relationship on parties that fall outside the definition of related parties that enables to negotiate terms of material transactions that may not be available from others or independent parties on an arm's length basis. Moreover, the Registrant has no transactions with former senior management or persons that would result in negotiations of terms that are more or less favorable than those available on an arm's length basis from clearly independent parties that are material to the Registrant's financial position or financial performance.

   Please refer to Note 26 – Related Party Transactions of the Notes to 2018 Audited Consolidated Financial Statements which is incorporated in the Index to Financial Statements and Supplementary Schedules.

3) Parent of the Registrant

   Cityland, Inc. owns 50.98% of the outstanding capital stock of the Registrant.

CORPORATE GOVERNANCE

The evaluation system employed by the Company is thru a periodic self-rating system based on the criteria on the leading practices and principles on good governance.

1) Measures being undertaken by the company to fully comply with the adopted Leading Practices on Good Corporate Governance.

   We have implemented the periodic self-rating system.

2) Any deviation from the company's manual of corporate governance (including a disclosure of the name and position of the persons involved and sanctions imposed on said individual).

   There were no major deviations that require sanctions.

3) Any plan to improve corporate governance of the company.

   Based on the outcome of the periodic self-rating, we will come up with necessary actions/procedures to improve the corporate governance of the Company.

The Integrated Annual Corporate Governance Report of the Company was submitted to SEC last May 24, 2019.

OTHER EXPENSES RELATING TO ISSUANCE AND DISTRIBUTION

Actual Fees and Expenses:

Registration Fee:		
Filing Fee	₱725,000	
Legal Research Fee	7,250	₱732,250
Legal and Accounting Fees		30,000
Publication Fee		30,000

Estimated Fees and Expenses:

Documentary Stamps	10,500,000
Printing Costs of CPs	70,000
Total	**₱11,362,250**

There is no insurance premium paid by the Registrant in connection with this offering.

CITYLAND DEVELOPMENT CORPORATION

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Audited For Year 2018, 2017 and 2016 and
Unaudited As of the Six Months Ended

Financial Statement

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Balance Sheets as of December 31, 2018 and 2017
Statements of Income for the Years Ended December 31, 2018, 2017 and 2016
Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016
Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016
Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016
Notes to Financial Statements
Balance Sheets as of June 30, 2019 and December 31, 2018
Statements of Income for the Six Months Ended June 30, 2019 and June 30, 2018
Statements of Comprehensive Income for the Six Months Ended June 30, 2019 and June 30, 2018
Statements of Changes in Equity as of June 30, 2019 and June 30, 2018
Statements of Cash Flows as of June 30, 2019 and June 30, 2018
Notes to Financial Statements

Index to the Audited Financial Statements and Supplementary Schedules

Schedule I: Supplementary schedules required by Annex 68-E
Schedule A: Financial Assets
Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
Schedule C: Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
Schedule D: Intangible Assets-Others Assets
Schedule E: Long-term Debt
Schedule F: Indebtedness to Related Parties
Schedule G: Guarantees of Securites of Other Issuers
Schedule H: Capital Stock
Schedule II: Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)
Schedule III: Map of the relationships of the companies within the group
Schedule IV: Schedule of all effective standards and interpretation (Part 1, 4J)
Schedule V: Supplementary schedules of financial soundness indicators
Schedule VI: Schedule of gross and net proceeds of commercial papers issued

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

7	7	8	2	3						

COMPANY NAME

C	I	T	Y	L	A	N	D		D	E	V	E	L	O	P	M	E	N	T											
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S			

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

2	/	F		C	i	t	y	l	a	n	d		C	o	n	d	o	m	i	n	i	u	m		1	0			
T	o	w	e	r		I	,		1	5	6		H	.	V	.		D	e	l	a		C	o	s	t	a			
S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y													

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
fmsd@cityland.net	893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
661 (as of December 31, 2018)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	893-6060	N/A

CONTACT PERSON'S ADDRESS

3/F Cityland Condominium 10, Tower II, 154 H.V. Dela Costa Street, Makati City

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

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

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **Cityland Development Corporation** for the period ending December 31, 2018.

In discharging this responsibility, I hereby declare that I am the Senior Manager of Cityland Development Corporation.

Furthermore, in my compilation services for the preparation of the Consolidated Financial Statements and Notes to the Consolidated Financial Statements, I was not assisted by or did not avail of the services of SyCip Gorres Velayo & Co. which is the external auditor who rendered the audit opinion for the said Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298 that my statements are true and correct.

Ma. Veronica Emaguin

MA. VERONICA SAN JUAN - EMAGUIN
Senior Manager

PROFESSIONAL IDENTIFICATION CARD NO.: 0056118
VALID UNTIL: August 29, 2019

ACCREDITATION NO.: 2718
VALID UNTIL: August 29, 2020

Signed this 26th day of FEBRUARY 2019.

SUBSCRIBED AND SWORN to before me in MANILA City, Philippines on MAR 20 2019, affiant personally appeared before me and exhibited to me her Social Security System No. 03-7521-343-8 and other competent evidence of identification.

ATTY. ALBERT ANTHONY H. OCAMPO
NOTARY PUBLIC FOR MANILA
UNTIL DECEMBER 31, 2020
APPOINTMENT NO.: 2019-031
IBP ROLL NO.: 44239
IBP NO.: 07884/Lifetime/Laguna
PTR No.: 7975460/12-06-2018/Manila
581 Quintin Paredes St., Binondo, Manila

Doc No. 294;
Page No. 60;
Book No. I;
Series of 2019.

CITYLAND

CITYLAND DEVELOPMENT CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Cityland Development Corporation** (the Company) is responsible for the preparation and fair presentation of the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, 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, 2018 and notes to the consolidated financial statements, including a summary of significant accounting policies and schedules attached therein, in accordance with Philippine Financial Reporting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

DR. ANDREW I. LIUSON
Chairman of the Board

JOSEF C. GOHOC
President / Chief Executive Officer

RUDY GO
Senior Vice President / Chief Financial Officer

Signed this 20th day of March 2019.

MAR 2 0 2019

SUBSCRIBED AND SWORN to before me this day of _____ affiant(s) exhibiting to me their Social Security Numbers or other competent evidence of identification, as follows:

Name	Type of Identification	Number
Dr. Andrew I. Liuson	SSS	03-1872470-6
Josef C. Gohoc	SSS	33-0942784-4
Rudy Go	SSS	03-4602228-9

Doc No. 289
Page No. 59
Book No. I
Series of 2019.

ATTY. ALBERT ANTHONY H. OCAMPO
NOTARY PUBLIC FOR MANILA
UNTIL DECEMBER 31, 2020
APPOINTMENT NO.: 2019-031
IBP ROLL NO.: 44239
IBP NO.: 07884; Lifetime Laguna
PTR No.: 7975-001-2406-2019; Manila
5S Justice Paredes St., Sta. Cruz, Manila

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Cityland Development Corporation
2/F, Cityland Condominium 10, Tower I
156 H.V. de la Costa Street
Makati City

Opinion

We have audited the consolidated financial statements of Cityland Development Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
APR 12 2019
RECEIVED
NUMBER OF DAYS

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted Philippine Financial Reporting Standard (PFRS) 15, *Revenue from Contracts with Customers,* under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition process, policies and procedures. The Group's adoption of PFRS 15 is significant to our audit because these involve the application of significant judgment and estimation in the following: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) assessment of the probability that the entity will collect the consideration from the buyer; (3) determination of the transaction price; (4) application of the input method as the measure of progress in determining real estate revenue; (5) determination of the actual costs incurred as cost of sales; and (6) recognition of cost to obtain a contract.

The Group identifies the contract that meets all the criteria required under PFRS 15 for a valid revenue contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (i.e., buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the real estate property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyers' equity before commencing revenue recognition.

BUREAU OF INTERNAL REVENUE
REVENUE DATA CAPTURING SECTION
TAXPAYER SERVICE
Date APR 12 2019
RECEIVED
ELMER B. TANAY

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses the input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total cost of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

Further, the Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain the contract and recognizes the related commission payable. The Group uses the percentage of completion method in amortizing sales commission consistent with the Group's revenue recognition policy.

The adoption of PFRS 15 resulted in transition adjustments increasing by ₱9,600,706 the opening balance of retained earnings as of January 1, 2018.

The disclosures related to the adoption of PFRS 15, including available practical expedients applied by the Group, are included in Note 2 to the consolidated financial statements. The updated accounting policies and the additional disclosures required by PFRS 15 are included in Notes 2 and 6 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

We obtained and tested a sample of contracts to sell to check whether they meet all the criteria required under PFRS 15 as valid revenue contracts.

For the buyers' equity, we evaluated management's basis of establishing the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as contracts to sell and buyers' history of payments.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYER ASSISTANCE DIVISION
Date APR 12 2019
RECEIVED
BY:

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the percentage of completion (POC), including the cost accumulation process, and for determining and updating total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as contractor's billings, cash vouchers and estimated project development cost-to-complete reports. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the POC calculations of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details and contracts. We likewise performed inquiries with the project engineers for the revisions.

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractor's billings, cash vouchers and estimated project development cost-to-complete reports.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and (c) the POC used in calculating sales commission against the POC used in recognizing the related revenue from real estate sales.

We test-computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

Effective January 1, 2018, the Group adopted PFRS 9, *Financial Instruments,* using the modified retrospective approach. PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss (ECL) model to assess impairment of debt financial assets that are not measured at fair value through profit or loss. The Group's adoption of PFRS 9 is significant to our audit because it involves the exercise of significant management judgment and estimation on the classification, measurement and impairment of financial assets. The financial asset classification determines how these financial assets are measured and presented in the consolidated financial statements. PFRS 9 requires the classification of financial assets to be based on the Group's business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. Meanwhile, the key areas of judgment of the ECL model include defining default, determining assumptions to be used in the ECL model, such as timing and amounts of expected net recoveries from defaulted amounts and incorporating forward-looking information (called overlays) in calculating ECL.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
RECEIVED

Refer to Notes 2 and 27 to the consolidated financial statements for the disclosure on the adoption of the PFRS 9 classification criteria and the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response

We obtained an understanding of the Group's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the approved business models for the Group's portfolios of financial assets. We compared the parameters set within the business models with the investment/risk management policies of the Group. For significant portfolios, we assessed the frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We test-computed the transition adjustments and evaluated the disclosures on the adoption of the PFRS 9 classification criteria made in the consolidated financial statements.

For the application of ECL, we obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (b) tested historical loss rates by inspecting historical recoveries and write-offs; (c) checked the classification of outstanding exposures to their corresponding aging buckets; and (d) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We test-computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements on allowance for credit losses using the ECL model.

Other Information

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 19 2019
RECEIVED
ELMER B. TAYAG

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 PFRSs, 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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 audit. We remain solely responsible for our audit opinion.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date: APR 12 2013
RECEIVED
BY:

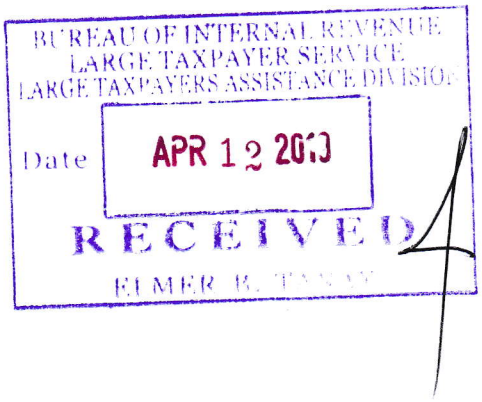
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aileen L. Saringan.

SYCIP GORRES VELAYO & CO.



Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-4 (Group A),
August 18, 2016, valid until August 18, 2019
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018
February 26, 2018, valid until February 25, 2021
PTR No. 7332610, January 3, 2019, Makati City

March 20, 2019

Securities and Exchange Commission HEAD OFFICE
Electronic Records Management Division
APR 15 2019
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱470,311,423**	₱860,828,317
Short-term investments (Note 4)	**1,590,100,000**	1,523,000,000
Current portion of:		
Installment contracts receivable (Note 6)	**10,964,651**	325,914,643
Contract assets (Note 6)	**481,139,602**	–
Cost to obtain contract (Note 6)	**13,302,307**	–
Notes receivables (Note 7)	**321,500,000**	128,000,000
Other receivables (Note 8)	**54,646,521**	45,763,827
Real estate properties for sale (Note 9)	**1,916,113,031**	1,177,390,644
Current portion of investments in trust funds (Note 5)	**6,015,289**	4,269,063
Prepaid income tax	**–**	1,066,469
Other current assets (Note 13)	**44,292,057**	61,366,930
Total Current Assets	**4,908,384,881**	4,127,599,893
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**20,050,544**	1,509,504,341
Contract assets - net of current portion (Note 6)	**1,564,896,929**	–
Cost to obtain contract - net of current portion (Note 6)	**19,766,947**	–
Notes receivable - net of current portion (Note 7)	**595,000,000**	600,000,000
Other receivables - net of current portion (Note 8)	**3,310,297**	7,472,598
Investments in trust funds - net of current portion (Note 5)	**29,416,862**	30,337,287
Real estate properties held for future development (Note 10)	**973,872,993**	1,194,820,381
Investment properties (Note 11)	**2,046,001,773**	2,107,285,414
Property and equipment (Note 12)	**60,845,828**	10,533,627
Net retirement plan assets (Note 24)	**22,345,660**	14,139,371
Deferred income tax assets - net (Note 25)	**8,453,231**	11,425,848
Other noncurrent assets (Note 13)	**309,125,875**	85,711,452
Total Noncurrent Assets	**5,653,087,039**	5,571,230,319
TOTAL ASSETS	**₱10,561,471,920**	₱9,698,830,212
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱166,095,116**	₱251,755,093
Contract liabilities (Note 6)	**535,862,003**	–
Notes and contracts payable (Note 15)	**1,365,547,992**	1,453,450,000
Income tax payable	**24,780,456**	–
Current portion of pre-need and other reserves	**2,416,195**	1,500,028
Total Current Liabilities	**2,094,701,762**	1,706,705,121
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**122,909,362**	103,764,222
Pre-need and other reserves - net of current portion (Note 5)	**38,943,644**	39,844,243
Net retirement benefits liability (Note 24)	**3,643,820**	5,488,859
Deferred income tax liabilities - net (Note 25)	**53,588,488**	109,746,859
Total Noncurrent Liabilities	**219,085,314**	258,844,183
Total Liabilities	**2,313,787,076**	1,965,549,304

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS SERVICE DIVISION
Date APR 1 2019
RECEIVED
ELMER B. PANAY

	December 31	
	2018	2017
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 4,000,000,000 shares		
Issued - 3,940,001,648 shares held by 661 equity holders as of December 31, 2018 and 669 equity holders as of December 31, 2017	**₱3,940,001,648**	₱3,940,001,648
Additional paid-in capital	**7,277,651**	7,277,651
Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**598,029**	–
Net changes in fair values of available-for-sale financial assets (Note 13)	–	1,251,555
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(15,413,505)**	(21,328,742)
Retained earnings (Note 16)	**3,290,490,493**	2,842,649,954
Treasury stock - at cost (Note 16)	**(31,429,574)**	(31,429,574)
	7,191,524,742	6,738,422,492
Non-controlling interests (Note 17)	**1,056,160,102**	994,858,416
Total Equity	**8,247,684,844**	7,733,280,908
TOTAL LIABILITIES AND EQUITY	**₱10,561,471,920**	₱9,698,830,212

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
RECEIVED
ELMER B. TANAY

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Sales of real estate properties (Note 6)	**₱1,462,770,043**	₱1,310,712,989	₱1,480,504,914
Financial income (Note 21)	**382,840,201**	328,200,343	288,034,674
Rent income (Note 11)	**126,309,736**	119,681,308	92,760,364
Other income (Note 23)	**83,976,302**	84,783,339	65,372,375
	2,055,896,282	1,843,377,979	1,926,672,327
COST AND EXPENSES			
Cost of real estate sales (Note 9)	**742,331,601**	738,985,531	826,197,687
Operating expenses (Note 18)	**512,744,710**	381,289,647	429,546,775
Financial expenses (Note 22)	**16,740,403**	9,961,121	7,472,117
Other expenses (Note 23)	**29,978,174**	26,983,018	33,098,815
	1,301,794,888	1,157,219,317	1,296,315,394
INCOME BEFORE INCOME TAX	**754,101,394**	686,158,662	630,356,933
PROVISION FOR INCOME TAX (Note 25)	**125,836,065**	134,228,747	153,989,211
NET INCOME	**₱628,265,329**	₱551,929,915	₱476,367,722
Attributable to:			
Equity holders of the Parent Company	**₱551,499,211**	₱485,108,127	₱443,176,793
Non-controlling interests	**76,766,118**	66,821,788	33,190,929
	₱628,265,329	₱551,929,915	₱476,367,722
BASIC/DILUTED EARNINGS PER SHARE (Note 29)	**₱0.14**	₱0.12	₱0.11

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018
RECEIVED
ELMER B. TANAY

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱628,265,329**	₱551,929,915	₱476,367,722
OTHER COMPREHENSIVE INCOME (LOSS)			
To be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets (Note 13)	–	(433,494)	659,861
Not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 13)	**(761,601)**	–	–
Re-measurement gain (loss) on defined benefit plan, net of income tax effect (Note 24)	**6,507,351**	923,881	(5,807,134)
	5,745,750	490,387	(5,147,273)
TOTAL COMPREHENSIVE INCOME	**₱634,011,079**	₱552,420,302	₱471,220,449
Attributable to:			
Equity holders of the Parent Company	**₱556,760,923**	₱485,404,179	₱438,612,521
Non-controlling interests	**77,250,156**	67,016,123	32,607,928
	₱634,011,079	₱552,420,302	₱471,220,449

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
RECEIVED
ELMER B. TANAY

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

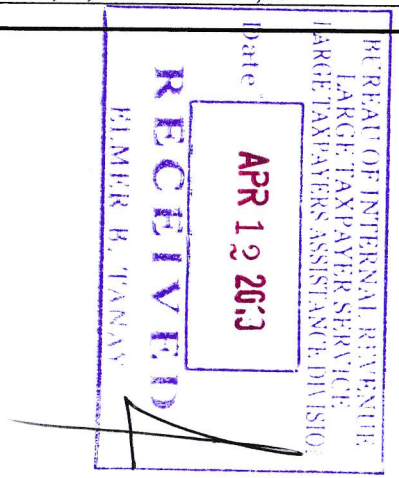
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Net Changes in Fair Values of Available-for-Sale Financial Assets (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
BALANCES AT DECEMBER 31, 2015	**₱3,573,878,400**	**₱7,277,651**	**₱–**	**₱1,102,540**	**(₱16,911,507)**	**₱2,644,809,719**	**(₱31,157,595)**	**₱6,178,999,208**	**₱913,651,804**	**₱7,092,651,012**
Net income	–	–	–	–	–	443,176,793	–	443,176,793	33,190,929	476,367,722
Other comprehensive income (loss)	–	–	–	604,188	(5,168,460)	–	–	(4,564,272)	(583,001)	(5,147,273)
Total comprehensive income (loss)	–	–	–	604,188	(5,168,460)	443,176,793	–	438,612,521	32,607,928	471,220,449
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	726,852	–	726,852	–	726,852
Parent Company shares of stock held by CPI	–	–	–	–	–	–	(271,979)	(271,979)	–	(271,979)
Stock dividends - 5%	178,596,715	–	–	–	–	(178,596,715)	–	–	–	–
Fractional shares	–	–	–	–	–	(308)	–	(308)	–	(308)
Cash dividends - ₱0.066 per share	–	–	–	–	–	(235,748,070)	–	(235,748,070)	–	(235,748,070)
Dividends received by CPI from CDC	–	–	–	–	–	137,486	–	137,486	–	137,486
Cash dividends declared by subsidiaries	–	–	–	–	–	–	–	–	(10,474,373)	(10,474,373)
BALANCES AT DECEMBER 31, 2016	**₱3,752,475,115**	**₱7,277,651**	**₱–**	**₱1,706,728**	**(₱22,079,967)**	**₱2,674,505,757**	**(₱31,429,574)**	**₱6,382,455,710**	**₱935,785,359**	**₱7,318,241,069**
Net income	–	–	–	–	–	485,108,127	–	485,108,127	66,821,788	551,929,915
Other comprehensive income (loss)	–	–	–	(455,173)	751,225	–	–	296,052	194,335	490,387
Total comprehensive income (loss)	–	–	–	(455,173)	751,225	485,108,127	–	485,404,179	67,016,123	552,420,302
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	726,858	–	726,858	–	726,858
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	–	4,776,668	–	4,776,668	–	4,776,668
Stock dividends - 5%	187,526,533	–	–	–	–	(187,526,533)	–	–	–	–
Fractional shares	–	–	–	–	–	(325)	–	(325)	–	(325)
Cash dividends - ₱0.036 per share	–	–	–	–	–	(135,019,338)	–	(135,019,338)	–	(135,019,338)
Dividends received by CPI from CDC	–	–	–	–	–	78,740	–	78,740	–	78,740
Dividends received by CLDI	–	–	–	–	–	–	–	–	(8,082,853)	(8,082,853)
Dividends received by CLDI from CPI	–	–	–	–	–	–	–	–	139,787	139,787
BALANCES AT DECEMBER 31, 2017	**₱3,940,001,648**	**₱7,277,651**	**₱–**	**₱1,251,555**	**(₱21,328,742)**	**₱2,842,649,954**	**(₱31,429,574)**	**₱6,738,422,492**	**₱994,858,416**	**₱7,733,280,908**

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date
APR 12 2019
RECEIVED
ELMER B. TAYAG

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Net Changes in Fair Values of Available-for-Sale Financial Assets (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect (Note 24)	Retained Earnings (Note 16)	Treasury Stock (Note 16)	Subtotal	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY STATED	**₱3,940,001,648**	**₱7,277,651**	**₱–**	**₱1,251,555**	**(₱21,328,742)**	**₱2,842,649,954**	**(₱31,429,574)**	**₱6,738,422,492**	**₱994,858,416**	**₱7,733,280,908**
Effect of adoption of new accounting standards (Note 2)	–	–	1,251,555	(1,251,555)	–	6,687,449	–	6,687,449	2,913,257	9,600,706
BALANCES AT JANUARY 1, 2018, AS RESTATED	**3,940,001,648**	**7,277,651**	**1,251,555**	**–**	**(21,328,742)**	**2,849,337,403**	**(31,429,574)**	**6,745,109,941**	**997,771,673**	**7,7 81,614**
Net income	–	–	–	–	–	551,499,211	–	551,499,211	76,766,118	628,265,329
Other comprehensive income (loss)	–	–	(653,526)	–	5,915,237	–	–	5,261,711	484,038	5,745,749
Total comprehensive income (loss)	–	–	(653,526)	–	5,915,237	551,499,211	–	556,760,922	77,250,156	634,011,078
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation (Note 25)	–	–	–	–	–	726,857	–	726,857	–	726,857
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale (Note 25)	–	–	–	–	–	7,393,607	–	7,393,607	–	7,393,607
Cash dividends - ₱0.0301 per share	–	–	–	–	–	(118,535,714)	–	(118,535,714)	–	(118,535,714)
Dividends received by CPI from CDC	–	–	–	–	–	69,129	–	69,129	–	69,129
Cash dividends declared by CLDI	–	–	–	–	–	–	–	–	(19,193,667)	(19,193,667)
Dividends received by CPI from CLDI	–	–	–	–	–	–	–	–	331,940	331,940
BALANCES AT DECEMBER 31, 2018	**₱3,940,001,648**	**₱7,277,651**	**₱598,029**	**₱–**	**(₱15,413,505)**	**₱3,290,490,493**	**(₱31,429,574)**	**₱7,191,524,742**	**₱1,056,160,102**	**₱8,247,684,844**

See accompanying Notes to Consolidated Financial Statements.



CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

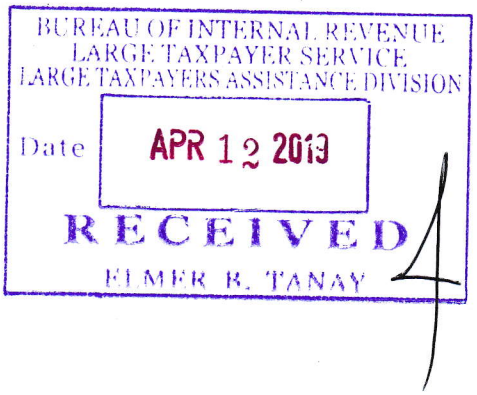
	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱754,101,394**	₱686,158,662	₱630,356,933
Adjustments for:			
Interest income (Note 21)	**(382,818,378)**	(328,177,519)	(288,009,928)
Depreciation (Note 20)	**66,448,961**	38,560,608	23,738,651
Interest expense - net of amounts capitalized (Note 22)	**15,178,353**	8,731,471	5,990,805
Retirement benefits costs (Note 24)	**2,940,058**	2,310,847	1,408,344
Trust fund income (Note 23)	**(1,720,203)**	(2,285,042)	(1,548,383)
Dividend income (Note 21)	**(21,823)**	(22,824)	(24,746)
Operating income before working capital changes	**454,108,362**	405,276,203	371,911,676
Decrease (increase) in:			
Installment contracts receivable	**1,804,403,789**	172,338,117	(260,197,791)
Contract assets	**(2,046,036,531)**		
Other receivables	**4,728,045**	13,506,925	(3,964,595)
Real estate properties for sale	**33,281,915**	308,599,214	134,488,592
Real estate properties held for future development (Note 10)	**(589,919,566)**	(9,489,075)	(364,847,107)
Cost to obtain contract (Note 5)	**(19,353,956)**	–	–
Deposits and others	**(206,559,101)**	(14,419,171)	(5,431,808)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(70,974,359)**	(320,827,687)	393,164,357
Contract liabilities	**535,862,003**	–	–
Pre-need and other reserves	**(968,111)**	(2,850,513)	(5,828,345)
Cash generated from (used in) operations	**(101,427,510)**	552,134,013	259,294,979
Contributions to the plan	**(3,695,170)**	(3,695,170)	(3,695,170)
Interest received	**373,369,940**	324,101,300	289,279,971
Income taxes paid, including creditable and final withholding taxes	**(151,957,717)**	(181,524,347)	(197,935,039)
Net cash flows from operating activities	**116,289,543**	691,016,796	346,944,741
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured (purchase of) short-term investments (Note 4)	**(67,100,000)**	(304,727,647)	971,627,647
Purchase of notes receivable (Note 7)	**(188,500,000)**	(708,000,000)	(20,000,000)
Additions to:			
Investment properties (Note 11)	**(9,116,877)**	(233,043,351)	(357,380,568)
Property and equipment (Note 12)	**–**	(5,407,500)	(876,786)
Contributions to investments in trust fund (Note 5)	**(2,247,053)**	(2,567,482)	(2,684,897)
Withdrawals from investments in trust funds (Note 5)	**3,582,813**	4,036,310	7,090,313
Dividends received (Note 21)	**21,823**	22,824	24,746
Net cash flows from (used in) investing activities	**(263,359,294)**	(1,249,686,846)	597,800,455

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS SERVICE DIVISION
APR 12 2019
RECEIVED
ELMER B. TANAY

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 15)	**₱6,088,050,000**	₱6,106,350,000	₱5,581,503,287
Payments of notes payable (Note 15)	**(6,183,450,000)**	(6,325,900,000)	(5,043,703,287)
Interest paid (Notes 14 and 15)	**(11,569,064)**	(8,859,592)	(5,300,736)
Dividends paid (Note 14)	**(136,478,079)**	(141,062,316)	(245,639,372)
Net cash flows from (used in) financing activities	**(243,447,143)**	(369,471,908)	286,859,892
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(390,516,894)**	(928,141,958)	1,231,605,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**860,828,317**	1,788,970,275	557,365,187
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱470,311,423**	₱860,828,317	₱1,788,970,275

See accompanying Notes to Consolidated Financial Statements.



CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cityland Development Corporation (the Parent Company) was incorporated in the Philippines on January 31, 1978. It has two subsidiaries, Cityplans, Incorporated (CPI) and City & Land Developers, Incorporated (CLDI), a publicly listed company, which are all incorporated and domiciled in the Philippines. The primary purpose of the Parent Company and CLDI is to acquire, develop, improve, subdivide, cultivate, lease, sublease, sell, exchange, barter and/or dispose of agricultural, industrial, commercial, residential and other real properties, as well as to construct, improve, lease, sublease, sell and/or dispose of houses, buildings and other improvements thereon, and to manage and operate subdivisions and housing projects or otherwise engage in the financing and trading of real estate. CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans. The Parent Company is 50.98% owned by Cityland, Inc. (CI), the ultimate parent company incorporated in the Philippines, which also prepares consolidated financial statements.

The Parent Company's registered office and principal place of business is 2/F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Makati City.

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were authorized for issuance by the Board of Directors (BOD) on March 20, 2019.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
ASSISTANCE DIVISION
Date APR 12 2019
RECEIVED

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale financial assets and investment properties included in the investments in trust funds account, that have been measured at fair values. These consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC) which include the availment of the relief granted by the SEC under Memorandum Circular No. 14-2018 and No. 3-2019 as discussed in the Change in Accounting Policies section below. PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by FRSC.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9, replaces PAS 39 Financial Instruments: *Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity, if any.

  The effects of adopting PFRS 9 as at January 1, 2018 follows:

	As previously reported January 1, 2018	Reference	Adjustment	As restated January 1, 2018
Financial assets at FVOCI	~~₱ –~~	(a)	~~₱~~1,629,078	~~₱~~1,629,078
Available-for-sale financial assets	1,629,078	(a)	(1,629,078)	–
Unrealized changes in fair value on financial assets at FVOCI	–	(a)	(1,251,555)	(1,251,555)
Net changes in fair values of available-for sale financial assets	(1,251,555)	(a)	1,251,555	–

a. Classification and Measurement

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on

debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The following are the changes in the classification of the Group's financial assets:

- *Cash, Short-term investments, Installment contracts receivable, Notes receivables, Other receivables and Deposits under "Noncurrent assets"* previously classified as *Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as *Debt instruments at amortized cost* beginning January 1, 2018.

- Listed equity investments previously classified as *AFS financial assets* are now classified and measured as *Financial assets at FVOCI* as the Group intends to hold these investments for a long period as a strategic investment.

The change in the classification of the Company's listed equity instruments did not result to any adjustment in retained earnings as of January 1, 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

Financial assets not held in trust:

		PFRS 9 Measurement Category	
PAS 39 Categories	Carrying Amount	Amortized Cost	Fair Value through OCI
Loans and receivables			
Cash and cash equivalents	₱860,828,317	₱860,828,317	₱–
Short-term investments	1,523,000,000	1,523,000,000	–
Installment contracts receivable	6,524,470	6,524,470	–
Notes receivable	728,000,000	728,000,000	
Other receivables	53,236,425	53,236,425	–
Deposits	18,096,064	18,096,064	–
Available for Sale			
Listed equity instruments	1,629,078	–	1,629,078

Financial assets held in trust:

		PFRS 9 Measurement Category	
PAS 39 Categories	Carrying amount	Amortized Cost	Fair Value through OCI
Loans and receivables			
Cash and cash equivalents	₱4,336,908	₱4,336,908	₱–
Loans and receivables	3,419,893	3,419,893	–
Financial assets at FVPL			
Debt instruments	4,445,116	4,445,116	–
Available for Sale			
Debt instruments	17,670,843	16,397,583	1,273,260
Listed equity instruments	881,491	–	881,491

b. Impairment testing under expected credit loss (ECL) model

There is no expected credit loss recognized in retained earnings as at January 1, 2018. The use of ECL upon adoption of PFRS 9 as explained below, did not result to any additional impairment loss.

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward looking data on gross domestic product, interest rate, inflation and unemployment rate were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of five (5) years for the origination, maturity date and default date. The Group considers an ICR in default when contractual payment are ninety (90) days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 150 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for ongoing projects). As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such as notes receivables, other receivables and deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those

credit exposures for which there has been a significant increase in credit risk 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 (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Further, since the implementation of PFRS 9, all financial assets except installment contracts receivable are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of PFRS 9 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Based on the Group's assessment, no expected credit loss was recognized as of January 1, 2018.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, PAS 1- *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*

  PIC Q&A 2018-11 requires land approved by the Board of Directors of a real estate developer to be held for sale in the ordinary course of business to be classified as inventory in accordance with PAS 2, *Inventories*. Otherwise, the land should be accounted for as investment property in accordance with PAS 40, *Investment Property*.

  PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* clarifies that the advances to contractors account is a temporary account. The eventual realization of such advances is determined by the usage/realization of the asset to which it was advanced for. As such, the guidance under PAS 1 should be applied to the underlying asset. The advances will be classified as current if it will be applied as payment for construction of assets to be classified inventories; and non-current if it will be applied as payment for assets to be classified as property and equipment or investment properties.

  Since the Group's current practice is in line with the clarifications issued, there is no significant impact on its consolidated financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

The amendments are not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 29, 2018 and February 8, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 14, Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

  Under the same SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred.

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
  a. the accounting policies applied;
  b. discussion of the deferral of the subject implementation issues in the PIC Q&A;
  c. qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted; and
  d. should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H, which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

  Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the provision of PIC Q&A No. 2018-12-D on accounting for significant financing component. Had this provision been adopted, it would have an impact in the financial statements as to the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

Since the Group's current practice is in line with the PIC Q&A No. 2018-12-E, PIC Q&A No. 2018-12-H and PIC Q&A No. 2018-14, there was no significant impact on its consolidated financial statements upon adoption of these amendments.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not yet completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 at January 1, 2018 follows:

	As previously reported January 1, 2018	Reference	Adjustment	As restated January 1, 2018
Installment contracts receivable				
Current	₱325,914,643	(b)	(₱319,390,173)	₱6,524,470
Noncurrent	1,509,504,341	(b)	(1,509,504,341)	–
Contract assets				
Current	–	(b)	319,390,173	319,390,173
Noncurrent	–	(b)	1,509,504,341	1,509,504,341
Cost to obtain contract				
Current	–	(a)	5,887,958	5,887,958
Noncurrent	–	(a)	7,827,340	7,827,340
Deferred income tax liabilities	–	(a)	4,114,589	4,114,589
Equity				
Attributable to equity holders of the Parent Company		(a)	6,687,449	6,687,449
Noncontrolling interest		(a)	2,913,257	2,913,257

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated Statement of Income for the Year Ended December 31, 2018

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase/ (Decrease)
Revenue				
Sales of real estate properties		₱1,462,770,043	₱1,462,770,043	₱–
Financial income		382,840,201	382,840,201	–
Rent income		126,309,736	126,309,736	–
Other income		83,976,302	83,976,302	–
		2,055,896,282	2,055,896,282	
Cost and Expenses				
Cost of real estate sales		742,331,601	742,331,601	–
Operating expenses	(a)	512,744,710	532,098,666	(19,353,956)
Financial expenses		16,740,403	16,740,403	–
Other expenses		29,978,174	29,978,174	–
		1,301,794,888	1,321,148,844	(19,353,956)
Income before income tax		754,101,394	734,747,438	19,353,956
Provision for income tax	(a)	125,836,065	120,029,878	5,806,187
Net income	(a)	₱628,265,329	₱614,717,560	₱13,547,769
Net income attributable to:				
Equity holders of the Parent Company	(a)	₱551,499,211	₱538,749,836	₱12,749,375
Non-controlling interests	(a)	76,766,118	75,967,724	798,394
		₱628,265,329	₱614,717,560	₱13,547,769
Earnings Per Share				
Basic/diluted, profit for the year attributable to ordinary equity holders of the Parent Company		₱0.140	₱0.137	₱0.003

Consolidated Statement of Financial Position as of December 31, 2018

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase/ (Decrease)
ASSETS				
Current Assets				
Cash and cash equivalents		₱470,311,423	₱470,311,423	₱–
Short-term investments		1,590,100,000	1,590,100,000	–
Current portion of:				
Installment contract receivable	(b)	10,964,651	492,104,253	(481,139,602)
Contract assets	(b)	481,139,602	–	481,139,602
Cost to obtain contract	(a)	13,302,307	–	13,302,307
Notes receivables		321,500,000	321,500,000	–
Other receivables		54,646,521	54,646,521	–
Real estate properties for sale		1,916,113,031	1,916,113,031	–
Current portion of investments in trust funds		6,015,289	6,015,289	–
Prepaid income tax		–	–	–
Other current assets		44,292,057	44,292,057	–
Total Current Assets		**4,908,384,881**	**4,895,082,574**	**13,302,307**

(Forward)

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase/ (Decrease)
Noncurrent Assets				
Installment contracts receivable - net of current portion	(b)	₱20,050,544	₱1,584,947,473	(₱1,564,896,929)
Contract assets - net of current portion	(b)	1,564,896,929	–	1,564,896,929
Cost to obtain contract - net of current portion	(a)	19,766,947	–	19,766,947
Notes receivable - net of current portion		595,000,000	595,000,000	–
Other receivables - net of current portion		3,310,297	3,310,297	–
Investments in trust funds - net of current portion		29,416,862	29,416,862	–
Real estate properties held for future development		973,872,993	973,872,993	–
Investment properties		2,046,001,773	2,046,001,773	–
Property and equipment		60,845,828	60,845,828	–
Net retirement plan assets		22,345,660	22,345,660	–
Deferred income tax assets - net		8,453,231	8,453,231	–
Other noncurrent assets		309,125,975	309,125,975	–
Total Noncurrent Assets		**5,653,087,039**	**5,633,320,092**	**19,766,947**
TOTAL ASSETS		**₱10,561,471,920**	**₱10,528,402,666**	**₱33,069,254**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	(b)	₱166,095,116	₱701,957,119	(₱535,862,003)
Contract liabilities	(b)	535,862,003	–	535,862,003
Notes and contracts payable		1,365,547,992	1,365,547,992	–
Income tax payable		24,780,456	24,780,456	–
Current portion of pre-need and other reserves		2,416,195	2,416,195	–
Total Current Liabilities		**2,094,701,762**	**2,094,701,762**	–
Noncurrent Liabilities				
Accounts payable and accrued expenses - noncurrent portion		122,909,362	122,909,362	–
Pre-need and other reserves - net of current portion		38,943,644	38,943,644	–
Net retirement benefits liability		3,643,820	3,643,820	–
Deferred income tax liabilities - net	(a)	53,588,488	43,667,713	9,920,775
Total Noncurrent Liabilities		**219,085,314**	**209,164,539**	**9,920,775**
Total Liabilities		**2,313,787,076**	**2,303,866,301**	**9,920,775**
Equity				
Capital stock		3,940,001,648	3,940,001,648	–
Additional paid-in capital		7,277,651	7,277,651	–
Unrealized fair value changes on financial assets at FVOCI		598,029	598,029	–
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect		(15,413,505)	(15,413,505)	–
Retained earnings	(a)	3,290,490,493	3,271,053,665	19,436,828
Treasury stock - at cost		(31,429,574)	(31,429,574)	–
		7,191,524,742	7,172,087,914	19,436,828
Non-controlling interests (Note 17)		1,056,160,102	1,052,448,451	3,711,651
Total Equity		**8,247,684,844**	**8,224,536,365**	**23,148,479**
TOTAL LIABILITIES AND EQUITY		**₱10,561,471,920**	**₱10,528,402,666**	**₱33,069,254**

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of income for the year ended December 31, 2018 are described in the next pages.

a) The Group has sales personnel who are responsible for the marketing and sale of its real estate projects. These real estate sales personnel typically receive sales commission equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

   The above resulted to increase in cost to obtain contract, deferred income tax liability and retained earnings of ₱13.72 million, ₱4.11 million and ₱9.60 million, respectively, as of January 1, 2018.

   As at December 31, 2018, PFRS 15 increased cost to obtain contract and deferred tax liability, and decreased commission expense by ₱33.07 million, ₱9.92 million and ₱19.35 million, respectively.

b) The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, as contract asset while the excess of collection/ receivable over progress of work is recorded as contract liability.

   Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as customer deposit. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate while for those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

   The above resulted to recording of contract asset and contract liability of ₱1,828.89 million and nil, respectively, as of January 1, 2018.

   As at December 31, 2018, PFRS 15 increased contract assets, contract liabilities and retained earnings by ₱2,046.04 million, ₱535.86 million, and ₱19.44 million (net of deferred income tax), respectively, and decreased installment contracts receivable and customer deposit liability by ₱2,046.04 million and ₱535.86 million, respectively.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendments are not applicable to the Group.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the amendment did not have any effect on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption.

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

The percentage of ownership of the Parent Company in these subsidiaries as of December 31, 2018 and 2017 are as follows:

	Percentage of Ownership	Nature of Activity
CPI	90.81	Pre-need pension plans
CLDI	49.73	Real estate

The registered office and principal place of business of CLDI is 3/F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Makati City. On the other hand, the registered office and principal address of CPI is at 3/F Cityland Condominium. 10, Tower 2, 154 H.V. Dela Costa St., Salcedo Village, Makati City.

A subsidiary is an entity that is controlled by the Group. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill, if any), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling Interests

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position, separate from the Parent Company's equity.

Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition, and are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition.

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Installment contract receivables and contract assets are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual

terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, short-term investment, installment contracts receivable, contract assets, other receivables (except advances to contractors) and deposits under "Other noncurrent assets".

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
(a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows; and
(b) Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2018, the Group's investment in trust fund has debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category (Note 13).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as

effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

The Group has no financial assets at fair value through profit or loss as of December 31, 2018.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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 will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk 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 (a lifetime ECL).

For installment contract receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, accrued expenses, notes and contracts payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.

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

c. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

Classification of financial instruments
Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each end of reporting period.

a. Financial Assets or Financial Liabilities at Fair Value through Profit or Loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at fair value through profit or loss.

Financial assets or financial liabilities classified in this category are designated as at fair value through profit or loss by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets or liabilities are part of a group of financial assets or financial liabilities, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or financial liabilities classified under this category are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets and liabilities are recognized in the consolidated statement of income.

As of December 31, 2017, the Group designated its investments in trust funds as financial assets at fair value through profit or loss. The Group's investments in trust funds directly relate to the Pre-need Reserves accounts.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method.

The Group's loans and receivables consist of cash in banks, cash equivalents, short-term investments, installment contracts receivable, notes receivable, refundable deposits, and other receivables.

c. Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost in the consolidated statement of income. Amortization is determined using the effective interest method.

The Group has no held-to-maturity investments as of December 31, 2017.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are accounted in the consolidated statement of comprehensive income and in equity.

The Group's available-for-sale financial assets consist of investments in listed equity securities that are traded in liquid markets, held for the purpose of investing in liquid funds and not generally intended to be retained on a long-term basis.

e. Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. Other financial liabilities are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method.

The Group's other financial liabilities consist of accounts payable and accrued expenses and notes and contracts payable and other financial liabilities under its investments in trust funds.

Cash dividend distributions to stockholders are recognized as financial liabilities when the dividends are approved by the BOD.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where inputs are made of data which are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

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

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to significant financial difficulty of the counterparty, a breach of contract, such as default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

The impairment assessment is performed at each end of reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss, if any, is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is

recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Financial income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

In case of equity investments classified as available-for-sale financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income and directly in the consolidated statement of changes in equity.

Investments in Trust Funds
The trust fund assets and liabilities are recognized in accordance with the provisions of the applicable PAS and PFRSs and their interpretations.

Investments in trust funds are restricted to cover the Group's pre-need reserves. These are classified as current assets to the extent of the currently maturing pre-need reserves. The remaining portion is classified as noncurrent assets in the consolidated statement of financial position.

Real Estate Properties for Sale and Real Estate Properties Held for Future Development
Property acquired or being constructed for sale in the ordinary course of business and held for future development, rather than to be held for rental or capital appreciation, is classified as real estate properties for sale and real estate properties held for future development and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs directly attributable to the acquisition, development and construction of real estate projects
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to complete and the estimated costs necessary to make the sale. The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

Upon commencement of development, the real estate properties held for future development is transferred to real estate properties for sale.

Upon repossession, real estate properties for sale arising from sale cancellations and forfeitures are measured at fair value less estimated costs to make the sale. Any resulting gain or loss is credited or charged to "Other income" or "Other expenses", respectively, in the consolidated statement of income.

Investment Properties

Investment properties which represent real estate properties for lease and capital appreciation are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the property. The carrying values of revalued properties transferred to investment properties on January 1, 2004 were considered as the assets' deemed cost as of said date.

Subsequent to initial measurement, investment properties, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. Buildings for lease are depreciated over their useful life of 25 years while machineries and equipment are depreciated over their useful life of 5 to 15 years using the straight-line method.

Investment properties are derecognized when either they have been disposed of or when the property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

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.

Transfers between investment properties, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until

such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the costs of the said assets are transferred to specific classification under "Investment properties" account.

Property and Equipment

Property and equipment, except for office premises, are stated at cost less accumulated depreciation and any impairment in value. Office premises are stated at appraised values (asset's deemed cost) as determined by SEC-accredited and independent firms of appraisers at the date of transition to PFRSs, less accumulated depreciation and any impairment in value. Subsequent additions to office premises are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of the purchase price and any directly attributable cost of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance costs, are normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building	25
Office premises	25
Furniture, fixtures and office equipment	5-15
Transportation and other equipment	5

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

When property and equipment are sold or retired, the cost and related accumulated depreciation and any impairment in value are removed from the accounts, and any gains or losses from their disposal is included in the consolidated statement of income.

Impairment of Nonfinancial Assets

The carrying values of real estate properties held for future development, investment properties and property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are either written down to their recoverable amount or provided with valuation allowance. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. Impairment losses, if any, are recognized in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Group considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

Pre-Need Reserves (PNR)
PNR for pension plans are calculated on the basis of the methodology and assumptions set out in Pre-Need Rule 31, as Amended, as follows:

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

    i. Provision for termination values applying the inactivity and surrender rate experience of the Company.
    ii. The liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the lower of attainable rate or discount rate provided by the IC for SEC-approved plans and the pricing discount rate for IC-approved plans.

- The rates of surrender, cancellation, reinstatement, utilization, and inflation considered the actual experience of the Company in the last three years.

- The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.

- Based on the Company's experience, the probability of pre-termination or surrender of fully paid plans is below 5% and therefore considered insignificant. The derecognition of liability shall be recorded at pre-termination date.

In 2018 and 2017, the Company follows IC Circular Letter No. 23-2012 dated November 28, 2012 which sets the guidelines below for the discount rate to be used in the valuation of PNR:

- Discount interest rate for the PNR

  The transitory discount interest rate per year shall be used in the valuation of PNR shall not exceed the lower of the attainable rates as certified by the trustee banks and the following rates below:

Year	Discount interest rate
2012 – 2016	8.00%
2017	7.25%
2018	6.50%
2019 and onwards	6.00%

- Transitory PNR (TPNR)

  In effecting the transition in the valuation of reserves for old basket of plans, the IC shall prescribe a PNR with a maximum transition period of 10 years.
  For each of the pre-need plan categories, the TPNR shall be computed annually on the old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability setup shall be the PNR.

  However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

  The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by the Company from the trustee for the contractual benefits outstanding as of the end of the year.

  The TPNR liability shall be recognized each year. As of December 31, 2018 and 2017, the Company's actual trust fund balance is lower than the resulting PNR (see Note 7).

Other reserves
The Company sets up other provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to cover obligations such as Insurance Premium Reserves (IPR), pension bonus, and trust fund deficiency.

Unless the IC shall so specifically require, the Company may, at its option, set up other provisions as a prudent measure.

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion of retained earnings which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion of retained earnings which has been restricted and therefore is not available for any dividend declaration.

The retained earnings include deemed cost adjustments on real estate properties for sale, investment properties and property and equipment that arose when the Group transitioned to PFRSs in 2005. The deemed cost adjustment will be realized through depreciation in profit or loss for depreciable assets (property and equipment and investment properties) and through sale for inventories (classified under real estate properties for sale) and land (classified under investment properties). The deferred income tax liability on deemed cost adjustments on investment properties, property and equipment and inventories sold under Income Tax Holiday (ITH) projects is transferred to retained earnings upon realization while the deferred income tax liability on deemed cost adjustments on inventories sold under regular tax regime is transferred to consolidated statement of income upon sale.

Dividend Distributions

Cash dividends on common shares are deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Group. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of consolidated financial statements are dealt with as an event after the reporting period.

Treasury Stock

Treasury stock is the Group's own equity instruments that has been issued and then reacquired but not yet cancelled. Treasury stock are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of completed real estate projects and undeveloped land. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as a principal in all of its revenue arrangements, except for the provisioning of water and electricity in its office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sales of real estate properties (CDC and CLDI)
CDC and CLDI derive its real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the entities use input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The entities uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Sales of real estate properties (CPI)
The Company derives its revenue from sale of condominium units. Revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer. The payment is collectible in monthly installments for periods ranging from 1 to 10 years.

Cost recognition (CDC and CLDI)
CDC and CLDI recognize costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the entities recognize as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Cost recognition (CPI)
The Company recognizes costs relating to satisfied performance obligations as these are incurred.

Contract Balances

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the entities performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the entities have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entities transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

The contract liabilities also include payments received by the entities from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization and derecognition of capitalized costs to obtain a contract
CDC and CLDI amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Revenue Recognition prior to January 1, 2018

Revenue and Costs Recognition
Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and the amount of revenue can be reliably measured. For sales of real estate properties, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Revenue is measured at the fair value of the consideration received excluding VAT. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting

as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales of real estate properties
Revenue from sales of completed real estate properties and undeveloped land is accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In accordance with Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts,* the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing revenue under the POC method when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished) and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Group is recorded as part of "Customers' deposits" account which is included under "Accounts payable and accrued expenses" in the consolidated statement of financial position until all the conditions for recognizing the sale are met.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of real estate sales also include the estimated development costs to complete the real estate property, as determined by independent project engineers, and taking into account the POC. The accrued development costs account is presented under "Accounts payable and accrued expenses" in the consolidated statement of financial position.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in consolidated statement of income in the period in which the change is made.

Applicable to All Periods Presented
Sales of pre-need plans
Premiums from sale of pre-need plans, included under "Other income" account in the consolidated statement of income are recognized as earned when collected.

Cost of contracts issued
This account pertains to (a) the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year; (b) amount of trust funds contributed during the year including any trust fund deficiency; and (c) documentary stamp tax and SEC registration fees.

If there is a decrease in the PNR as a result of new information or developments, the amount shall be deducted from the cost of contracts issued in the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by CPI.

Interest income
Interest income from cash in banks, cash equivalents, short-term investments, installment contracts receivable, contract assets, guaranty deposits and notes receivable is recognized as the interest accrues taking into account the effective yield on interest.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Trust fund income
Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

Leases

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

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

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

Operating leases – Group as a lessor
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost

(1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other income and other expenses
Other income and other expenses pertain mainly to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales.

Retirement Benefits Cost
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefits cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as "Accounts payable and accrued expenses - noncurrent portion" in the consolidated statement of financial position.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" account in the consolidated statement of financial position.

Deferred income tax
Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing

of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRSs. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI/available-for-sale financial assets, re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 to the consolidated financial statements. The Group's asset-producing revenues

are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its Group financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments are not expected to have any impact on the Group.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss,

other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  These amendments do not affect the consolidated financial statements but may apply on future insurance contracts which may be entered by the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the period presented. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the judgments enumerated in the next pages, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of CLDI in which the Group holds less than a majority of voting right (de facto control)
The Group consolidates the accounts of CLDI since it considers that it controls CLDI even though it owns less than 50% of voting interest. The factors that the Group considered in making this determination include the size of its block of voting shares and the relative size and dispersion of holdings by other stockholders. The Group is the single largest shareholder of CLDI with 49.73% equity interest. The Parent Company, some of its stockholders and affiliates (whose stockholders also own equity ownership in the Parent Company) collectively own more than 50% of the equity of CLDI giving the Parent Company effective control over CLDI.

Management has determined that it has control by virtue of its power to cast the majority of votes at meetings of the BOD in all of its subsidiaries.

Revenue recognition upon adoption of PFRS 15
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Existence of a contract*
  The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of other signed documentation such as reservation agreement, official receipts and other documents, would contain all the criteria to qualify as a contract with the customer under PFRS 15.

  In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will be able to collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as the credit standing and financial capacity of the buyer, age and location of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress*
  The Group, except for CPI, concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is

contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the buyer.

- *Identifying performance obligation*
  The Group has various contracts to sell covering its sale of condominium units and other real estate properties. The Group concluded that there is one performance obligation in each of these contracts because it has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. For the sale of real estate properties such as raw land, the Group integrates certain activities to the said property to be able to deliver the guaranteed property based on the contract with the buyer. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the customer.

- *Principal versus agent considerations*
  The contract for the Group's buildings for lease includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

  For the electricity and water usage, the Group determined that it is acting as an agent because the commitment of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

  For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Revenue recognition prior to adoption of PFRS 15
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*
  Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

  For sale of real estate properties, in determining whether the sales prices are collectible, the Group considers that initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
  The Group commences the recognition of revenue from sale of uncompleted projects where the POC method is used when the POC, as determined by independent project engineers, which is at more or less 10%. It is the period when the Group considers that the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

Distinction between investment properties and owner-occupied 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 the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Investment properties amounted to ₱2.05 billion and ₱2.11 billion as of December 31, 2018 and 2017, respectively (see Note 11). Property and equipment amounted to ₱60.85 million and ₱10.53 million as of December 31, 2018 and 2017, respectively (see Note 12).

Distinction between real estate properties for sale and investment properties
The Group determines whether a property is classified as for sale, for lease or for capital appreciation.

Real estate properties which the Group develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties for sale amounted to ₱1.92 billion and ₱1.18 billion as of December 31, 2018 and 2017, respectively (see Note 9). Real estate properties which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties. Investment properties amounted to ₱2.05 billion and ₱2.11 billion as of December 31, 2018 and 2017, respectively (see Note 11).

Distinction between real estate properties for sale and held for future development
The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱1.92 billion and ₱1.18 billion as of December 31, 2018 and 2017, respectively (see Note 9). Real estate properties held for future development amounted to ₱0.97 billion and ₱1.19 billion as of December 31, 2018 and 2017, respectively (see Note 10).

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

Revenue recognition upon adoption of PFRS 15 - Revenue recognition method and measure of progress
The measurement of progress for revenue recognition requires management to make use of estimates and assumptions. The Group's real estate sales is based on the percentage-of-completion method measured principally on the basis of total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total estimated development cost of the project. Estimated development costs of the project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. The estimated development cost is prepared by the Group's project engineers and are independently reviewed by the Group's third party independent project engineers. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15 - Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of POC of real estate projects
The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱1.46 billion, ₱1.31 billion and ₱1.48 billion in 2018, 2017 and 2016, respectively (see Note 6). Cost of real estate sales amounted to ₱0.74 billion in 2018 and 2017 and ₱0.83 billion in 2016 (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets - Effective starting January 1, 2018
The Group uses a provision matrix to calculate ECLs for installment contract receivables and contract assets. The provision rates are based on past collection history and other factors, which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior, known market factors that affect the collectability of the accounts.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the inflation rate, gross domestic product, interest rate and unemployment rate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions such as inflation rate, gross domestic product, interest rate and unemployment rate and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's installment contracts receivable and contract assets is disclosed in Note 27. As of December 31, 2018, installment contracts receivable, contract assets, notes receivable, and other

receivables aggregated to ₱3.05 billion. No impairment of receivables was recognized in 2018 (see Notes 6, 7 and 8).

Estimation of allowance for impairment of receivables prior to January 1, 2018
The level of this allowance is evaluated by management based on past collection history and other factors, which include, but not limited to the length of the Group's relationship with customer, the customer's payment behavior, known market factors that affect the collectability of the accounts and the fair value of real estate properties held as collaterals. As of January 1, 2018, the Group did not recognize any impairment on its receivables. As of December 31, 2017, installment contracts receivable, notes receivable and other receivables aggregated to ₱2,616.66 million (see Notes 6, 7 and 8).

Determination of net realizable value of real estate properties for sale and held for future development
The Group's estimates of net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused the real estate properties for sale to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Group's real estate properties for sale as of December 31, 2018 and 2017 amounted to ₱1.92 billion and ₱1.18 billion, respectively (see Note 9). On the other hand, the Group's real estate properties held for future development as of December 31, 2018 and 2017 amounted to ₱0.97 billion and ₱1.19 billion, respectively (see Note 10).

Estimation of useful lives of investment properties and property and equipment
The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Net book value of depreciable investment properties as of December 31, 2018 and 2017 amounted to ₱1.08 billion and ₱1.15 billion, respectively (see Note 11). On the other hand, the net book value of depreciable property and equipment amounted to ₱14.32 million and ₱10.53 million as of December 31, 2018 and 2017, respectively (see Note 12).

Impairment of available-for-sale financial assets
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Available-for-sale financial assets amounted to ₱1.63 million as of December 31, 2017 (see Note 13), whereas, available-for-sale financial assets in the CPI's investments in trust funds as of December 31, 2017 amounted to ₱19.53 million (see Note 5).

Mark-to-market loss of CPI's available-for-sale financial assets amounted to ₱0.59 million in 2017 (see Note 13).

Determination of the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property,* the Group engaged SEC-accredited and independent valuation specialists to assess fair value as of December 31, 2018 and 2017. The Group's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others (see Note 27).

Determination of impairment indication on investment properties and property and equipment
The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Group makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of December 31, 2018 and 2017. Net book value of investment properties as of December 31, 2018 and 2017 amounted to ₱2.05 billion and ₱2.11 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱60.85 million and ₱10.53 million as of December 31, 2018 and 2017, respectively (see Note 12).

Estimation of retirement benefits cost
The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

The mortality rate is based on publicly available mortality table in the Philippines. Future salary increases are based on expected future inflation rates. Further details about assumptions used are given in Note 24.

Net retirement benefits cost amounted to ₱2.94 million, ₱2.31 million and ₱1.41 million in 2018, 2017 and 2016, respectively. The carrying value of the Parent Company's and CPI's net retirement plan assets as of December 31, 2018 and 2017 amounted to ₱22.34 million and ₱14.14 million, respectively. The carrying value of CLDI's net retirement benefits liability as of December 31, 2018 and 2017 amounted to ₱3.64 million and ₱5.49 million, respectively (see Note 24).

Estimation of reserves
Reserves are set up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of CPI's reserves is based on the actuarial formula, methods, and assumptions allowed by applicable SEC and IC circulars.

As of December 31, 2018, the principal assumptions used in determining the PNR was based on the IC Circular Letter No. 23-2012 dated November 28, 2012. The transitory discount interest rate that shall be used in the valuation of pre-need reserves shall not exceed the lower of the attainable rates as certified by the Trustee of 4.790% and 5.470% in 2018 and 2017, respectively, and the IC rate of 6.50%.

The following are the assumptions used in the computation of pre-need reserves:

December 31, 2018:

a. Currently-Being-Paid Pension Plans - Actively Paying Plans
   - Plans issued prior to 2006 and after - 4.790% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans
   - Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing
   - Plans with maturity dates in years 2019 and after - 4.790% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

December 31, 2017:

a. Currently-Being-Paid Pension Plans - Actively Paying Plans
   - Plans issued prior to 2006 and after - 5.470% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans
   - Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing
   - Plans with maturity dates in years 2018 and after - 5.470% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

December 31, 2016:

a. Currently-Being-Paid Pension Plans - Actively Paying Plans

- Plans issued prior to 2006 and after - 5.467% discount rate (ROI rate) and no surrender/lapse rates were used.

b. Currently-Being-Paid Pension Plans - Lapsed Plans

- Plans issued prior to 2006 and after - reserves equal the termination values (as originally computed) at the date of lapse and no reinstatement rate was assumed.

c. Fully paid plans - Availing and Not Yet Availing

- Plans with maturity dates in years 2017 and after - 5.467% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

Management believes that the amount of pre-need reserves and other reserves recorded in the books closely reflect potential plan claims as of end of reporting period. As of December 31, 2018 and 2017, pre-need reserve and other reserves amounted to ₱41.36 million and ₱41.34 million, respectively (see Note 5).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2018 and 2017, deferred income tax assets amounted to ₱44.53 million and ₱36.62 million, respectively (see Note 25).

4. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of:

	2018	2017
Cash on hand and in banks	**₱22,411,423**	₱25,328,317
Cash equivalents	**447,900,000**	835,500,000
	₱470,311,423	₱860,828,317

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective investment rates.

Short-term investments consist of:

	2018	2017
Short-term cash investments	**₱1,570,600,000**	₱1,523,000,000
Short-term bond investments	**19,500,000**	–
	₱1,590,100,000	₱1,523,000,000

Short-term investments have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates.

Interest income earned from cash in banks, cash equivalents and short-term cash investments amounted to ₱83.62 million, ₱67.34 million and ₱63.86 million in 2018, 2017 and 2016, respectively (see Note 21).

5. Investments in Trust Funds and Pre-need and Other Reserves

Investments in trust funds
Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others, that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks with net assets aggregating to ₱35.43 million and ₱34.61 million as of December 31, 2018 and 2017, respectively, which are recorded under "Investments in trust funds" account in the consolidated statement of financial position.

The details of investments in trust funds are as follows:

As of December 31, 2018:

	Current	Noncurrent	Total
Assets			
Cash and cash equivalents:			
Cash in banks	**₱60,187**	**₱–**	**₱60,187**
Cash equivalents	**3,833,875**	**–**	**3,833,875**
Financial assets at amortized cost	**–**	**21,034,947**	**21,034,947**
Financial assets at fair value through other comprehensive income	**2,110,467**	**751,363**	**2,861,830**
Loans and receivables – net	**760,883**	**2,460,872**	**3,221,755**
Investment properties	**–**	**5,169,680**	**5,169,680**
Other assets	**261,523**	**–**	**261,523**
	7,026,935	**29,416,862**	**36,443,797**
Liabilities			
Taxes payable	**203,480**	**–**	**203,480**
Trust fees payable	**73,661**	**–**	**73,661**
Unrealized gain on sale of investment property	**511,780**	**–**	**511,780**
Other liabilities	**222,725**	**–**	**222,725**
	1,011,646	**–**	**1,011,646**
Net equity	**₱6,015,289**	**₱29,416,862**	**₱35,432,151**

As of December 31, 2017:

	Current	Noncurrent	Total
Assets			
Cash and cash equivalents:			
Cash in banks	₱1,044,238	₱–	₱1,044,238
Cash equivalents	3,292,670	–	3,292,670
Financial assets at FVPL	–	4,445,116	4,445,116
Available-for-sale financial assets	–	18,552,334	18,552,334
Loans and receivables – net	266,056	3,153,837	3,419,893
Investment properties	–	4,186,000	4,186,000
Other assets	147,410	–	147,410
	4,750,374	30,337,287	35,087,661
Liabilities			
Taxes payable	205,622	–	205,622
Trust fees payable	28,972	–	28,972
Other liabilities	246,717	–	246,717
	481,311	–	481,311
Net equity	₱4,269,063	₱30,337,287	₱34,606,350

Details of the net equity as of December 31 are as follows:

	2018	2017
Net Equity		
Fund balances at beginning of year	**₱34,606,350**	₱35,297,088
Additional contributions	**2,247,053**	2,567,483
Withdrawals during the year	**(3,582,813)**	(4,036,310)
Unrealized re-measurement gain (loss) on investment properties	**983,680**	(912,728)
Trust fund income	**1,720,203**	2,285,042
Other comprehensive loss for the year:		
Unrealized fair value changes on financial assets at FVOCI	**(542,322)**	–
Net changes in fair values of available-for-sale investments	**–**	(594,225)
Fund balances at end of year	**₱35,432,151**	₱34,606,350

Total contributions to the trust funds amounted to ₱2.25 million, ₱2.57 million and ₱2.68 million in 2018, 2017 and 2016, respectively. Total withdrawals from the trust funds amounted to ₱3.58 million, ₱4.04 million and ₱7.09 million in 2018, 2017 and 2016, respectively.

Mark to market loss of financial assets at FVOCI and available-for-sale financial assets amounted to ₱0.54 million and ₱0.59 million in 2018 and 2017, respectively, and mark to market gain amounted to ₱0.60 million in 2016.

Movement in unrealized fair value changes on financial assets at FVOCI in 2018 is as follows:

Balance at January 1, 2018, as previously stated	₱–
Transfer from AFS (Note 2)	672,577
Balance at January 1, 2018, as restated	672,577
Market to market loss for the year	(542,322)
Balance at December 31, 2018	₱130,255

The movement in fair value of AFS financial assets in 2017 is as follows:

Balance at January 1, 2017	₱1,266,802
Market to market loss for the year	(594,225)
Balance at December 31, 2017	₱672,577

Details of reserves are as follows:

	2018	2017
PNR	**₱30,394,126**	₱31,710,864
Reserve for trust fund deficiency	**10,258,961**	8,824,505
Pension bonus reserve	**577,569**	651,186
Insurance premium reserve	**129,183**	157,716
	41,359,839	41,344,271
Less noncurrent portion	**38,943,644**	39,844,243
	₱2,416,195	₱1,500,028

Net contractual liabilities comprise the PNR and reserve for trust fund deficiency. In the opinion of management and the independent actuary, CPI's net contractual liabilities amounting to ₱41.36 million and ₱41.34 million as of December 31, 2018 and 2017, respectively, which is based on the actuarial reports, closely reflect actual potential plan claims as of those dates.

In accordance with IC Circular Letter No. 23-2012 issued on November 28, 2012, the Group computed for the transitory PNR which amounted to ₱30.39 million and ₱31.71 million as of December 31, 2018 and 2017, respectively. If the resulting pre-need reserve is greater than the actual trust fund balance at the end of the year, the transitory pre-need reserves shall be computed in accordance with the schedule provided in the IC Circular Letter.

Although not required, in 2018 and 2017, the BOD has deemed it prudent and opted to set up the difference in net contractual liabilities and transitory pre-need reserve amounting to ₱10.26 million (to be funded for the next 3 years) and ₱8.82 million (to be funded for the next 4 years) under "Pre-need and other reserves" account as of December 31, 2018 and 2017, respectively.

The trust fund deficiency amounting to ₱3.42 million, ₱2.21 million and ₱2.52 million in 2018, 2017 and 2016, respectively, should be placed in the trust fund within 60 days from April 30 following the valuation date. The trust fund deficiency for the year represents the difference of pre-need reserve and trust fund investment, net of investment in trust funds allocated to pension bonus and unrealized gains.

The following presents the breakdown of the pre-need reserves by maturity dates as of December 31, 2018:

Within one year	₱2,416,195
More than one year	27,977,931
	₱30,394,126

IC Circular Letter No. 2018-58
On November 14, 2018, the IC issued Circular Letter 2018-58 providing Regulatory Relief for the Pre-need Industry due to High Volatility in the Philippine Market. The circular provides the following regulatory relief:

1. Valuation of Publicly Listed Equity Securities
   For listed equity securities acquired on or before December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the market rate as of December 31, 2017.

   For listed equity securities acquired after December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the acquisition cost.

   The above options apply provided the equity securities are not intended for sale in the short-term.

2. Valuation of Fixed Income Debt Securities
   Pre-need companies shall have the option to value all the fixed income debt securities at amortized cost.

3. Pre-need reserves

   Pre-need companies shall have the option to use the prevailing market rate or the discount rate for the reserves under Circular Letter 23-2012 in the valuation of pre-need reserves.

As of December 31, 2018, the Company did not avail of the above regulatory relief on the valuation of assets and pre-need reserves. Hence, the assets and pre-need reserves are valued using market rates.

IC Circular Letter No. 2019-06
On March 15, 2019, the IC issued Circular Letter 2019-06 providing Regulatory Relief for the Pre-need Industry to monitor and assess the overall impact of the regulatory relief provided for under IC Circular Letter No. 2018-58 to pre-need companies for the year 2018 and to further improve the regulations for pre-need companies.

The circular provides that all pre-need companies authorized to transact business in the Philippines shall submit the following quantitative impact assessment reports following the prescribed format:

a. with and without regulatory relief statement of financial position as of December 31, 2018 of the pre-need company;
b. with and without regulatory relief comparative statement of financial position as of December 31, 2018; and
c. with and without regulatory relief comparative reserve valuation report as of December 31, 2018.

All reports shall be duly certified and signed by the accountant and IC-accredited actuary together with the Chief Financial Officer (CFO) or its equivalent.

The above reports shall form an integral part of the Annual Statement and must be submitted on or before May 31, 2019.

6. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from the the real estate sales overtime in different product type and geographical location. The disaggregation of each sources of revenue from contracts with customers are presented below:

Real estate sales

Type of Product	**2018**	2017	2016
Medium-rise condominium	**₱1,406,208,769**	₱1,228,418,789	₱1,402,320,185
Parking slots and others	**56,561,274**	79,794,200	78,184,729
Lot only	**–**	2,500,000	–
Total	**₱1,462,770,043**	₱1,310,712,989	1,480,504,914

Geographical Location	**2018**	2017	2016
Manila	**₱1,462,770,043**	₱1,308,212,989	₱1,480,504,914
Tagaytay	**–**	2,500,000	–
Total	**₱1,462,770,043**	₱1,310,712,989	1,480,504,914

All of the Group's real estate sales, except for CPI, are revenue from contracts with customers recognized over time and are reported under "Sales of real estate properties" segment. For CPI, real estate sales are revenue from contracts with customers recognized at a point in time.

In 2018 and 2017, sales for real estate properties and rental income arose from contracts with external customers. There were no intercompany sales/transactions made on the said years. In 2016, CPI purchased condominium units from CLDI amounting to ₱19.42 million (see Note 26).

Contract Balances

	December 31, 2018	January 1, 2018
Installment contracts receivable	**₱31,015,195**	₱6,524,470
Contract assets:		
Current	**481,139,602**	319,390,173
Noncurrent	**1,564,896,929**	1,509,504,341
Contract liabilities	**535,862,003**	–

Installment contracts receivable as of December 31:

	2018	2017
Installment contracts receivable	**₱31,015,195**	₱1,835,418,984
Less noncurrent portion	**20,050,544**	1,509,504,341
Current portion	**₱10,964,651**	₱325,914,643

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from 1 to 10 years which bear monthly interest rates of 0.67% to 2.00% both in 2018 and 2017 computed on the diminishing balance. The movement in installment contract receivable is mainly due to the adoption of PFRS 15 effective January 1, 2018.

Interest income earned from installment contracts receivable and contract assets amounted to ₱260.25 million, ₱247.47 million and ₱222.55 million in 2018, 2017 and 2016, respectively (see Note 21).

The Parent Company, CLDI and CI entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contract receivable enrolled and renewed by the Group amounted to ₱2.64 billion and ₱1.67 billion in 2018 and 2017, respectively. The Group paid a guaranty premium of 1.00% based on outstanding principal balance of the receivables in 2018, 2017 and 2016 (see Note18).

Contract asset represents the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection. The recognition of contract asset is mainly due to the adoption of PFRS 15 effective January 1, 2018 where contract asset is recognized for the excess of progress of work over the right to an amount of consideration.

Contract liabilities amounting to ₱535.86 million as of December 31, 2018 consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred by the Group based on percentage of completion. The movement in contract liability is mainly due to the adoption of PFRS 15 effective January 1, 2018 where "Customers' deposits" under "Accounts Payable and Accrued Expenses" account is reclassified as contract liabilities.

As of January 1, 2018, no contract liability was recognized by the Company. Thus, no revenue was recognized for the year ended December 31, 2018 that was included in the contract liability balance as at January 1, 2018.

b. *Performance obligations*

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the lot or condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group, except for CPI, recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction. CPI recognizes revenue from the sale of these real estate projects at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include down payment of generally 5% to 10% of the contract price with the remaining balance payable through in-house financing which ranges from one (1) month to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 are as follows:

Within one year	₱171,603,219
More than one year	202,640,880
	₱374,244,099

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three years and five years from start of construction.

Rental agreements
The Group entered into lease agreements for its buildings for lease with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee. Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to issue post-dated check on the monthly rental payments. In case of delay in payments, a penalty of about 4% per annum is charged for the amount due for the duration of delay. The lease arrangement for the Group's long term lease transactions would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

c. Cost to Obtain Contract

The balances below pertain to the cost to obtain contracts as of December 31, 2018 as presented in the consolidated statement of financial position:

Balance at beginning of year	₱13,715,298
Additions	34,071,509
Amortization	(14,717,103)
Balance at end of year	33,069,254
Less noncurrent portion	19,766,947
Current portion	₱13,302,307

7. Notes Receivable

Notes receivable from various financial institutions earns interest at the prevailing market interest rates ranging from 2.860% to 5.380%.

	2018	2017
Notes receivable	**₱916,500,000**	₱728,000,000
Less noncurrent portion	**595,000,000**	600,000,000
Current portion	**₱321,500,000**	₱128,000,000

There were no properties offered as collaterals for the said notes receivables. Details of notes receivables are as follows:

Date of Placement	Amount	Maturity Date
November 2018	₱41,500,000	January 2019
October 2018	52,500,000	February 2019
September 2018	47,500,000	January 2019
August 2018	95,000,000	February 2020
June 2018	30,000,000	June 2021
May 2018	50,000,000	May 2019
December 2017	70,000,000	December 2022
October 2017	70,000,000	April 2019
October 2017	60,000,000	October 2019
April 2017	380,000,000	April 2020
August 2016	20,000,000	August 2020
Total	₱916,500,000	

Interest income earned from notes receivable amounted to ₱29.16 million, ₱12.08 million and ₱0.16 million in 2018, 2017 and 2016, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	2018	2017
Advances to customers	**₱15,064,530**	₱22,479,815
Accrued interest (Note 26)	**21,286,634**	11,838,196
Rent receivable	**14,268,276**	11,044,207
Due from BIR	**3,774,771**	2,673,535
Retention	**1,462,366**	2,771,681
Due from related parties (Note 26)	–	1,017,855
Others	**2,100,241**	1,411,136
	57,956,818	53,236,425
Less noncurrent portion	**3,310,297**	7,472,598
Current portion	**₱54,646,521**	₱45,763,827

Advances to customers are receivables of the Group for the real estate property taxes of sold condominium units initially paid by the Group. Accrued interest pertains to interest income earned as of December 31 but not yet received by the Group.

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). Due from BIR pertains to input VAT refund relating to zero-rated sales in 2018 and 2017.

Other receivables include employees' advances and receivables from customers for expenses initially paid by Group.

9. Real Estate Properties for Sale

Real estate properties for sale consists of costs incurred in the development of condominium units and residential houses. Real estate properties for sale includes deemed cost adjustment amounting to ₱22.10 million and ₱49.82 million as of December 31, 2018 and 2017, respectively (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

The movements in real estate properties for sale are as follows:

	2018	2017
Balances at beginning of year	**₱1,177,390,644**	₱1,518,256,209
Construction/development costs incurred	**685,692,827**	423,212,900
Disposals (cost of real estate sales)	**(742,331,601)**	(738,985,531)
Transfer from real estate properties held for future development (Note 10)	**760,470,007**	–
Transfer from (to) investment properties (Note 11)	**11,534,295**	(32,266,351)
Borrowing costs capitalized (Note 22)	**9,495,031**	3,247,060
Other adjustments - net	**13,861,828**	3,926,357
Balances at end of year	**₱1,916,113,031**	₱1,177,390,644

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties. The average capitalization rate used to determine the amount of capitalized borrowing costs eligible for capitalization is 1.88% in 2018 and 1.24% in 2017 and 2016.

Other adjustments include realized deemed cost adjustment and the recognition of repossessed real estate properties measured at fair value less cost to sell at the date of repossession.

10. Real Estate Properties Held for Future Development

Real estate properties held for future development include land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	2018	2017
Balances at beginning of year	**₱1,194,820,381**	₱978,108,206
Additions	**597,417,558**	9,489,074
Transfer to real estate properties for sale (Note 9)	**(760,470,007)**	–
Transfer to investment properties (Note 11)	**(11,368,615)**	(4,371,873)
Transfer from investment properties (Note 11)	–	211,594,974
Transfer to property and equipment (Note 12)	**(46,526,324)**	–
Balances at end of year	**₱973,872,993**	₱1,194,820,381

11. Investment Properties

Investment properties consist of:

	2018	2017
Real estate properties for lease	**₱1,864,862,441**	₱2,107,285,414
Real estate properties held for capital appreciation	**181,139,332**	–
	₱2,046,001,773	₱2,107,285,414

Movements in investment properties are as follows:

	2018				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Costs					
Balances at beginning of year	**₱951,668,189**	**₱1,084,193,811**	**₱208,978,446**	**₱838,749**	**₱2,245,679,195**
Additions	**525,000**	–	–	**8,591,877**	**9,116,877**
Transfer to real estate properties for sale (Note 9)	–	**(11,534,295)**	–	–	**(11,534,295)**
Transfer from real estate properties for future development (Note 10)	**11,368,615**	–	–	–	**11,368,615**
Reclassification	–	**9,430,626**	–	**(9,430,626)**	–
Transfer to property and equipment (Note 12)	–	**(9,430,626)**	–	–	**(9,430,626)**
Balances at end of year	**963,561,804**	**1,072,659,516**	**208,978,446**	–	**2,245,199,766**
Accumulated Depreciation					
Balances at beginning of year	–	**107,140,463**	**31,253,318**	–	**138,393,781**
Depreciation (Notes 18 and 20)	–	**43,344,783**	**17,459,429**	–	**60,804,212**
Balances at end of year	–	**150,485,246**	**48,712,747**	–	**199,197,993**
Net Book Values	**₱963,561,804**	**₱922,174,270**	**₱160,265,699**	**₱–**	**₱2,046,001,773**

	2017				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Costs					
Balances at beginning of year	₱910,911,594	₱297,207,285	₱47,972,500	₱931,501,215	₱2,187,592,594
Additions	58,442	25,400,585	–	120,134,815	145,593,845
Transfer from real estate properties for sale (Note 9)	–	–	–	32,266,351	32,266,351
Transfer from real estate properties held for future development (Note 10)	–	4,371,873	–	–	4,371,873
Transfer to real estate properties held for future development (Note 10)	(189,094,365)	(22,500,609)	–	–	(211,594,974)
Capitalized borrowing costs (Note 22)	–	–	–	7,075,307	7,075,307
Reclassification	229,792,518	779,714,677	161,005,946	(1,090,138,939)	80,374,202
Balances at end of year	951,668,189	1,084,193,811	208,978,446	838,749	2,245,679,195
Accumulated Depreciation					
Balances at beginning of year	–	84,344,287	20,701,693	–	105,045,980
Depreciation (Notes 18 and 20)	–	22,796,176	10,551,625	–	33,347,801
Balances at end of year	–	107,140,463	31,253,318	–	138,393,781
Net Book Values	₱951,668,189	₱977,053,348	₱177,725,128	₱838,749	₱2,107,285,414

Investment properties as of December 31, 2018 and 2017 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

	PEZA Registration No.	Date Registered
CityNet1	EZ14-04	March 3, 2014
Citynet Central	EZ15-06	February 17, 2015

Construction in progress as of December 31, 2017 pertains to the construction of a building which commenced in 2017 and completed in November 2018. The said building was transferred to "Property and equipment" account in 2018.

The net book values of land and building include net deemed cost adjustment amounting to ₱158.67 million as of December 31, 2018 and 2017 (see Note 16). The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

Based on the appraisal reports by SEC-accredited and independent firms of appraisers using market data and sales comparison approach at various dates in 2018 and 2017, appraised values of these investment properties amounted to ₱4.52 billion and ₱4.17 billion as of dates of appraisal in 2018 and 2017, respectively (see Note 27).

The following are the long-term lease contracts entered into by the Group as of December 31, 2018:

Commencement Date	Lessee (Third Parties)	Term
2019	Domestic Corporation	3 years
2018	Retail Store	3 years
2018	BPO	5 years
2018	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years

(Forward)

Commencement Date	Lessee (Third Parties)	Term
2018	Domestic Corporation	3 years
2017	BPO	3 years
2017	Convenience Store	5 years
2016	Fast Food	10 years
2016	Domestic Corporation	5 years
2015	Domestic Corporation	4 years and 4 months
2014	BPO	5 years and 8 months
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

The future minimum lease payments for these lease agreements as of December 31 are as follows:

	2018	2017
Within one year	**₱97,145,452**	₱102,271,503
After one year but not more than five years	**161,175,980**	169,925,542
Later than five years	**23,985,920**	32,836,048
	₱282,307,352	₱305,033,093

Rent income from investment properties amounted to ₱126.31 million, ₱119.68 million and ₱92.76 million in 2018, 2017, and 2016, respectively (see Note 30).

Direct operating expenses on investment properties pertaining to depreciation, real estate taxes and other expenses amounted to ₱96.19 million, ₱59.68 million and ₱33.85 million in 2018, 2017 and 2016, respectively (see Note 30).

Other lease agreements with third parties are generally for a one year term renewable every year.

12. Property and Equipment

Property and equipment consists of:

	2018					
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Total
At Cost						
Balances at beginning of year	₱–	₱–	₱–	**₱40,108,459**	**₱6,380,142**	**₱46,488,601**
Transfer from real estate properties held for future development (Note 10)	**46,526,324**	–	–	–	–	**46,526,324**
Transfer from investment properties (Note 11)	–	**8,649,376**	–	**781,250**	–	**9,430,626**
Disposal	–	–	–	**(11,620,993)**	**(1,347,307)**	**(12,968,300)**
Balances at end of year	**46,526,324**	**8,649,376**	–	**29,268,716**	**5,032,835**	**89,477,251**
Accumulated Depreciation						
Balances at beginning of year	–	–	–	**33,727,896**	**5,713,040**	**39,440,936**
Depreciation (Notes 18 and 20)	–	**28,831**	–	**2,237,661**	**301,608**	**2,568,100**
Disposal	–	–	–	**(11,620,993)**	**(1,347,307)**	**(12,968,300)**
Balances at end of year	–	**28,831**	–	**24,344,564**	**4,667,341**	**29,040,736**
Net Book Value	**46,526,324**	**8,620,545**	–	**4,924,152**	**365,494**	**60,436,515**
At Deemed Cost	–	–	**253,365,628**	–	–	**253,365,628**
Balances at beginning of year	–	–	**249,879,666**	–	–	**249,879,666**
Depreciation (Notes 18 and 20)	–	–	**3,076,649**	–	–	**3,076,649**
Balances at end of year	–	–	**252,956,315**	–	–	**252,956,315**
Net Deemed Cost	–	–	**409,313**	–	–	**409,313**
Total	**₱46,526,324**	**₱8,620,545**	**₱409,313**	**₱4,924,152**	**₱365,494**	**₱60,845,828**

	2017			
	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Total
At Cost				
Balances at beginning of year	₱–	₱34,700,959	₱6,380,142	₱41,081,101
Additions	–	5,407,500	–	5,407,500
Balances at end of year	–	40,108,459	6,380,142	46,488,601
Accumulated Depreciation				
Balances at beginning of year	–	31,893,347	5,411,433	37,304,780
Depreciation (Notes 17 and 19)	–	1,834,549	301,607	2,136,156
Balances at end of year	–	33,727,896	5,713,040	39,440,936
Net Book Value	–	6,380,563	667,102	7,047,665
At Deemed Cost	253,365,628	–	–	253,365,628
Accumulated Depreciation				
Balances at beginning of year	246,803,015	–	–	246,803,015
Depreciation (Notes 17 and 19)	3,076,651	–	–	3,076,651
Balances at end of year	249,879,666	–	–	249,879,666
Net Deemed Cost	3,485,962	–	–	3,485,962
Total	₱3,485,962	₱6,380,563	₱667,102	₱10,533,627

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of

transition to PFRSs. As of December 31, 2018 and 2017, the balances at pre-PFRS cost of the office premises are as follows:

	2018	2017
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**55,690,047**	55,036,250
Net book values	**₱85,699**	₱739,496

Difference between the net deemed cost and the net pre-PFRSs cost amounting to ₱0.32 million and ₱2.75 million as of December 31, 2018 and 2017, respectively, represents the remaining balance of the deemed cost adjustment (see Note 16).

The cost of fully depreciated property and equipment still used in operations amounted to ₱20.43 million and ₱33.40 million as of December 31, 2018 and 2017, respectively.

13. Other Assets

Other current assets amounting to ₱44.29 million and ₱61.37 million as of December 31, 2018 and 2017, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	2018	2017
Guaranty deposit (Note 26)	**₱257,150,000**	₱–
Unused input VAT	**33,109,863**	57,187,022
Financial assets at FVOCI	**1,416,284**	–
Available-for-sale financial assets	–	1,629,078
Advances to contractors	**275,634**	7,793,891
Deposits and others	**17,174,194**	19,101,461
	₱309,125,975	₱ 85,711,452

Guaranty deposits pertain to placements made by Credit and Land Holdings, Inc. (CLHI), an affiliate of the Parent Company, in favor of the Housing and Land Use Regulatory Board (HLURB) wherein the Parent Company is required to secure a cash bond in relation to the construction and development of its ongoing projects (see Note 26). The interest income earned from guaranty deposits amounted to ₱7.64 million in 2018 and nil in 2017 and 2016 (see Note 21).

The unused input VAT arose from the purchase of parcels of land recorded as part of "Real estate properties held for future development" and "Investment properties" accounts in 2018 and 2017, respectively (see Notes 10 and 11). The related input VAT is utilized upon the launching of the project.

Financial assets at FVOCI/available-for-sale financial assets consist of investments in listed equity securities. The fair values of available-for-sale financial assets were determined based on published prices in an active market.

The movement in the account presented in the equity section of the consolidated statements of financial position is as follows:

	Net changes in fair values of available-for-sale financial assets	Unrealized fair value changes on financial assets at FVOCI
Balance at January 1, 2018, as previously stated	₱1,251,555	₱–
Adoption of PFRS 9 (Note 2)	(1,251,555)	1,251,555
Balances at January 1, 2018, as restated	–	1,251,555
Changes in fair value	–	(653,526)
Balances at December 31, 2018	₱–	₱598,029

Mark-to-market gain (loss) on available-for-sale financial assets pertaining to the non-controlling interests amounted to (₱0.11 million) and ₱0.02 million in 2018 and 2017, respectively.

Dividend income from available-for-sale financial assets amounted to ₱21,823, ₱22,824 and ₱24,746 in 2018, 2017 and 2016, respectively (see Note 21).

Advances to contractors are advances made by the Group for the contractors' supply requirement whereas deposits and others represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2018	2017
Trade payables	**₱92,358,444**	₱137,980,436
Customers' deposits	**34,194,907**	37,816,462
Accrued expenses:		
Development costs	**58,515,131**	97,195,128
Directors' fee (Note 26)	**25,428,867**	20,660,349
Sick leave (Note 24)	**25,289,961**	24,020,922
Taxes, premiums, others	**5,000,509**	3,906,452
Interest payable	**6,007,542**	2,398,253
Deferred rent income	**12,837,989**	5,177,513
Dividends payable	**11,900,913**	11,050,680
Withholding taxes payable	**8,169,472**	4,644,064
Due to related parties (Note 26)	**1,843,451**	–
Others	**7,457,292**	10,669,056
	289,004,478	355,519,315
Less noncurrent portion	**122,909,362**	103,764,222
Current portion	**₱166,095,116**	₱251,755,093

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of customers' reservation fees, rental deposits and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed condominium units of the Group. Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commissions payable, unclaimed checks of pension holders, and payables due to government agencies.

The movements in dividends payable and accrued interest are as follows:

			Payments		
	January 1, 2018	**Additions**	**Expensed**	**Capitalized**	**December 31, 2018**
Dividends payable (Note 16)	**₱11,050,680**	**₱137,328,312**	**(₱136,478,079)**	**₱–**	**₱11,900,913**
Accrued interest (Note 15)	**2,398,253**	**24,673,384**	**(11,569,064)**	**(9,495,031)**	**6,007,542**
	₱13,448,933	**₱162,001,696**	**(₱148,047,143)**	**(₱9,495,031)**	**₱17,908,455**

			Payments		
	January 1, 2017	Additions	Expensed	Capitalized	December 31, 2017
Dividends payable (Note 16)	₱9,229,007	₱142,883,989	(₱141,062,316)	₱–	₱11,050,680
Accrued interest (Note 15)	2,526,374	19,053,838	(8,859,592)	(10,322,367)	2,398,253
	₱11,755,381	₱161,937,827	(₱149,921,908)	(₱10,322,367)	₱13,448,933

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	2018	2017
Notes payable	**₱1,358,050,000**	₱1,453,450,000
Contracts payable	**7,497,992**	–
	₱1,365,547,992	₱1,453,450,000

Notes payable pertain to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 1.31% to 5.00% and 1.06% to 1.25% as of December 31, 2018 and 2017, respectively.

On various dates in 2018 and 2017, the SEC authorized the Parent Company and CLDI to issue total aggregated amount of ₱1.75 billion, worth of commercial papers registered with the SEC in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations and other applicable laws and orders. Outstanding commercial papers issued by the Parent Company and CLDI as of December 31, 2018 and 2017 aggregated to ₱1.36 billion and ₱1.45 billion, respectively.

The movements in notes payable are as follows:

	2018	2017
Beginning balance	**₱1,453,450,000**	₱1,673,000,000
Availment	**6,088,050,000**	6,106,350,000
Payment	**(6,183,450,000)**	(6,325,900,000)
Ending balance	**₱1,358,050,000**	₱1,453,450,000

Interest expense related to notes payable amounted to ₱23.88 million, ₱18.50 million and ₱14.52 million in 2018, 2017 and 2016, respectively (see Note 22). Capitalized borrowing costs amounted to ₱9.49 million, ₱10.33 million and ₱9.65 million in 2018, 2017 and 2016, respectively (see Notes 9, 11 and 22). Total interest paid amounted to ₱21.06 million, ₱19.18 million and ₱14.95 million in 2018, 2017 and 2016, respectively.

The Company, CI, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.45 billion as of December 31, 2018 and 2017, which are available for drawing by any of the companies in the Cityland Group. No loans were availed by the Cityland Group from the credit line in 2018 and 2017.

The Parent Company has specific credit lines amounting to ₱500.00 million in 2018 and 2017. As of December 31, 2018 and 2017, no loans were availed from the credit line.

The carrying values of the Parent Company's properties that will be used as collaterals as of December 31, 2018 and 2017 are as follows:

	2018	2017
Investment properties	**₱130,189,620**	₱191,874,739
Real estate properties for sale	**61,629,682**	–
	₱191,819,302	₱191,874,739

In 2018, a parcel of land used as collateral classified as investment property amounting to ₱61.63 million was reclassified to real estate properties for sale.

Contracts payable amounting to ₱7.50 million as of December 31, 2018, represents liability arising from a contract entered into by CLDI to purchase land for future development (see Note 10).

The movements in contract payable are as follows:

	2018	2017
Beginning balance	**₱–**	₱–
Availment	**482,000,000**	–
Payment	**(474,502,008)**	–
Ending balance	**₱7,497,992**	₱–

16. Equity

a. The Parent Company registered 10,000,000 shares with the SEC on June 15, 1978 with an initial offer price of ₱10.00. On July 27, 2012, the SEC approved the Amended Articles of Incorporation on the application for increase in authorized capital stock from ₱3.00 billion to ₱4.00 billion with a par value of ₱1.00 each. As of December 31, 2018 and 2017, the Parent Company has 3,940,001,648 shares held by 661 equity holders and 3,940,001,648 shares held by 669 equity holders, respectively.

On the special stockholders' meeting held on October 5, 2018, the stockholders representing two-thirds (2/3) of the outstanding capital stock approved and ratified the declaration of 6.5% stock dividends which shall come from the unappropriated retained earnings as of December 31, 2017 through an increase in authorized capital stock of One Billion (1,000,000,000) shares with par value of One Peso (Php1.00). The application for the increase in authorized capital stock shall be submitted for approval by the SEC. The record date of stock dividends shall be fixed by the SEC after clearance and approval.

The above declaration amends the previously 5% stock dividends declared by the Board of Directors last May 2, 2018 and approved by stockholders last June 5, 2018. On July 20, 2018 after initial assessment of SEC on the Parent Company's application of increase in authorized capital stock of One Billion (1,000,000,000) shares, the Board resolved and approved the cancellation of the Parent Company's application with SEC to increase the percentage of stock dividends and set a special stockholders' meeting.

On March 14, 2019, the SEC approved the increase in authorized capital stock of the Company from 4,000,000,000 shares to 5,000,000,000 shares with par value of One Peso (₱1.00).

The following table summarizes the reconciliation of the issued and outstanding shares of capital stock for each of the following:

	2018		2017		2016	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized shares- ₱1 par value	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
Issued, beginning of year	**3,940,001,648**	**₱3,940,001,648**	3,752,475,115	₱3,752,475,115	3,573,878,400	₱3,573,878,400
Treasury stock	**(4,234,588)**	**(4,234,588)**	(4,234,588)	(4,234,588)	(4,125,225)	(4,125,225)
Outstanding	**3,935,767,060**	**3,935,767,060**	3,748,240,527	3,748,240,527	3,569,753,175	3,569,753,175
Stock dividends	**–**	**–**	187,526,533	187,526,533	178,596,715	178,596,715
	3,935,767,060	**3,935,767,060**	3,935,767,060	3,935,767,060	3,748,349,890	3,748,349,890
Treasury stock	**4,234,588**	**4,234,588**	4,234,588	4,234,588	4,125,225	4,125,225
Issued, end of year	**3,940,001,648**	**₱3,940,001,648**	3,940,001,648	₱3,940,001,648	3,752,475,115	₱3,752,475,115

Treasury stock includes 2,296,641 shares in 2018 and 2017, respectively, held by CPI.

b. Dividends declared and issued/paid by the Parent Company in 2018, 2017 and 2016 are as follows:

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 8, 2018	–	₱0.0301	May 23, 2018	June 07, 2018
	May 23, 2017	–	0.036	June 6, 2017	June 22, 2017
	June 3, 2016	–	0.066	June 17, 2016	July 1, 2016
Stock	September 5, 2018	October 5, 2018	6.5%	*to be fixed*	*to be fixed*
	April 27, 2017	June 6, 2017	5%	July 6, 2017	August 1, 2017
	April 25, 2016	June 7, 2016	5%	July 7, 2016	August 2, 2016

Fractional shares of stock dividends were paid in cash based on the par value.

The record date of stock dividend declared in 2018 shall be fixed by the SEC after clearance and approval.

The SEC approved the issuance of 5% stock dividends declared by the BOD and ratified by the stockholders during the Annual Stockholders' Meeting in 2017 and 2016.

c. As of December 31, 2018 and 2017, the retained earnings attributable to equity holders of the Parent Company and the non-controlling interest include the remaining balance of deemed cost adjustment which arose when the Group transitioned to PFRSs in 2005.

The components of the deemed cost adjustment, net of deferred income tax liabilities included in equity, as of December 31 are as follows:

	2018	2017
Real estate properties for sale (Note 9)	**₱22,101,614**	₱49,824,290
Investment properties (Note 11)	**158,666,021**	158,666,020
Property and equipment (Note 12)	**323,610**	2,746,466
Deemed cost adjustment	**181,091,245**	211,236,776
Deferred income tax liability (Note 25)	**(54,327,373)**	(63,371,033)
Net deemed cost adjustment	**₱126,763,872**	₱147,865,743

In 2017, ₱61.16 million of deemed cost adjustment on investment properties was transferred to real estate properties for sale of which ₱16.28 million was realized through sale.

The net deemed cost adjustment is allocated in the consolidated statements of changes in equity as follows:

	2018	2017
Attributable to:		
Equity holders of the Parent Company	**₱120,819,255**	₱141,921,126
Non-controlling interest	**5,944,617**	5,944,617
	₱126,763,872	₱147,865,743

The balance of retained earnings is restricted for the payment of dividends to the extent of the following:

	2018	2017
Undistributed earnings of subsidiaries	**₱1,085,689,025**	₱998,775,299
Net deemed cost adjustment in properties	**126,763,872**	147,865,743
Cost of treasury shares	**31,429,574**	31,429,574
Deferred income tax assets (Note 25)	**36,746,681**	26,045,164
Fair value adjustment arising from repossessed inventories	**20,056,219**	25,768,060
	₱1,300,685,371	₱1,229,883,840

17. Material Partly-owned Subsidiary

Below are the summarized financial information of the subsidiaries that have non-controlling interests that are material to the Group. The amounts disclosed are based on those financial information included in the consolidated financial statements before intercompany eliminations.

Proportion of equity interest held by non-controlling interests as of December 31, 2018 and 2017:

CLDI	50.27%
CPI	9.19%

As of December 31, the summarized statements of financial position of the subsidiaries are as follows:

	CLDI		CPI	
	2018	2017	**2018**	2017
Total assets	**₱2,494,404,536**	₱2,198,958,218	**₱337,216,148**	₱323,152,286
Total liabilities	**446,281,674**	269,180,666	**52,374,188**	51,355,558
Equity	**2,048,122,862**	1,929,777,552	**284,841,960**	271,796,728
Attributable to non-controlling interests	**1,026,677,110**	967,184,840	**29,482,992**	27,673,576

Summarized statements of income for the years ended December 31 are as follows:

	CLDI		CPI	
	2018	2017	**2018**	2017
Revenue	**₱512,812,865**	₱526,333,428	**₱61,584,509**	₱38,761,275
Expenses	**312,825,180**	373,542,516	**39,931,696**	27,304,773
Provision for (benefit from) income tax	**50,284,869**	21,741,259	**5,216,328**	1,193,956
Net income	**149,702,816**	131,049,653	**16,436,485**	10,262,546
Attributable to non-controlling interests	**75,255,606**	65,878,660	**1,510,513**	943,128
Cash dividends paid to non-controlling interest	**19,193,668**	7,864,325	**331,940**	139,181

Summarized statements of comprehensive income for the years ended December 31 are as follows:

	CLDI		CPI	
	2018	2017	**2018**	2017
Net income	**₱149,702,816**	₱131,049,653	**₱16,436,485**	₱10,262,546
Other comprehensive income (loss)	**1,028,596**	491,575	**(3,391,253)**	267,112
Total comprehensive income	**150,731,412**	131,541,228	**13,045,232**	10,529,658
Attributable to non-controlling interests	**75,722,681**	66,125,776	**1,477,017**	890,347

Summarized statements of cash flows for the years ended December 31 are as follows:

	CLDI		CPI	
	2018	2017	**2018**	2017
Cash flows from operating activities	**(₱407,507,324)**	₱103,894,191	**₱28,833,285**	₱20,969,876
Cash flows from (used in) investing activities	**306,515,056**	(270,985,338)	**(12,360,865)**	(20,309,907)
Cash flows from (used in) financing activities	**3,648,928**	(2,637,421)	**–**	–

18. Operating Expenses

Operating expenses consist of:

	2018	2017	2016
Personnel (Note 19)	**₱198,485,833**	₱160,270,199	₱200,210,464
Depreciation (Note 20)	**66,448,961**	38,560,608	23,738,651
Taxes and licenses	**65,190,820**	42,439,179	43,990,167
Professional fees	**41,234,647**	34,691,331	42,874,410
Light, power and water	**24,536,017**	16,342,968	12,374,444
Insurance (Note 6)	**23,239,369**	18,329,482	16,865,456
Outside services	**21,569,786**	16,940,127	18,387,608
Repairs and maintenance	**10,900,036**	6,319,031	6,792,703
Brokers' commission	**7,486,386**	6,392,024	7,525,831
Membership dues	**6,856,433**	8,238,928	14,850,692
Rent expense	**5,619,065**	4,825,052	6,551,991
Advertising and promotions	**5,437,116**	7,040,061	8,488,064
Postage, telephone and telegraph	**2,884,953**	2,108,232	2,737,546
Donations	**2,405,000**	2,555,000	2,975,000
Stationery and office supplies	**2,256,084**	1,797,568	1,815,010
Others	**28,194,204**	14,439,857	19,368,738
	₱512,744,710	₱381,289,647	₱429,546,775

Others include transportation and miscellaneous expenses.

19. Personnel Expenses

Personnel expenses consist of:

	2018	2017	2016
Salaries and wages	**₱95,641,656**	₱67,192,578	₱86,762,925
Bonuses and other employee benefits	**51,094,803**	53,309,428	73,505,128
Commissions	**48,809,316**	37,457,346	38,534,067
Retirement benefits cost (Note 24)	**2,940,058**	2,310,847	1,408,344
	₱198,485,833	₱160,270,199	₱200,210,464

20. Depreciation

Depreciation consists of:

	2018	2017	2016
Investment properties (Note 11)	**₱60,804,212**	₱33,347,801	₱19,156,719
Property and equipment (Note 12)	**5,644,749**	5,212,807	4,581,932
	₱66,448,961	₱38,560,608	₱23,738,651

21. Financial Income

Financial income consists of:

	2018	2017	2016
Interest income from:			
Installment contracts receivable and contract assets (Note 6)	**₱260,250,856**	₱247,470,820	₱222,554,260
Cash equivalents and short-term cash investments (Note 4)	**83,326,412**	67,267,529	63,781,166
Notes receivable (Note 7)	**29,158,034**	12,077,708	163,556
Guaranty deposit (Note 13)	**7,641,128**	–	–
Cash in banks (Note 4)	**293,967**	70,942	77,020
Others	**2,147,981**	1,290,520	1,433,926
Dividend income (Note 13)	**21,823**	22,824	24,746
	₱382,840,201	₱328,200,343	₱288,034,674

22. Financial Expenses

Financial expenses consist of:

	2018	2017	2016
Interest expense on:			
Notes payable (Note 15)	**₱23,881,596**	₱18,500,444	₱14,518,815
Less capitalized borrowing costs (Notes 9, 11 and 15)	**(9,495,031)**	(10,322,367)	(9,648,018)
	14,386,565	8,178,077	4,870,797
Finance charges	**1,562,050**	1,229,650	1,481,312
Others	**791,788**	553,394	1,120,008
	₱16,740,403	₱9,961,121	₱7,472,117

23. Other Income/Expenses

Other income
Other income amounting to ₱83.98 million, ₱84.78 million and ₱65.37 million in 2018, 2017 and 2016, respectively, pertains to trust fund income, penalties for customers' late payments, sale of scraps and forfeiture of reservations/downpayments received on sales which were not consummated.

Other expenses
Other expenses amounting to ₱29.98 million, ₱26.98 million and ₱33.10 million in 2018, 2017 and 2016, respectively, pertain to loss due to forfeiture/cancellation of sales.

24. Employee Benefits

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees retirement benefit under the collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

Retirement benefits cost
The Group, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, covering all of its permanent employees. This provides for payment of benefits to covered employees upon retirement subject to certain condition which is based on a certain percentage of the employee's final monthly salary and the number of years of service.

The fund is administered by a third-party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan.

The details of net retirement benefits cost, which is included in "Personnel expense" account (see Note 19), are as follows:

	2018	2017	2016
Current service cost	**₱3,427,863**	₱2,618,861	₱2,037,975
Net interest income on net defined benefit obligation	**(487,805)**	(308,014)	(629,631)
Net retirement benefits cost	**₱2,940,058**	₱2,310,847	₱1,408,344

Re-measurement loss (gain) recognized in the consolidated statements of comprehensive income comprises the following:

	2018	2017	2016
Actuarial loss (gain) on defined benefit obligation:			
Due to experience adjustments	**₱3,724,267**	₱1,057,054	₱2,002,482
Due to change in financial assumption	**(5,067,003)**	(3,247,966)	6,021,576
Actuarial loss (gain) on plan assets excluding amounts included in net interest cost	**(7,953,480)**	871,082	271,848
Re-measurement loss (gain)	**(9,296,216)**	(1,319,830)	8,295,906
Tax effect (Note 25)	**2,788,865**	395,949	(2,488,772)
	(₱6,507,351)	(₱923,881)	₱5,807,134

The details of the net retirement plan assets are as follows:

	2018	2017
Present value of defined benefit obligation	**₱61,167,957**	₱56,483,069
Fair value of plan assets	**79,869,797**	65,133,581
Net retirement plan assets	**₱18,701,840**	₱8,650,512

The breakdown of net retirement plan assets per company as of December 31 per entity follows:

	2018	2017
Net retirement plan assets:		
Parent Company	**₱21,659,561**	₱13,725,742
CPI	**686,099**	413,629
	22,345,660	14,139,371
Net retirement benefits liability - CLDI	**(3,643,820)**	(5,488,859)
Net retirement plan assets	**₱18,701,840**	₱8,650,512

Changes in net retirement plan assets are as follows:

	2018	2017
Beginning balances	**₱8,650,512**	₱5,946,359
Retirement benefits cost	**(2,940,058)**	(2,310,847)
Re-measurement gain (loss)	**9,296,216**	1,319,830
Contributions	**3,695,170**	3,695,170
Ending balances	**₱18,701,840**	₱8,650,512

Changes in present value of defined benefit obligation are as follows:

	2018	2017
Defined benefit obligation, January 1	**₱56,483,069**	₱55,087,221
Current service cost	**3,427,863**	2,618,861
Interest cost on benefit obligation	**3,185,323**	2,856,572
Benefits paid	**(585,562)**	(1,888,673)
Actuarial gains	**(1,342,736)**	(2,190,912)
Defined benefit obligation, December 31	**₱61,167,957**	₱56,483,069

Changes in fair value of plan assets are as follows:

	2018	2017
Fair value of plan assets, January 1	**₱65,133,581**	₱61,033,580
Interest income	**3,673,128**	3,164,586
Actuarial gain (loss) excluding amount recognized in net interest cost	**7,953,480**	(871,082)
Contributions to the plan	**3,695,170**	3,695,170
Benefits paid	**(585,562)**	(1,888,673)
Fair value of plan assets, December 31	**₱79,869,797**	₱65,133,581

The major categories of plan assets of the Group with its affiliated companies as a percentage of the fair value of net plan assets are as follows:

	2018	2017
Cash and cash equivalents	**49.94%**	50.66%
Investment properties	**45.72%**	42.72%
Investments in equity securities	**4.14%**	6.93%
Receivables	**0.28%**	0.23%
Payables	**(0.08%)**	(0.54%)
	100.00%	100.00%

Cash and cash equivalents consist of savings deposits and short-term time deposits with maturities of less than 3 months. Investments in equity securities consist of investment in shares of stock of listed companies. Investments in equity securities have quoted market prices in an active market. Loans and receivables include loans to individuals and accrued interest income. Investment properties pertain to condominium units which are held for lease and are stated at fair value.

The Group expects to contribute ₱1.85 million to the retirement fund in 2019.

The Group does not currently employ any asset-liability matching strategy.

The latest actuarial valuation report is as of December 31, 2018. The principal assumptions used in determining retirement benefits cost for the Group's plan as of January 1 are as follows:

	2018	2017
Discount rate per annum	**5.62%-5.64%**	5.03%-5.19%
Future annual increase in salary	**4.00%**	4.00%
Mortality rate	**1994 GAM***	1994 GAM*
Disability rate	**1952 Disability Study**	1952 Disability Study

**Group Annuity Mortality Table*

As of December 31, 2018, the discount rate is 7.30% - 7.39% and the future increase in salary is 5.00%.

The defined benefit obligation is subject to several key assumptions. The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, assuming all other assumptions were held constant.

	Increase (decrease) in basis points (bps)	Increase (decrease) in defined benefit obligation	
		2018	2017
Discount rate	+0.50%	**(₱3,007,426)**	(₱3,294,772)
	-0.50%	**3,272,989**	3,602,932
Salary increase rate	+1.00%	**6,715,231**	7,360,920
	-1.00%	**(5,776,017)**	(6,278,749)

Shown below is the maturity analysis of the undiscounted expected benefit payments as of December 31, 2018:

Plan year	No. of Retirees	Total Benefit
One year and less	1	₱960,786
More than one year to five years	–	–
More than five years to 10 years	2	4,048,590
More than 10 years to 15 years	–	–
More than 15 years to 20 years	2	7,636,441
More than 20 years	210	936,258,016
	215	₱948,903,833

The average duration of the defined benefit obligation as of December 31, 2018 is 20.33 years.

Accrued sick leave
Employees are entitled to paid sick leave of 15 days per year of service after issuance of regular appointment, computed at 1.25 days per month of service, enjoyable only after one year of regular service. Unused sick leaves are cumulative and convertible to cash based on the employee's salary at the time that the employee is leaving the Group. Accrued sick leave, presented under "Accounts payable and accrued expenses - noncurrent portion" account, amounted to ₱25.38 million and ₱24.02 million as of December 31, 2018 and 2017, respectively (see Note 14).

25. Income Taxes

a. Provision for (benefit from) income tax consists of:

	2018	2017	2016
Current	**₱153,720,734**	₱135,423,923	₱179,538,287
Deferred	**(51,968,577)**	(17,078,412)	(38,416,091)
	101,752,157	118,345,511	141,122,196
Final tax on interest income	**24,083,908**	15,883,236	12,867,015
	₱125,836,065	₱134,228,747	₱153,989,211

b. The components of net deferred income tax assets (liabilities) are as follows:

	2018	2017
Deferred income tax assets on:		
Accrued expenses and others	**₱16,567,168**	₱14,761,084
Actuarial loss on defined benefit plan	**7,782,451**	10,571,149
Difference between tax basis and book basis of accounting for real estate transactions	**20,179,513**	11,284,080
	44,529,132	36,616,313
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(54,327,373)**	(63,371,033)
Unrealized gain on real estate transactions	**–**	(47,535,409)
Net retirement plan assets	**(13,393,003)**	(13,165,454)
Capitalized borrowing costs	**(10,898,843)**	(8,764,667)
Unearned rent revenue	**(1,124,394)**	(2,100,761)
Cost to obtain contract (Notes 2 and 6)		
January 1, 2018 transition adjustment - *effect of adoption of new standards*	**(4,114,589)**	–
Movement during the year	**(5,806,187)**	–
	(89,664,389)	(134,937,324)
Net deferred income tax liabilities	**(₱45,135,257)**	(₱98,321,011)

The breakdown of net deferred income tax liabilities as of December 31 per entity follows:

	2018	2017
Deferred income tax assets - net: CLDI	**₱8,453,231**	₱11,425,848
Deferred income tax liabilities - net:		
Parent Company	**(51,480,857)**	(108,898,216)
CPI	**(2,107,631)**	(848,643)
	(53,588,488)	(109,746,859)
	(₱45,135,257)	(₱98,321,011)

Provision for deferred income tax recognized in other comprehensive income amounted to ₱2,788,865 and ₱395,949 in 2018 and 2017, respectively. Benefit from deferred income tax recognized in retained earnings amounted to ₱8,120,464 and ₱5,503,526 in 2018 and 2017, respectively

c. The reconciliation of income tax computed at statutory tax rate to provision for income tax follows:

	2018	2017	2016
Income tax at statutory tax rate	**₱226,230,418**	₱205,847,599	₱189,107,080
Adjustments to income tax resulting from:			
Tax-exempt interest income	**(41,878,188)**	(37,770,939)	(33,433,013)
Net loss (income) under income tax holiday (Note 31)	**(51,138,863)**	(29,683,340)	1,264,878
Interest income subjected to final tax	**(36,125,862)**	(23,824,854)	(19,300,523)
Final tax on interest income	**24,083,908**	15,883,236	12,867,015
Nondeductible interest expense	**6,954,516**	5,550,433	5,718,222
Trust fund income already subjected to final tax	**(516,061)**	(685,512)	(464,515)
Nontaxable dividend income	**(6,547)**	(6,847)	(7,424)
Others - net	**(1,767,256)**	(1,081,029)	(1,762,509)
Provision for income tax	**₱125,836,065**	₱134,228,747	₱153,989,211

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

	Amount of Transactions			Outstanding Balances				
				Receivable (Note 8)		Payable (Note 14)		Terms and
Nature of Transaction	**2018**	2017	2016	**2018**	2017	**2018**	2017	Conditions
Ultimate parent (CI)								
Sharing of expenses charged by the Parent Company* (Note 26b)	**(₱2,861,306)**	₱1,017,855	₱1,005,062	**₱–**	₱1,017,855	**₱1,843,451**	₱–	30-day, unsecured, non-interest bearing; to be settled in cash

(Forward)

Nature of Transaction	Amount of Transactions			Outstanding Balances				Terms and Conditions
				Receivable (Note 8)		Payable (Note 14)		
	2018	2017	2016	**2018**	2017	**2018**	2017	
CLHI								
Interest income from guaranty deposit (Note 26f)	**₱7,641,128**	₱–	₱–	**₱1,484,203**	₱–	**₱–**	₱–	Settled in cash
Retirement Plan (Note 26c)								
Contribution to the plan	**3,695,170**	3,695,170	3,695,170	–	–	–	–	Settled in cash
Key management personnel								
Salaries and other compensation (Note 26e)	**29,231,206**	19,561,041	33,190,752	–	–	**25,428,867**	20,660,349	Settled in cash
BOD								Pertains to 691,041,066 and 872,141,674 common shares at ₱1 par value in 2018 and 2017, respectively
Shares of stock held by BOD (Note 26d)	**(181,100,608)**	9,733,427	23,749,220	–	–	–	–	
Total				**₱1,484,203**	₱1,017,855	**₱27,272,318**	₱20,660,349	

**Outstanding balances are included under "Accounts payable and accrued expenses" account in the consolidated statement of financial positions.*

The transactions of the Parent Company with CLDI and CPI are eliminated in the consolidated statements of financial positions and consolidated statements of income.

a. The Group has an existing management contract with CI wherein the latter provides management services to the Group. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. Management fee is based on a certain percentage of net income as mutually agreed upon by both parties. Management fees for 2018, 2017 and 2016 were waived by CI. There are no conditions attached to the waiver of these management fees.

b. The Group has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent.

c. The Group, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. The trust fund is being maintained by a third party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan. The Group's share on the fair value of plan assets amounted to ₱79.87 million and ₱65.13 million as of December 31, 2018 and 2017, respectively.

   The major categories of plan assets are cash and cash equivalents, investments in equity securities, loans and receivables and investment properties (see Note 24). Investments in equity securities of plan assets include investment in shares of the Parent Company. The third-party trustee bank exercises the voting rights over the shares. The fair value of the investment in the Parent Company amounted to ₱4.43 million and ₱5.96 million as of December 31, 2018 and 2017, respectively, with original cost of ₱3.31 million. Unrealized gain on changes of fair value of these investments amounted to ₱1.28 million and ₱2.65 million as of December 31, 2018 and 2017, respectively. Loans and receivables of plan assets include installment contracts receivable purchased in prior years on a non-recourse basis from the Parent Company amounting to ₱0.11 million as of December 31, 2018 and 2017. The retirement plan assets as of December 31, 2018 and 2017 include fair value of investment properties held for lease amounting to ₱48.99 million and ₱36.79 million which was purchased from CDC in 2013. The sale was conducted in the normal course of business and was measured at current selling price and settled in cash.

   Contributions to the fund amounted to ₱3.70 million in 2018 and 2017 (see Note 24).

d. The Parent Company's shares held by members of the BOD aggregated to ₱691.04 million and ₱872.14 million as of December 31, 2018 and 2017, respectively. On the other hand, shares held by the ultimate parent and affiliate totaled ₱2.01 billion as of December 31, 2018 and 2017.

e. Compensation of key management personnel are as follows:

	2018	2017	2016
Short-term benefits:			
Salaries	**₱9,122,990**	₱6,058,838	₱8,509,445
Bonuses	**2,355,811**	1,547,799	2,135,549
Other benefits	**16,416,376**	11,032,704	21,611,801
Long-term benefits	**1,336,029**	921,700	933,957
	₱29,231,206	₱19,561,041	₱33,190,752

Other benefits consist of incentives and performance bonuses.

The Group has no standard arrangements with regard to the remuneration of its directors. In 2018, 2017 and 2016, the BOD received a total of ₱20.52 million, ₱20.43 million and ₱29.44 million, respectively. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Group does not have any arrangements for stock warrants or options offered to its employees.

f. In 2018, the Company through its affiliate – Credit and Land Holdings, Inc., issued a cash bond amounting ₱257.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as guaranty deposit under "Other noncurrent assets". The said amount was placed by CLHI to a financial institution with a maturity of five (5) years. Interest income earned amounted to ₱7.64 million in 2018 and nil in 2017 and 2016 (see Notes 8 and 13).

g. The following are the balances and transactions among related parties which are eliminated during consolidation:

Amounts owed by	Amounts owed to	Nature	**2018**	2017
Parent Company	CLDI	Sharing of expenses	**₱424,763**	₱–
CPI	Parent Company	Sharing of expenses	**–**	199,567
CLDI	Parent Company	Sharing of expenses	**246,301**	120,296
CPI	CLDI	Sharing of expenses	**186,765**	14,304
CPI	CLDI	Sale of real estate properties	**150,000**	150,000

Revenue and income by	Capitalizable cost and expense by	Nature	**2018**	2017	2016
CLDI	Parent Company	Interest charges on advances	**₱–**	₱–	₱–
Parent Company	CLDI	Interest charges on advances	**1,800**	–	–
CLDI	CPI	Sale of real estate properties	**2,070,283**	2,899,561	

Investee	Investor	Nature	**2018**	2017	2016
Parent Company	CPI	Shares of stock	**₱10,076,762**	₱2,687,070	₱2,974,698
CLDI	CPI	Shares of stock	**1,998,078**	12,419,540	11,290,493

Dividend declared to	Dividend declared by	**2018**	2017	2016
Parent Company	CLDI	**₱18,987,490**	₱7,996,028	₱10,544,212
CPI	Parent Company	**69,129**	78,740	137,486

27. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term cash investments, notes receivable and notes payable, and contracts payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments consist of financial assets at fair value through profit or loss, financial assets at FVOCI and available-for-sale financial assets, which are held for investing purposes and investments in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, other receivables and accounts payable and accrued expenses which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (i.e., cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payable, all with repriced interest rates.

The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates based on forecasted and average movements of interest rates (with all other variables held constant):

	Change in bps	Effect on Income before Income Tax
December 31, 2018	**-/+6 bps**	+/-**₱8,730,903**
December 31, 2017	-/+1 bps	+/-₱922,941

There is no impact on the Group's equity other than those already affecting income before income tax.

Equity price risk

Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as financial assets at FVOCI/available-for-sale financial assets included under "Other noncurrent asset account" in the consolidated statements of financial position. The Group employs the service of a third-party stock broker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices (with all other variables held constant):

	Change in equity price	Effect on equity
2018	**+/-₱0.08**	**+/-₱106,348**
2017	+/-₱0.01	+/-₱22,691

Credit risk

Credit risk arises when the Group will incur a loss because its customers, clients or counterparties fail to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and the Group can repossess such real estate properties upon default of the customer in paying the outstanding balance. The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables below show the Group's exposure to credit risk for the components of the consolidated statements of financial position. The exposure as of December 31, 2018 and 2017 is shown at gross, before taking the effect of mitigation through the use of collateral agreements and other credit enhancements, and at net, after taking the effect of mitigation through the use of collateral agreements and other credit enhancements.

December 31, 2018:

	Gross maximum exposure	Fair value of collaterals	Net exposure	Financial effect of collateral/credit enhancements
Financial assets				
Investments in trust funds	**₱35,432,151**	**₱–**	**₱35,432,151**	**₱–**
Cash and cash equivalents, excluding cash on hand	**470,116,732**	**–**	**470,116,732**	**–**
Short-term investments	**1,590,100,000**	**–**	**1,590,100,000**	**–**
Installment contracts receivable	**31,015,195**	**232,898,990**	**–**	**31,015,195**
Notes receivable	**916,500,000**	**–**	**916,500,000**	**–**
Guaranty deposit	**257,150,000**	**–**	**257,150,000**	**–**
Refundable deposits	**16,207,818**	**–**	**16,207,818**	**–**
Other receivables:				
Advances to customers	**15,064,530**	**–**	**15,064,530**	**–**
Accrued interest	**21,286,634**	**–**	**21,286,634**	**–**
Rent receivable	**14,268,276**	**–**	**14,268,276**	**–**
Due from BIR	**3,774,771**	**–**	**3,774,771**	**–**
Retention	**1,462,366**	**–**	**1,462,366**	**–**
Others	**2,100,241**	**–**	**2,100,241**	**–**
Contract assets	**2,046,036,531**	**3,980,545,609**	**–**	**2,046,036,531**
Total credit risk exposure	**₱5,420,515,245**	**₱4,213,444,599**	**₱3,343,463,519**	**₱2,077,051,726**

December 31, 2017:

	Gross maximum exposure	Fair value of collaterals	Net exposure	Financial effect of collateral/credit enhancements
Investments in trust funds	₱34,606,350	₱–	₱34,606,350	₱–
Loans and receivables				
Cash and cash equivalents, excluding cash on hand	860,610,775	–	860,610,775	–
Short-term cash investments	1,523,000,000	–	1,523,000,000	–
Installment contracts receivable	1,835,418,984	4,157,780,897	–	1,835,418,984
Notes receivable	728,000,000	–	728,000,000	–
Refundable deposits	18,096,064	–	18,096,064	–
Other receivables:				
Advances to customers	22,479,815	–	22,479,815	–
Accrued interest	11,838,196	–	11,838,196	–
Rent receivable	11,044,207	–	11,044,207	–
Due from BIR	2,673,535	–	2,673,535	–
Retention	2,771,681	–	2,771,681	–
Due from related parties	1,017,855	–	1,017,855	–
Others	1,411,136	–	1,411,136	–
Total credit risk exposure	₱5,052,968,598	₱4,157,780,897	₱3,217,549,614	₱1,835,418,984

The Group has performed an expected credit loss (ECL) calculation for its financial assets at amortized cost. The expected credit loss is a product of the probability of default, loss given default and exposure at default.

In determining the probability of default, the Group used historical default rates for the last five years for the installment sales from its buyers and last two years for other receivables. The Group applied the possible effects of macroeconomic factors to the historical loss rate. For loss given default, the Group determined that the fair value less cost of repossession of collaterals upon default is higher than the exposure at default. Thus, no expected credit loss was recognized for the Group's installment contract receivables, contract assets and other receivables from its buyer.

The Group considers its cash and cash equivalent and short-term investments as high grade since these are placed in financial institution of high credit standing. Accordingly, ECL relating to cash and cash equivalent and short-term investment rounds to nil.

The Group considers other receivables from third parties and related parties as medium grade. Third parties are primarily managed through screening based on credit history and financial information submitted. Whereas, related parties have low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

As of December 31, 2018, the following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

			Days past due				
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**Over 90 days**	**Total**
Installment contracts receivable	**₱–**	**₱20,050,544**	**₱3,494,921**	**₱1,932,960**	**₱3,940,930**	**₱1,595,840**	**₱31,015,195**
Contract assets	**2,046,036,531**	–	–	–	–	–	**2,046,036,531**
Notes receivable	–	**916,500,000**	–	–	–	–	**916,500,000**
Guaranty deposit	–	**257,150,000**	–	–	–	–	**257,150,000**
Refundable deposits	–	**16,207,818**	–	–	–	–	**16,207,818**
Other receivables:							
Advances to customers	–	**13,407,195**	–	**140,483**	**56,374**	**1,460,478**	**15,064,530**
Accrued interest	–	**21,286,634**	–	–	–	–	**21,286,634**
Rent receivable	–	**14,268,276**	–	–	–	–	**14,268,276**
Due from BIR	–	**3,774,771**	–	–	–	–	**3,774,771**
Retention	–	**1,462,366**	–	–	–	–	**1,462,366**
Others	–	**2,100,241**	–	–	–	–	**2,100,241**
	₱2,046,036,531	**₱1,266,207,845**	**₱3,494,921**	**₱2,073,443**	**₱3,997,304**	**₱3,056,318**	**₱3,324,866,362**

As of December 31, 2017, the following summarizes the aging of analysis of past due but not impaired receivables:

			Past due But Not Impaired				
	Current	> One year	< 30 days	30-60 days	61-90 days	Over 90 days	Total
Installment contracts receivable	₱319,390,173	₱1,509,504,341	₱2,177,055	₱896,281	₱626,734	₱2,824,400	₱1,835,418,984
Notes receivable	128,000,000	600,000,000	–	–	–	–	728,000,000
Refundable deposits	–	18,096,064	–	–	–	–	18,096,064
Other receivables*:							
Advances to customers	12,079,757	6,280,719	–	334,441	153,826	3,631,072	22,479,815
Rent receivable	11,044,207	–	–	–	–	–	11,044,207
Accrued interest	11,838,196	–	–	–	–	–	11,838,196
Due from BIR	2,673,535	–	–	–	–	–	2,673,535
Retention	1,711,681	1,060,000	–	–	–	–	2,771,681
Due from related parties	1,017,855	–	–	–	–	–	1,017,855
Others	1,279,257	131,879	–	–	–	–	1,411,136
	₱489,034,661	₱2,135,073,003	₱2,177,055	₱1,230,722	₱780,560	₱6,455,472	₱2,634,751,473

The tables below show the credit quality by class of asset for loan-related statement of financial position lines based on the Group's credit rating system:

December 31, 2018:

	High Grade*	**Medium Grade****	**Total**
Financial assets	**₱35,432,151**	**₱–**	**₱35,432,151**
Cash and cash equivalents, excluding cash on hand	**470,116,732**	**–**	**470,116,732**
Short-term investments	**1,590,100,000**	**–**	**1,590,100,000**
Installment contracts receivable	**–**	**31,015,195**	**31,015,195**
Notes receivable	**–**	**916,500,000**	**916,500,000**
Guaranty deposits	**–**	**257,150,000**	**257,150,000**
Refundable deposits	**–**	**16,207,818**	**16,207,818**
Other receivables:			
Advances to customers	**–**	**15,064,530**	**15,064,530**
Accrued interest	**–**	**21,286,634**	**21,286,634**
Rent receivable	**–**	**14,268,276**	**14,268,276**
Due from BIR	**–**	**3,774,771**	**3,774,771**
Retention	**–**	**1,462,366**	**1,462,366**
Others	**–**	**2,100,241**	**2,100,241**
Contract assets	**–**	**2,046,036,531**	**2,046,036,531**
Total	**₱2,095,648,883**	**₱3,324,866,362**	**₱5,420,515,245**

**High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*

*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

December 31, 2017:

	Neither past due nor impaired			
	High Grade*	Medium Grade**	Past due but not impaired	Total
Investments in trust funds	₱34,606,350	₱–	₱–	₱34,606,350
Loans and receivables:				
Cash and cash equivalents, excluding cash on hand	860,610,775	–	–	860,610,775
Short-term cash investments	1,523,000,000	–	–	1,523,000,000
Installment contracts receivable	1,828,894,514	–	6,524,470	1,835,418,984
Notes receivable	728,000,000	–	–	728,000,000
Refundable deposits	18,096,064	–	–	18,096,064
Other receivables:				
Advances to customers	18,360,476	–	4,119,339	22,479,815
Accrued interest	11,838,196	–	–	11,838,196
Rent receivable	11,044,207	–	–	11,044,207

(Forward)

	Neither past due nor impaired			
	High Grade*	Medium Grade**	Past due but not impaired	Total
Due from BIR	₱2,673,535	₱–	₱–	₱2,673,535
Retention	2,771,681	–	–	2,771,681
Due from related parties	1,017,855	–	–	1,017,855
Others	479,558	931,578	–	1,411,136
Total	₱5,041,393,211	₱931,578	10,643,809	₱5,052,968,598

** High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*
*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

The tables below summarize the maturity analysis of the consolidated financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

December 31, 2018:

	1-30 days	31-90 days	91-180 days	181-365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	**₱151,214,537**	**₱39,960**	**₱59,940**	**₱119,879**	**₱76,349,915**	**₱227,784,231**
Notes payable and contract payable**	**685,820,029**	**642,978,564**	**54,812,624**	**7,497,992**	**–**	**1,391,109,209**
	837,034,566	**643,018,524**	**54,872,564**	**7,617,871**	**76,349,915**	**1,618,893,440**
Financial Assets						
Cash and cash equivalents	**268,811,423**	**201,500,000**	**–**	**–**	**–**	**470,311,423**
Short-term investments	**494,000,000**	**934,500,000**	**161,600,000**	**–**	**–**	**1,590,100,000**
Installment contracts receivable	**3,494,921**	**1,932,960**	**3,940,930**	**1,595,840**	**20,050,544**	**31,015,195**
Notes receivable	**89,000,000**	**52,500,000**	**120,000,000.00**	**60,000,000**	**595,000,000**	**916,500,000**
Guaranty deposit	**–**	**–**	**–**	**–**	**257,150,000**	**257,150,000**
Refundable deposits	**–**	**–**	**–**	**–**	**16,207,818**	**16,207,818**
Other receivables	**20,701,016**	**18,297,657**	**7,660,790**	**7,987,059**	**3,310,296**	**57,956,818**
Financial assets at FVPL	**–**	**–**	**–**	**–**	**35,432,151**	**35,432,151**
Contract assets	**216,632,037**	**54,428,833**	**69,650,922**	**140,427,810**	**1,564,896,929**	**2,046,036,531**
	1,092,639,397	**1,263,159,450**	**362,852,642**	**210,010,709**	**2,492,047,738**	**5,420,709,936**
Liquidity position	**₱255,604,831**	**₱620,140,926**	**₱307,980,078**	**₱202,392,838**	**₱2,415,697,823**	**₱3,801,816,496**

** Excludes statutory liabilities amounting to ₱8,179,809, deferred rent income amounting to ₱12,837,989, customers' deposits amounting to ₱34,194,907 and accrued interest amounting to ₱6,007,542.*
*** Includes interest expense amounting to ₱25,561,217.*

December 31, 2017:

	1-30 days	31-90 days	91-180 days	181-365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	₱150,410,872	₱14,803,608	₱26,322,905	₱49,937,912	₱62,858,290	₱304,333,587
Notes payable**	702,331,709	641,787,618	127,415,951	–	–	1,471,535,278
	852,742,581	656,591,226	153,738,856	49,937,912	62,858,290	1,775,868,865
Financial Assets						
Cash and cash equivalents	438,828,317	422,000,000	–	–	–	860,828,317
Short-term investments	352,500,000	544,000,000	626,500,000	–	–	1,523,000,000
Installment contracts receivable	38,392,616	81,555,362	72,877,326	133,089,339	1,509,504,341	1,835,418,984
Notes receivable	–	100,000,000	28,000,000	–	600,000,000	728,000,000
Refundable deposits	–	–	–	–	18,096,064	18,096,064
Other receivables	28,484,661	3,791,157	3,620,559	9,867,449	7,472,599	53,236,425
Financial assets at FVPL	–	–	–	–	34,606,350	34,606,350
	858,205,594	1,151,346,519	730,997,885	142,956,788	2,169,679,354	5,053,186,140
Liquidity position	₱5,463,013	₱494,755,293	₱577,259,029	₱93,018,876	₱2,106,821,064	₱3,277,317,275

** Excludes statutory liabilities amounting to ₱5,793,500, deferred rent income amounting to ₱5,177,513, customers' deposits amounting to ₱37,816,462 and accrued interest amounting to ₱2,398,253.*
*** Includes interest expense amounting to ₱18,085,278.*

Fair Values

The following tables provide fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

Date of valuation: December 31, 2018

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FV through OCI			
Debt securities	**₱3,182,208**	**₱–**	**₱–**
Equity securities - listed	**655,468**	**–**	**–**
Investment properties	**–**	**–**	**5,169,680**
Financial assets at FV through OCI	**1,416,284**	**–**	**–**
Assets for which fair values are disclosed:			
Investment properties	**–**	**–**	**4,520,686,480**

Date of valuation: December 31, 2017

	Fair value		
	Level 1	Level 2	Level 3
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FVPL			
Debt securities	₱4,445,116	₱–	₱–
Available-for-sale financial assets			
Debt securities	18,646,689	–	–
Equity securities - listed	881,491	–	–
Investment properties	–	–	4,186,000
Available-for-sale financial assets	1,629,078	–	–
Assets for which fair values are disclosed:			
Investment properties	–	–	4,170,534,400

The following method and assumptions were used to estimate the fair value of each class of financial instruments and investment properties, for which it is practicable to estimate such value.

Cash and cash equivalents, short-term investments, installment contracts receivable, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable

Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term cash investments, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable approximate their carrying amounts. The fair values of notes receivable and installment contracts receivable approximate their carrying amounts as they carry interest rates that approximate the interest rates for comparable instruments in the market.

Financial assets at FVOCI and available-for-sale financial assets

Financial assets at FVOCI and available-for-sale financial assets are stated at fair value based on quoted market prices.

Investment properties

The fair value of certain investment properties is determined using sales comparison. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in

determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use.

Another method used in determining the fair value of other properties is based on the market data approach. The value is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

The fair values of the investment properties as of December 31, 2018 and 2017 approximate and represent the highest and best use of the said properties.

28. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. It monitors its use of capital using leverage ratios on both gross debt and net debt basis. Debt consists of short-term debt. Net debt includes short-term debt less cash and cash equivalents, short-term investments and current portion of notes receivable. The Group considers as capital the equity holders of the parent company excluding unrealized fair value changes on financial assets at FVOCI net changes in fair values of available-for-sale financial assets and accumulated re-measurement on defined benefit plan.

As of December 31, 2018 and 2017, the Group has the following ratios:

	2018	2017
Notes and contract payable	**₱1,365,547,992**	₱1,453,450,000
Total equity holders of the Parent Company	**7,191,524,742**	6,738,422,492
Add (less):		
Unrealized fair value changes on FVOCI/Net changes in fair values of available-for-sale financial assets	**(598,029)**	(1,251,555)
Accumulated re-measurement on defined benefit plan	**15,413,505**	21,328,742
Capital	**₱7,206,340,218**	₱6,758,499,679
Debt-to-capital ratio	**0.19:1**	0.22:1

Notes and contract payable	**₱1,365,547,992**	₱1,453,450,000
Cash and cash equivalents	**(470,311,423)**	(860,828,317)
Short-term cash investments	**(1,590,100,000)**	(1,523,000,000)
Current portion of notes receivable	**(321,500,000)**	(128,000,000)
	(1,016,363,431)	(1,058,378,317)
Total equity holders of the Parent Company	**7,191,524,742**	6,738,422,492
Add (Less):		
Unrealized fair value changes on FVOCI/ Net changes in fair values of available-for-sale financial assets	**(598,029)**	(1,251,555)

(Forward)

	2018	2017
Accumulated re-measurement on defined benefit plan	**₱15,413,505**	₱21,328,742
Capital	**₱7,206,340,218**	₱6,758,499,679
Net debt-to-capital ratio	**(0.14):1**	(0.16):1

As of December 31, 2018 and 2017, the Group has no externally imposed capital requirements.

In accordance with the Rule on Minimum Public Ownership issued by the Philippine Stock Exchange requiring listed companies to maintain a 10% public float at all times, the total number of shares owned by the public as of December 31, 2018 and 2017 are 1,216,397,605 and 1,038,452,993 shares which are approximately 30.89% and 26.37%, respectively, of the total number of issued and outstanding shares of the Parent Company.

29. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company (a)	**₱551,499,211**	₱485,108,127	₱443,176,793
Weighted average number of outstanding shares (b)	**3,938,063,701**	3,938,063,701	3,938,063,701*
Basic/diluted earnings per share (a/b)	**₱0.14**	₱0.12	₱0.11

**After retroactive effect of 5% stock dividends in 2017*

The Group has no potential dilutive common shares as of December 31, 2018, 2017 and 2016. Thus, the basic and diluted earnings per share are the same as of those dates.

30. Business Segments

The Group derives its revenues primarily from the sale and lease of real estate properties and pension plan operations. These are the operating segments classified as business groups which are consistent with the segments reported to the BOD, its Chief Operating Decision Maker (CODM).

The Group does not have any major customers and all sales and leases of real estate properties and sales of pension plans are made to external customers.

Segment Revenue and Expenses

	2018			
	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Revenue:				
Sales of real estate	**₱1,462,770,043**	**₱–**	**₱–**	**₱1,462,770,043**
Financial income	**382,413,062**	**–**	**427,139**	**382,840,201**
Rent income	**–**	**126,309,736**	**–**	**126,309,736**
Other income	**81,272,419**	**–**	**2,703,883**	**83,976,302**
Cost of real estate sales	**742,331,601**	**–**	**–**	**742,331,601**

(Forward)

	2018			
	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Operating expenses:				
Personnel	**₱197,529,519**	**₱–**	**₱956,314**	**₱198,485,833**
Depreciation	**7,260,773**	**56,878,280**	**2,309,908**	**66,448,961**
Taxes and licenses	**38,413,261**	**26,002,465**	**775,094**	**65,190,820**
Professional fees	**41,166,350**	**–**	**68,297**	**41,234,647**
Insurance	**23,237,340**	**–**	**2,029**	**23,239,369**
Others	**100,094,873**	**13,311,240**	**4,738,967**	**118,145,080**
Financial expenses	**16,740,403**	**–**	**–**	**16,740,403**
Other expense	**29,978,174**	**–**	**–**	**29,978,174**
Provision for (benefit from) income tax	**120,291,725**	**9,035,325**	**(3,490,985)**	**125,836,065**
Net income (loss)	**₱609,411,505**	**₱21,082,426**	**(₱2,228,602)**	**₱628,265,329**

	2017			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱1,310,712,989	₱–	₱–	₱1,310,712,989
Financial income	327,919,030	–	281,313	328,200,343
Rent income	–	119,681,308	–	119,681,308
Other income	83,411,025	–	1,372,314	84,783,339
Cost of real estate sales	738,985,531	–	–	738,985,531
Operating expenses:				
Personnel	159,380,478	–	889,721	160,270,199
Depreciation	6,828,833	29,245,752	2,486,023	38,560,608
Taxes and licenses	34,605,333	7,048,462	785,384	42,439,179
Professional fees	34,280,920	–	410,411	34,691,331
Insurance	18,328,468	–	1,014	18,329,482
Others	58,161,018	23,384,583	5,453,247	86,998,848
Financial expenses	9,961,121	–	–	9,961,121
Other expense	26,983,018	–	–	26,983,018
Provision for (benefit from) income tax	120,819,077	18,000,753	(4,591,083)	134,228,747
Net income (loss)	₱513,709,247	₱42,001,758	(₱3,781,090)	₱551,929,915

	2016			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱1,480,504,914	₱–	₱–	₱1,480,504,914
Financial income	287,632,337	–	402,337	288,034,674
Rent income	–	92,760,364	–	92,760,364
Other income	63,473,964	–	1,898,411	65,372,375
Cost of real estate sales	826,197,687	–	–	826,197,687
Operating expenses:				
Personnel	199,217,420	–	993,044	200,210,464
Taxes and licenses	34,994,725	8,255,178	740,264	43,990,167
Professional fees	42,594,107	–	280,303	42,874,410
Depreciation	6,197,936	15,024,804	2,515,911	23,738,651
Insurance	16,864,577	–	879	16,865,456
Others	88,557,997	10,565,773	2,743,857	101,867,627
Financial expenses	7,472,117	–	–	7,472,117
Other expense	33,098,815	–	–	33,098,815
Provision for (benefit from) income tax	140,134,292	17,674,383	(3,819,464)	153,989,211
Net income (loss)	₱436,281,542	₱41,240,226	(₱1,154,046)	₱476,367,722

Segment Assets and Liabilities

December 31, 2018:

	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Total assets	**₱8,376,310,907**	**₱2,046,001,773**	**₱139,159,240**	**₱10,561,471,920**
Total liabilities	**2,263,245,542**	**8,835,967**	**41,705,567**	**2,313,787,076**
Additions to:				
Real estate properties held for future development	**597,417,558**	**–**	**–**	**597,417,558**
Investment properties	**–**	**9,116,877**	**–**	**9,116,877**

December 31, 2017:

	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Total assets	₱7,451,183,841	₱2,107,285,414	₱140,360,957	₱9,698,830,212
Total liabilities	1,920,289,141	10,897,159	34,363,004	1,965,549,304
Additions to:				
Real estate properties held for future development	9,489,074	–	–	9,489,074
Investment properties	–	225,968,044	–	225,968,044

31. Income Subject to Income Tax Holiday

Registration with the Board of Investments (BOI)
The Group is entitled to ITH for a period of three years from various dates indicated in the registration or actual start of commercial operations, whichever is earlier. The ITH is limited only to revenue generated from the registered project. Revenues from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the following Low-Cost Mass Housing Projects with BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226):

Name	Registration No.	ITH Period
CDC		
Pines Peak Tower II	2016-108	June 1, 2016 – May 31, 2019
CLDI		
One Taft Residences	2014-112	January 1, 2016 – December 31, 2018
North Residences	2014-111	September 1, 2014 – August 31, 2017

32. Contingencies

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Hence, no provision was recognized as of December 31, 2018 and 2017.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Cityland Development Corporation
2/F, Cityland Condominium 10, Tower I
156 H.V. de la Costa Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cityland Development Corporation and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, and have issued our report thereon dated March 20, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-4 (Group A),
August 18, 2016, valid until August 18, 2019
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018
February 26, 2018, valid until February 25, 2021
PTR No. 7332610, January 3, 2019, Makati City

March 20, 2019

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I	:	Supplementary schedules required by Annex 68-E Schedule A: Financial Assets Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties) Schedule C: Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements Schedule D: Intangible Assets - Other Assets Schedule E: Long-term Debt Schedule F: Indebtedness to Related Parties Schedule G: Guarantees of Securities of Other Issuers Schedule H: Capital Stock
Schedule II	:	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)
Schedule III	:	Map of the relationships of the companies within the group
Schedule IV	:	Schedule of all effective standards and interpretation (Part 1, 4J)
Schedule V	:	Supplementary schedules of financial soundness indicators
Schedule VI	:	Schedule of gross and net proceeds of commercial papers issued

SCHEDULE I

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of financial position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Cash and Cash Equivalents				
Cash on hand and in banks	–	₱22,411,423	₱22,411,423	₱293,967
Cash equivalents				
China Bank Savings	–	132,500,000	132,500,000	699,932
Citysavings Bank	–	2,000,000	2,000,000	15,556
Philippine National Bank	–	61,000,000	61,000,000	55,342
Philippine Savings Bank	–	17,000,000	17,000,000	150,366
Philippine Trust Company	–	26,000,000	26,000,000	119,097
Chinatrust Banking Corporation	–	22,500,000	22,500,000	141,167
PNB Savings Bank		25,000,000	25,000,000	184,167
UCPB Savings Bank	–	161,900,000	161,900,000	612,521
	–	**470,311,423**	**470,311,423**	**2,272,115**
Short-term Cash Investments				
Amalgamated Investment Bancorporation	–	19,500,000	19,500,000	3,070,885
Banco De Oro	–	–	–	946,875
China Banking Corporation	–	309,500,000	309,500,000	9,144,934
Citysavings Bank	–	66,900,000	66,900,000	11,098,804
Eastwest Bank	–	127,000,000	127,000,000	5,396,063
Malayan Bank	–	74,000,000	74,000,000	2,814,925
Maybank	–	–	–	1,067,181
Philippine Bank of Communications	–	–	–	1,079,641

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of financial position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Philippine National Bank	–	59,500,000	59,500,000	836,889
PNB Savings Bank	–	103,000,000	103,000,000	918,264
ORIX Metro Leasing and Finance Corporation	–	–	–	1,352,090
First Metro Investment Corporation	–	–	–	1,751,489
Philippine Savings Bank	–	243,500,000	243,500,000	8,400,281
Philippine Trust Company	–	177,300,000	177,300,000	10,103,395
RCBC Savings Bank	–	–	–	260,823
Security Bank Trust Corporation	–	12,600,000	12,600,000	7,798,107
United Coconut Planters Bank	–	116,000,000	116,000,000	5,735,541
UCPB Savings Bank	–	98,800,000	98,800,000	3,254,566
Chinatrust Banking Corporation	–	182,500,000	182,500,000	5,821,918
Metrobank	–	–	–	422,164
Philippine Veterans Bank	–	–	–	530
Robinsons Savings Bank	–	–	–	72,899
	–	**₱1,590,100,000**	**₱1,590,100,000**	**₱81,348,264**

(Forward)

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Available-for-sale Investments				
PLDT Common	113	₱127,125	₱127,125	₱–
Filinvest	1,445	2,037	2,037	–
Union Bank	684	50,329	50,329	–
Empire East	600,602	291,292	291,292	–
Ayala Corp. "B" Common	676	608,400	608,400	–
Ayala Corp. "B" Preferred	227	227	227	–
Ayala Land "B" Common	75	3,045	3,045	–
Ayala Land "B" Preferred	16,875	1,688	1,688	–
First Holdings B	5,126	331,908	331,908	–
Swift Foods	1,866	233	233	–
	627,689	**1,416,284**	**1,416,284**	**–**
Investments in Trust Funds	**–**	**35,432,151**	**35,432,151**	**–**
Installment Contracts Receivable and Contract Assets	**–**	**2,077,051,726**	**2,077,051,726**	**260,250,856**
Notes Receivable	**–**	**916,500,000**	**916,500,000**	**29,158,034**
Guaranty Deposit	**–**	**257,150,000**	**257,150,000**	**7,641,128**
Others Receivables	**–**	**57,956,818**	**57,956,818**	**–**
	–	**₱5,405,918,402**	**₱5,405,918,402**	**₱380,670,397**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

Name of Designation or Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Not applicable. No directors, officers, employees, and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than P100,000 or one per cent of total assets, whichever is less, is owed.							

Schedule C. Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
CLDI (subsidiary)	₱120,296	₱ 3,730,488	₱ 3,604,483	₱–	₱246,301	₱–	₱246,301
CPI (subsidiary)	513,871	2,237,907	2,265,013	–	486,765	–	486,765

Parent Company's transactions with CLDI and CPI are eliminated in the consolidated financial statements.

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not Applicable. The Group has no intangible assets.						

Schedule E. Long-term Debt

Title of Issue and type of Obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
	Not applicable. The Group has no long-term debt.		

Schedule F. Indebtedness to Related Parties

Name of related parties	Balance at beginning of period	Balance at end of period
Directors' fee	₱20,660,349	₱25,428,867

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
Not applicable. The Group has no guarantees of securities of other issuers.				

Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock – P1 par value	4,000,000,000	3,940,001,648	–	2,009,757,664	706,811,269	1,223,432,715

SCHEDULE II

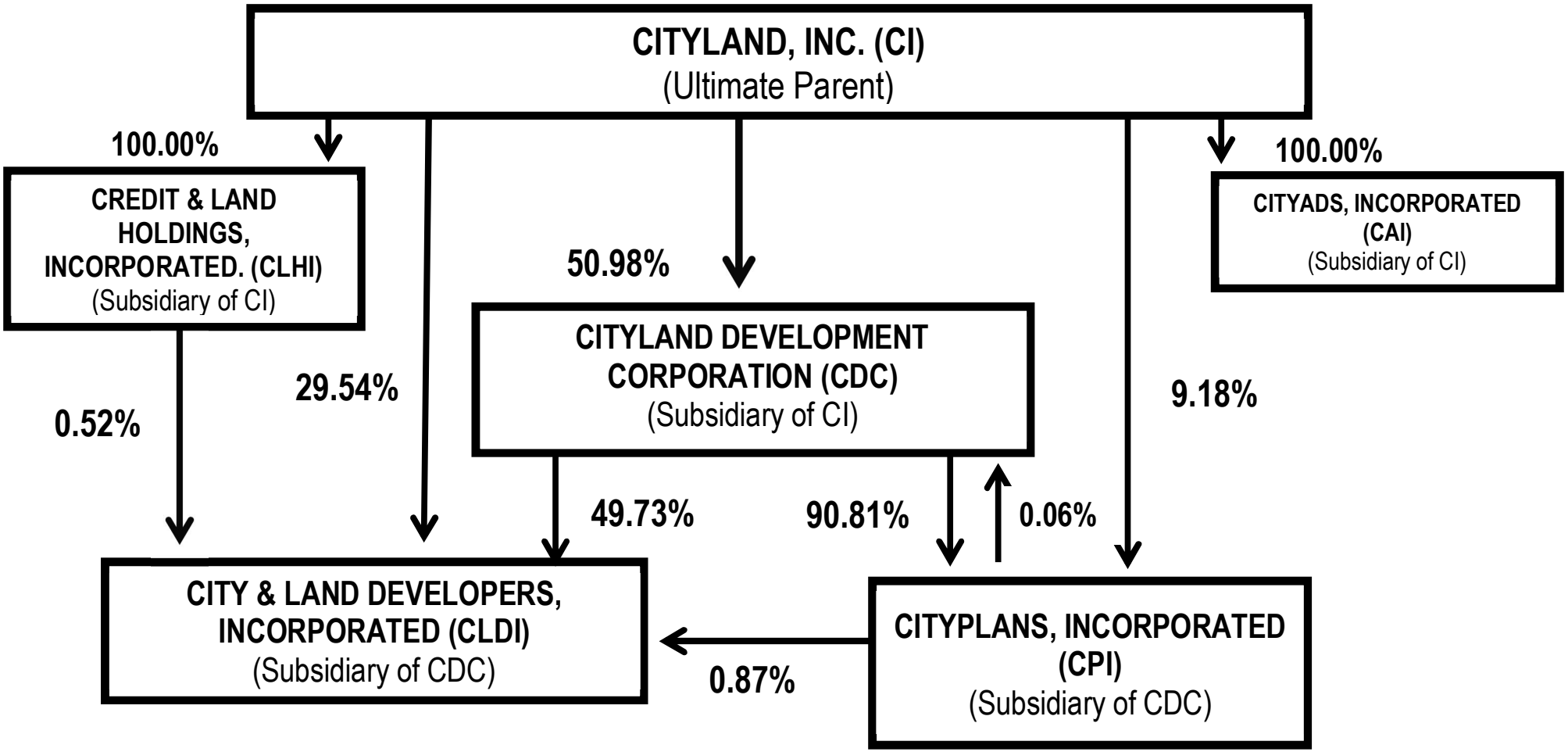
CITYLAND DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Retained earnings, beginning	₱1,813,192,086
Deemed cost adjustment on real estate properties, net of tax	(136,040,363)
Treasury shares	(28,524,728)
Fair value adjustment arising from repossessed inventories, net of tax	(25,768,060)
Deferred income tax assets, beginning	(10,092,821)
Retained earnings, as adjusted to available for dividends declaration, beginning	1,612,766,114
Add: Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	472,045,422
Realized deemed cost adjustments on real estate properties	21,101,872
Fair value adjustment arising from repossessed inventories	5,711,842
Movement in deferred income tax assets	(11,404,878)
	487,454,258
Less: Dividends declared during the year	
Cash dividends	118,535,714
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	(7,393,607)
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	(726,857)
	110,415,250
Retained earnings available for dividends declaration, end	₱1,989,805,122

SCHEDULE III

CITYLAND DEVELOPMENT CORPORATION

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



SCHEDULE IV

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1, 4J)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners	✓		
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

SCHEDULE V

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	December 31		
	2018	2017	2016
Current	**2.34**	2.42	2.43
Asset-to-equity	**1.47**	1.44	1.54
Debt-to-equity	**0.19**	0.22	0.26
Asset-to-liability	**4.56**	4.93	3.87
Solvency	**0.30**	0.30	0.20
Interest rate coverage	**55.06**	84.00	110.18
Acid-test	**1.40**	1.69	1.66
Return on equity (%)	**7.67%**	7.20%	6.94%
Earnings per share	**₱0.14**	₱0.12	₱0.11

Manner of Calculations:

Current ratio	=	Total Current Assets / Total Current Liabilities
Asset-to-equity ratio	=	Total Assets / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)
Debt-to-equity ratio	=	Notes and Contracts Payable / Total equity (net of net changes in fair value of available-for-sale financial assets and accumulated re-measurement on defined benefit plan)
Asset-to-liability ratio	=	Total Assets / Total Liabilities
Solvency ratio	=	Net Income after Tax + Depreciation Expense / Total Liabilities
Interest rate coverage ratio	=	Net Income Before Tax + Depreciation Expense + Interest Expense / Interest Expense
Acid-test ratio	=	Cash and Cash Equivalents + Short-term Cash Investments + Installment Contracts Receivable, current + Contract Assets, Current Notes Receivable, current + Other Receivables, current + Available-for-sale Financial Assets / Total Current Liabilities
Return on equity ratio	=	Net Income after Tax / Stockholder's Equity
Earnings per share	=	Net income after Tax / Outstanding shares

SCHEDULE VI

CITYLAND DEVELOPMENT CORPORATION
SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED

As of December 31, 2018

SEC-MSRD Order No. 32, Series of 2017 dated November 6, 2017

A. As stated in the Final Prospectus (November 6, 2017 to November 6, 2018)

Gross Proceeds		**₱ 1,350,000,000**
Less: Expenses		
Documentary Stamps Tax	₱ 6,750,000	
Registration Fees	719,625	
Printing Costs	67,500	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	7,597,125
Net Proceeds		**₱ 1,342,402,875**
Use of Proceeds		
Project-related Costs		671,500,000
Payment of Maturing Notes		654,297,875
Interest Expense		16,605,000
Total		**₱ 1,342,402,875**

B. Use of Proceeds (November 6, 2017 to November 6, 2018)

Gross Proceeds as of September 30, 2018	₱ 4,192,000,000		
Add: Issued Notes (October 1 to November 6)	525,150,000		
Total Gross Proceeds as of December 31, 2018		**₱**	**4,717,150,000**
Less: Expenses			
Documentary Stamps Tax	₱ 7,271,733		
Registration Fees	719,625		
Printing Costs	61,900		
Legal and Accounting Fees	30,000		
Publication Fees	30,000		8,113,258
Total Net Proceeds		**₱**	**4,709,036,742**
Less: Use of Proceeds			
Payment of Maturing Notes	₱ 4,325,369,954		
Project-related Costs	373,544,374		
Interest Expense	10,122,414		**4,709,036,742**
Balance of Proceeds as of December 31, 2018		**₱**	–

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED

As of December 31, 2018

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

Gross Proceeds		**₱ 1,400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱ 10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	11,362,250
Net Proceeds		**₱ 1,388,637,750**
Use of Proceeds		
Project-related Costs		940,500,000
Payment of Maturing Notes		427,685,150
Interest Expense		20,452,600
Total		**₱ 1,388,637,750**

B. Use of Proceeds (November 6, 2018 to December 31, 2018)

Gross Proceeds as of September 30, 2018	₱ –		
Add: Issued Notes (November 6 to December 31)	731,050,000		
Total Gross Proceeds as of December 31, 2018		**₱**	**731,050,000**
Less: Expenses			
Documentary Stamps Tax	₱ 1,136,222		
Registration Fees	732,250		
Legal and Accounting Fees	30,000		
Publication Fees	30,000		
Printing Costs	11,100		1,939,572
Total Net Proceeds		**₱**	**729,110,428**
Less: Use of Proceeds			
Project-related Costs	₱ 386,623,854		
Payment of Maturing Notes	342,441,548		
Interest Expense	45,026		**729,110,428**
Balance of Proceeds as of December 31, 2018		**₱**	–

C. Outstanding Commercial Papers as of December 31, 2018

SEC-MSRD Order No. 32, Series of 2017 dated November 6, 2017	**₱**	**445,550,000**
SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018		**718,700,000**
TOTAL	**₱**	**1,164,250,000**

CITY & LAND DEVELOPERS, INCORPORATED
SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of December 31, 2018

SEC-MSRD Order No. 33, Series of 2017 dated November 6, 2017

A. As stated in the Final Prospectus (November 6, 2017 to November 6, 2018)

Gross Proceeds		**₱ 400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱ 2,000,000	
Registration Fees	366,125	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	20,000	2,446,125
Net Proceeds		**₱ 397,553,875**
Use of Proceeds		
Project-related Costs		375,600,000
Payment of Maturing Notes		17,033,875
Interest Expense		4,920,000
Total		**₱ 397,553,875**

B. Use of Proceeds (November 6, 2017 to November 6, 2018)

Gross Proceeds as of September 30, 2018	₱ 1,050,850,000	
Add: Issued Notes (October 1 to November 6)	104,500,000	
Total Gross Proceeds as of December 31, 2018		**₱ 1,155,350,000**
Less: Expenses		
Documentary Stamps Tax	₱ 1,876,433	
Registration Fees	366,125	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	24,700	2,327,258
Net Proceeds		**₱ 1,153,022,742**
Less: Use of Proceeds		
Payment of Maturing Notes	₱ 910,017,891	
Project-related Costs	240,024,536	
Interest Expense	2,980,315	**1,153,022,742**
Balance of Proceeds as of December 31, 2018		**₱** –

CITY & LAND DEVELOPERS, INCORPORATED
SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of December 31, 2018

SEC-MSRD Order No. 32, Series of 2018 dated November 6, 2018

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

Gross Proceeds		**₱ 350,000,000**
Less: Expenses		
Documentary Stamps Tax	₱ 2,625,000	
Registration Fees	328,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	17,500	3,030,750
Net Proceeds		**₱ 346,969,250**
Use of Proceeds		
Project-related Costs		307,500,000
Payment of Maturing Notes		34,401,950
Interest Expense		5,067,300
Total		**₱ 346,969,250**

B. Use of Proceeds (November 6, 2018 to December 31, 2018)

Gross Proceeds as of September 30, 2018	₱ –	
Add: Issued Notes (November 6 to December 31)	101,100,000	
Total Gross Proceeds as of December 31, 2018		**₱ 101,100,000**
Less: Expenses		
Registration Fees	₱ 328,250	
Documentary Stamps Tax	174,277	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	2,250	564,777
Net Proceeds		**₱ 100,535,223**
Less: Use of Proceeds		
Project-related Costs	₱ 82,467,074	
Payment of Maturing Notes	18,068,149	
Interest Expense	–	**100,535,223**
Balance of Proceeds as of December 31, 2018		**₱ –**

C. Outstanding Commercial Papers as of December 31, 2018

SEC-MSRD Order No. 33, Series of 2017 dated November 6, 2017	₱	**92,700,000**
SEC-MSRD Order No. 32, Series of 2018 dated November 6, 2018		**101,100,000**
TOTAL	₱	**193,800,000**

108142019003408

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931to39Fax:(632)725-5293Email:mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Buen Jose Mose - COS
Receiving Branch : SEC Head Office
Receipt Date and Time : August 14, 2019 03:44:40 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000077823
Company Name	CITYLAND DEV. CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108142019003408
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

SEC Registration Number

7	7	8	2	3						

COMPANY NAME

C	I	T	Y	L	A	N	D		D	E	V	E	L	O	P	M	E	N	T											
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S			

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

2	/	F		C	i	t	y	l	a	n	d		C	o	n	d	o	m	i	n	i	u	m		1	0			
T	o	w	e	r		I	,		1	5	6		H	.	V	.		D	e	l	a		C	o	s	t	a			
S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y													

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
fmsd@cityland.net	893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
657 (as of June 30, 2019)	1st Tuesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RUDY GO	cdc_rg@cityland.net	893-6060	N/A

CONTACT PERSON'S ADDRESS

3/F Cityland Condominium 10 Tower II, 154 H.V. Dela Costa Street, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY 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 **June 30, 2019**

2. SEC Identification Number **77823** 3. BIR Tax Identification No. **000-527-103**

4. **CITYLAND DEVELOPMENT CORPORATION**
   Exact name of issuer as specified in its charter

5. **Makati City, Philippines** 6. _____ (Use Only)
   Province, country or other jurisdiction of incorporation — Industry Classification Code

7. **2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City** **1226**
   Address of Principal Office — Postal Code

8. **(632)-893-60-60**
   Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report **N/A**

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 of Common Stock Outstanding
Unclassified Common Shares	**4,194,037,550**

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	Title of Each Class
Philippine Stock Exchange	**Unclassified 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 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 90 days.

    Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements and accompanying notes are filed as part of this form (pages 11 to 91).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Philippine economy is expected to remain strong and resilient in 2019. The government expects the country's gross domestic product (GDP) growing more than 6 percent in the second quarter of 2019. Former National Economic Development Authority chief and socioeconomic minister, Gerardo Sicat, attributed the growth to the Build, Build, Build infrastructure program and other factors such as overseas workers remittances, growth of exports, business process outsourcing sector and growing tendency for the recent cycle to be significant.

Moreover, the Philippines earned an upgrade of 'BBB+'- its highest in credit rating history from Global debt watcher, Standard & Poor's which cited the country's strong growth trajectory, healthy external position and sustainable public finances. According to the debt watcher, this development will likely translate to lower borrowing costs from the international market for both government and private corporations. This will support the various projects of the Philippine government which aims to improve accessibility thereby increasing investments that will spur construction activities in both public and private sectors.

The present economic condition paves the way for the real estate industry to flourish. The Philippine real estate industry has grown robustly through the years and the increase in demand for residential and commercial properties can be attributed to various factors. These includes, rising urban population growth, housing needs of BPO (business process outsourcing) employees and remittances of the overseas Filipino workers (OFWs). The leasing market was fueled by the influx of tourist arrivals and from young professionals from BPO firms, while the sales market was fueled by the demand from local and foreign individuals. The cultural shift led by the millennial generation has driven the popularity of condominium living. The worsening traffic in metropolis has encouraged them to live near their school or workplace. Due to the emergence of new trends and opportunities in the country, 2019 is anticipated to be another solid year for the Philippine real estate industry.

Cityland Development Corporation (CDC or the Parent Company) is selling the following projects as of June 30, 2019:

Pioneer Heights 1 is a 24-storey office, commercial and residential condominium located at Pioneer St., Barangay Highway Hills, Mandaluyong City which was launched last August 2018 and estimated to be completed in December 2023.

101 Xavierville is a 40-storey commercial and residential condominium located along Xavierville Avenue, Loyola Heights, Quezon City which was launched last April 2018 and estimated to be completed in February 2024.

Pines Peak Tower II, a 27-storey residential condominium located at Union corner Pines St., central business district of Mandaluyong was launched last June 2016 and turned over last May 2019.

Pines Peak Tower I, a 27-storey residential condominium located at Union corner Pines St., central business district of Mandaluyong.

Grand Central Residences, a 40-storey office, commercial and residential condominium located at EDSA corner Sultan St., Mandaluyong City.

Makati Executive Tower IV, a 29-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Makati Executive Tower III, a 37-storey office, commercial and residential condominium located at Cityland Square, Senator Gil Puyat Avenue, Pio del Pilar Makati City.

Buildings for lease

CityNet Central, a 22-storey commercial and BPO office building located in Sultan Street, Brgy. Highway Hills (close to MRT Shaw), Mandaluyong City.

CityNet1, a 5-storey premiere business technology hub located along 183 EDSA, Brgy. Wack-Wack, Mandaluyong City.

Also the Company's subsidiary, City & Land Developers, Incorporated (CLDI), is selling the following projects:

One Taft Residences, a 40-storey mixed residential, office and commercial condominium which is located at 1939 Taft Avenue, Malate, Manila was launched last October 2016 and is estimated to be completed in September 2022.

North Residences, a 29-storey commercial and residential condominium located in EDSA (beside Waltermart) corner Lanutan, Brgy. Veterans Village, Quezon City was launched in October 2014 and estimated to be completed in September 2018. The project was turned over in March 2018.

CDC, CLDI and Cityplans, Incorporated (CPI) [collectively referred to as "the Group"] has also a number of prime lots reserved for future projects. Its land bank is situated in strategic locations ideal for horizontal and vertical developments.

Internal sources of liquidity come from sales of condominiums and real estate projects, rental income from leased properties, collection of installment receivables and contract assets, maturing short-term investments and notes receivable while external sources come from SEC-registered commercial papers.

The estimated development cost of ₱101.89 million as of June 30, 2019 representing the cost to complete the development of real estate projects sold will be sourced through:

a) Sales of condominium and real estate projects
b) Collection of installment contracts receivable and contract assets
c) Maturing short-term investments and notes receivable
d) Issuance of commercial papers

Financial Condition (June 30, 2019 vs. December 31, 2018)

The Group maintained a healthy financial position as it ended the first semester of 2019 with total assets of ₱10.52 billion, slightly lower by 0.35% as compared to last year's balance of ₱10.56 billion. The slight decrease in assets can be attributed to the usage of funds for the partial settlement of notes payable. On the other hand, increase in real estate properties for sale was substantially due to additional development costs incurred on the on-going projects and transfer of real estate property from held for future development. Funds were generated from sales and lease of condominium units and other real estate projects, while other financial sources came from the issuance of commercial papers with interest rates ranging from 2.31% to 4.69%. Majority of funds were utilized for operations and to finance the

Group's construction of the condominium projects which led to the completion of Pines Peak Tower II in May 2019 and the increase in completion rates of Pioneer Heights 1, 101 Xavierville and One Taft Residences.

On the liability side, total liabilities decreased by ₱210.85 million or 9.11%. The Group partially settled its short-term notes payable which amounted to ₱219.35 million, bringing down the outstanding notes payable by 16.15% from its previous balance of ₱1,358.05 million. The Group's liquidity position remained manageable as cash and cash equivalents and short-term investments stood at ₱1,891.56 million and ₱520.90 million, respectively. Excess funds were placed in both short-term and long-term investments. The stable cash position allowed the declaration of cash dividends of CDC and CLDI resulting to the increase in accounts payable and accrued expenses. In addition, increase in the latter account was also due to additional development costs of the projects and withholding tax payable.

Total equity stood at ₱8.42 billion as of June 30, 2019, higher by 2.10% from ₱8.25 billion as of December 31, 2018 due to comprehensive income of ₱385.44 million net of cash dividends of ₱216.71 million.

As a result of the foregoing, the Group's liquidity position improved with acid-test and current ratio of 1.86:1 and 3.01:1 as of June 30, 2019, as compared to 1.40:1 and 2.34:1 as of December 31, 2018, respectively. On the other hand, debt-equity ratio likewise improved to 0.16:1 as of June 30, 2019 as compared to 0.19:1 as of December 31, 2018.

Results of Operation (June 30, 2019 vs. June 30, 2018)

Sales increased by 17.16% in June 30, 2019 reaching ₱852.24 million from ₱727.42 million of the same period of the previous year. The increase in sales was attributed to higher sales and percentage of completion of several projects. As of June 30, 2019, CDC contributed 70.16% of the total revenue on sales of real estate properties. Pines Peak Tower II was in full blast construction which led to its completion in May 2019 and contributed significantly to the Group's total sales reaching ₱337.02 million. In addition, 101 Xavierville and Pioneer Heights 1 reached a completion rate of 16.19% and 10.06%, respectively thereby allowing the partial recognition of income as of June 30, 2019 amounting to ₱92.76 million and ₱47.21 million, respectively. Sales from the remaining units of Grand Central Residences contributed ₱68.59 million. Since Grand Central Residences and Pines Peak Tower I were almost sold out, future revenues of CDC are projected to be generated from Pines Peak Tower II, 101 Xavierville and Pioneer Heights 1.

Further, the subsidiaries, CLDI and CPI accounted for the remaining 29.84% of the Group's sales. CLDI and CPI recorded sales of ₱236.55 million and ₱17.74 million, respectively. Sales of CLDI was driven by North Residences and One Taft Residences generating ₱97.14 million and ₱131.21 million, respectively as completion rate of One Taft Residences rose to 42.73% as of the first semester of 2019 as compared to 18.18% of the same period last year.

Presented below are the status of sales and construction of the Group's projects as of June 30, 2019, December 31, 2018 and June 30, 2018:

CDC (Parent)

	PERCENTAGE SOLD			
	June 30, 2019	**December 31, 2018**	**June 30, 2018**	
Pioneer Heights 1	22.60%	12.58%*	17.01%*	Launched in 2018
101Xavierville	22.84%	19.77%*	0.00%*	Launched in 2018
Pines Peak Tower II	76.24%	64.36%	52.98%	Launched in 2016
Pines Peak Tower I	99.26%	98.96%	98.02%	Launched in 2012
Grand Central Residences	98.10%	96.52%	94.04%	Launched in 2010
Makati Executive Tower IV	99.85%	99.71%	98.53%	Launched in 2009
Makati Executive Tower III	99.76%	99.69%	99.71%	Launched in 2006

**The percentage of completion of Pioneer Heights 1 and 101 Xavierville were below the preliminary stage as of December 31, 2018 and June 30, 2018, hence, for accounting purposes, no revenue from sale of real estate properties was recognized. Cash proceeds from the sale of these projects were recorded as part of liabilities in the statement of financial position.*

	PERCENTAGE OF COMPLETION		
	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Pioneer Heights 1	10.06%	5.33%	0.00%
101Xavierville	16.19%	7.45%	0.00%
Pines Peak Tower II	100.00%	90.64%	69.59%
Pines Peak Tower I	100.00%	100.00%	100.00%
Grand Central Residences	100.00%	100.00%	100.00%
Makati Executive Tower IV	100.00%	100.00%	100.00%
Makati Executive Tower III	100.00%	100.00%	100.00%

CLDI (Subsidiary)

	PERCENTAGE SOLD			
	June 30, 2019	**December 31, 2018**	**June 30, 2018**	
One Taft Residences	24.58%	20.34%	17.61%	Launched in 2016
North Residences	92.23%	84.23%	73.60%	Launched in 2014

	PERCENTAGE OF COMPLETION		
	June 30, 2019	**December 31, 2018**	**June 30, 2018**
One Taft Residences	42.73%	25.59%	18.18%
North Residences	100.00%	100.00%	100.00%

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from sale of real estate properties, contract assets, cash and cash equivalents, short-term and long-term investments, notes receivable, dividends and guaranty deposits increased by 53.33% and contributed 21.59% of total revenues. On the other hand, rent income contributed 5.09% of total revenues amounting to ₱63.79 million slightly lower by 2.04% as compared to the same period last year. Rent income significantly came from the lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily from adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account increased by 20.56%, amounting to ₱66.17 million from ₱54.89 million for the first semester of 2019 and 2018, respectively.

On the cost side, cost of real estate sales increased as this account move in tandem with sales. Although revenues increased, operating expenses decreased substantially due to lower personnel expenses and insurance expense. Financial expenses increased due to higher loan rates in 2019.

The Group ended the first semester of 2019 with a net income of ₱385.18 million, 41.26% higher than the first semester of 2018, generated from the consolidated revenues amounting to ₱1.25 billion, which grew by 22.35% from the same period in 2018. This translated into an improved the annualized earnings per share and return on equity of ₱0.17 and 9.43% as compared to the same period of the previous year of ₱0.11 and 6.99%, respectively.

Financial Ratios

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	June 30, 2018 (Unaudited)
Earnings per share*	**₱0.17**	₱0.13	₱0.11
Return on equity* (%)	**9.43%**	7.67%	6.99%
Solvency ratio*	**0.39**	0.30	0.31
Interest rate coverage ratio	**42.33**	55.06	48.99
Asset-to-liability ratio	**5.00**	4.56	4.99
Asset-to-equity ratio	**1.43**	1.47	1.43
Debt-to-equity ratio	**0.16**	0.19	0.19
Current ratio	**3.01**	2.34	1.99
Acid-test ratio	**1.86**	1.40	1.23

**Annualized for the period of June 30, 2019 and June 30, 2018 and after retroactive effect of 6.5% stock dividends in 2019.*

Manner of Calculations:

Earnings per share = Net income after tax / Outstanding number of shares

Return on equity ratio = Net income after tax / Total Equity

Solvency ratio = Net income after tax + Depreciation expense / Total liabilities

Interest rate coverage ratio = Income before income tax + Depreciation expense + Interest expense / Interest expense

Asset-to-liability ratio = Total assets / Total liabilities

Asset-to-equity ratio = Total assets / Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Debt-to-equity ratio = Notes payable and contracts payable / Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

$$\text{Current ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}}$$

$$\text{Acid-test ratio} = \frac{\text{Cash and cash equivalents + Short-term investments + Installment contracts receivable + Current portion of contract assets + Current portion of notes receivable + Current portion of other receivables}}{\text{Total current liabilities}}$$

Any issuances, repurchases, and repayments of debt and equity securities

Debt securities
The Parent Company and CLDI issued SEC-Registered Commercial Papers during the period with outstanding balance of ₱928.60 million and ₱210.10 million, respectively, as of June 30, 2019.

Equity securities
There are no issuances, repurchases and repayments of equity securities as of the second quarter of 2019.

Any Known Trends, Events or Uncertainties (material impact on liquidity)

There are no known trends, events and uncertainties that have a material effect on liquidity.

Any unusual items affecting assets, liabilities, equity, net income or cash flows in the current interim financial statements

There are no unusual items affecting assets, liabilities, equity and net income or cash flows in the current interim financial statements.

Any significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period

There are no significant changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior year financial years that have a material effect in the current interim period.

Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations

There are no significant effects of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

Changes in contingent liabilities or contingent assets since the last balance sheet date

There are no contingent liabilities or contingent assets recorded since the last balance sheet date.

Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income from Continuing Operations)

There are no known trends, events or uncertainties that have a material effect on the net sales or revenues or income from continuing operations.

Any Significant Elements of Income or Loss that did not arise from Registrant's Continuing Operations

There are no significant elements of income or loss that did not arise from registrant's continuing operations.

Causes for any Material Changes from Period to Period in One or More Line of the Registrant's Financial Statements

Financial Condition (June 30, 2019 vs December 31, 2018)

1. Increase in Cash and Cash Equivalents was substantially due to sales and lease of real estate properties, collection of receivables and contract assets and shift of funds to shorter period investments.
2. Decrease in Short-term Investments was substantially due to shift of funds to shorter period placements, partial payment of notes payable, income tax payable, payment of cost of operations and development of projects.
3. Net increase in Installment Contracts Receivables was due to sale of real estate property of CPI and increase in past due accounts.
4. Increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the percentage of completion.
5. Net increase in Contract Assets was due to sales of real estate properties.
6. Decrease in Other Receivables was substantially due to collection of advances to customers, accrued interest and write-off of due from BIR.
7. Increase in Real Estate Properties for Sale was due to additional development cost incurred and transfer of property from held for future development.
8. Increase in Investments in Trust Fund was due to increase in fair value of investments and additional contribution to the fund.
9. Decrease in Real Estate Properties Held for Future Development was due to transfer of property to Real Estate Properties for Sale.
10. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease and transfer of property to real estate properties for sale of CPI.
11. Increase in Property and Equipment was due to recognition of right-of-use asset as an effect of adoption of PFRS 16, Leases.
12. Increase in Deferred Income Tax Assets – net was due to increase in realized gain on sale of real estate transactions and higher accrued expenses of CLDI.
13. Net decrease in Other Asset - Current was due to utilization of input VAT and amortization of prepaid real estate tax.
14. Increase in Accounts Payable and Accrued Expenses was substantially due to higher accrued development cost, taxes on real estate properties, dividends payable, withholding tax payable, VAT payable and recognition of lease liability in compliance with PFRS 16.
15. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
16. Decrease in Income Tax Payable was due to payment.

17. Increase in Deferred Tax Liabilities – net was primarily due to higher capitalized interest and cost to obtain contract.
18. Increase in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to increase in market value of shares of stocks.
19. Increase in Non-Controlling Interest was due to net income of subsidiaries.

Results of Operation (June 30, 2019 vs June 30, 2018)

1. Increase in Sales of Real Estate Properties was primarily due to higher sales generated from Pines Peak Tower II, 101 Xavierville, North Residences and One Taft Residences and increase of percentage of completion of ongoing projects.
2. Increase in Financial Income was due to higher interest income from installment contracts receivables and contract assets, cash equivalent and investments, notes receivable, guaranty deposit and dividend income.
3. Decrease in Rental Income was due to pre-termination of a lease contract in CityNet1.
4. Increase in Other Income was due to the valuation of repossessed real estate properties for sale.
5. Increase in Cost of Real Estate Sales was primarily due to higher sales of real estate properties.
6. Decrease in Operating Expenses was due to lower personnel expenses and insurance expense, depreciation, outside services, repairs and maintenance.
7. Increase in Financial Expenses was due to higher interest rates.
8. Decrease in Other Expenses was due to lower adjustment of prior years' income from forfeited units.
9. Increase in Provision for income tax was due to higher taxable income and expiration of Income Tax Holiday (ITH) entitlement of One Taft Residences and Pines Peak Tower II.
10. Increase in Net Income was primarily due to higher revenues and lower operating expenses and other expenses.

Any seasonal aspects that had a material effect on the financial condition and results of operation

There were no seasonal aspects that had a material effect on the financial condition and results of operations.

Compliance to Philippine Accounting Standard (PAS) 34*, Interim Financial Reporting*

The Group's unaudited interim consolidated financial statements is in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The same accounting policies and methods of computation are followed as compared with the most recent annual audited consolidated financial statements. However, the unaudited interim consolidated financial statements as of June 30, 2019 do not include all of the information and disclosures required in the annual audited consolidated financial statements and therefore, should be read in conjunction with the annual audited consolidated financial statements as of and for the year ended December 31, 2018. There are no any events or transactions that are material to an understanding of the current interim period.

PART II – OTHER INFORMATION

Disclosures not made under SEC Form 17-C

There are no reports that were not made under SEC Form 17-C.

S I G N A T U R E S

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: **CITYLAND DEVELOPMENT CORPORATION**

_____ Date: _____	_____ Date: _____
Josef C. Gohoc	Rudy Go
President / Director	*Senior Vice President / Compliance Officer*

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	June 30, 2019	December 31, 2018
	UNAUDITED	AUDITED
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,891,561,737**	₱470,311,423
Short-term investments (Note 4)	**520,900,000**	1,590,100,000
Current portion of:		
Installment contracts receivable (Note 6)	**8,753,323**	10,964,651
Contract assets (Note 6)	**772,497,959**	481,139,602
Cost to obtain contract (Note 6)	**15,131,782**	13,302,307
Notes receivables (Note 7)	**280,000,000**	321,500,000
Other receivables (Note 8)	**44,251,127**	54,646,521
Real estate properties for sale (Note 9)	**2,128,946,507**	1,916,113,031
Current portion of investments in trust funds (Note 5)	**6,015,289**	6,015,289
Other current assets (Note 13)	**33,075,351**	44,292,057
Total Current Assets	**5,701,133,075**	4,908,384,881
Noncurrent Assets		
Installment contracts receivable - net of current portion (Note 6)	**29,397,054**	20,050,544
Contract assets - net of current portion (Note 6)	**1,280,503,246**	1,564,896,929
Cost to obtain contract - net of current portion (Note 6)	**18,909,346**	19,766,947
Long-term investments (Note 4)	**100,000,000**	–
Notes receivable - net of current portion (Note 7)	**20,000,000**	595,000,000
Other receivables - net of current portion (Note 8)	**1,827,629**	3,310,297
Investments in trust funds - net of current portion (Note 5)	**33,673,181**	29,416,862
Real estate properties held for future development (Note 10)	**923,846,149**	973,872,993
Investment properties (Note 11)	**2,006,162,271**	2,046,001,773
Property and equipment (Note 12)	**66,976,495**	60,845,828
Net retirement plan assets (Note 24)	**22,345,660**	22,345,660
Deferred income tax assets - net (Note 25)	**10,173,795**	8,453,231
Other noncurrent assets (Note 13)	**309,176,899**	309,125,975
Total Noncurrent Assets	**4,822,991,725**	5,653,087,039
TOTAL ASSETS	**₱10,524,124,800**	₱10,561,471,920
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱300,330,484**	₱166,095,116
Contract liabilities (Note 6)	**438,549,944**	535,862,003
Notes and contracts payable (Note 15)	**1,146,197,992**	1,365,547,992
Income tax payable	**8,175,798**	24,780,456
Current portion of pre-need and other reserves (Note 5)	**2,416,195**	2,416,195
Total Current Liabilities	**1,895,670,413**	2,094,701,762
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**104,488,417**	122,909,362
Pre-need and other reserves - net of current portion (Note 5)	**37,763,814**	38,943,644
Net retirement benefits liability (Note 24)	**3,643,820**	3,643,820
Deferred income tax liabilities - net (Note 25)	**61,368,305**	53,588,488
Total Noncurrent Liabilities	**207,264,356**	219,085,314
Total Liabilities	**₱2,102,934,769**	₱2,313,787,076

(Forward)

	As of	
	June 30, 2019 UNAUDITED	December 31, 2018 AUDITED
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 16)		
Authorized - 5,000,000,000 shares as of June 30, 2019 and 4,000,000,000 shares as of December 31, 2018		
Issued – 4,195,975,497 shares held by 657 equity holders as of June 30, 2019 and 3,940,001,648 shares held by 661 equity holders as of December 31, 2018	**₱4,195,975,497**	₱3,940,001,648
Additional paid-in capital	**7,277,651**	7,277,651
Unrealized fair value changes on financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**797,979**	598,029
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(15,413,505)**	(15,413,505)
Retained earnings (Note 16)	**3,197,369,525**	3,290,490,493
Treasury stock - at cost (Note 16)	**(31,429,574)**	(31,429,574)
	7,354,577,573	7,191,524,742
Non-controlling interests (Note 17)	**1,066,612,458**	1,056,160,102
Total Equity	**8,421,190,031**	8,247,684,844
TOTAL LIABILITIES AND EQUITY	**₱10,524,124,800**	₱10,561,471,920

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

			UNAUDITED FOR THE 6-MONTH ENDING	
	2nd Qtr 2019	2nd Qtr 2018	**June 30, 2019**	June 30, 2018
REVENUES				
Sale of real estate properties (Note 6)	₱414,333,470	₱351,918,238	**₱852,241,998**	₱727,420,501
Financial income (Note 21)	134,944,205	89,736,260	**270,424,576**	176,368,447
Rental income (Note 11)	30,273,741	35,026,568	**63,790,710**	65,118,922
Other income (Note 23)	26,493,705	26,890,576	**66,173,485**	54,886,525
	606,045,121	503,571,642	**1,252,630,769**	1,023,794,395
COST AND EXPENSES				
Cost of real estate sales (Note 9)	235,905,708	210,475,141	**465,995,896**	381,928,777
Operating expenses (Note 18)	138,612,806	153,408,766	**274,684,391**	287,350,701
Financial expenses (Note 22)	6,457,768	4,433,615	**13,569,813**	8,099,938
Other expenses (Note 23)	4,104,396	5,119,627	**16,410,795**	19,237,268
	385,080,678	373,437,149	**770,660,895**	696,616,684
INCOME BEFORE INCOME TAX	220,964,443	130,134,493	**481,969,874**	327,177,711
PROVISION FOR INCOME TAX (Note 25)	49,538,836	18,411,478	**96,785,015**	54,479,646
NET INCOME	₱171,425,607	₱111,723,015	**₱385,184,859**	₱272,698,065
Attributable to:				
Equity holders of the Parent Company			**₱346,699,886**	₱239,953,443
Minority interests			**38,484,973**	32,744,622
			₱385,184,859	₱272,698,065
BASIC/DILUTED EARNINGS PER SHARE (Note 28)			**₱0.083**	₱0.057

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			UNAUDITED FOR THE 6-MONTH ENDING	
	2nd Qtr 2019	2nd Qtr 2018	**June 30, 2019**	June 30, 2018
NET INCOME	₱171,425,607	₱111,723,015	**₱385,184,859**	₱272,698,065
Other comprehensive income:				
To be reclassified to profit or loss in subsequent periods:				
Changes in fair value of available-for-sale financial assets (Note 13)	–	(458,418)	–	(2,627,282)
Not to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of financial asset at FVOCI (Note 13)	45,603	–	**257,833**	–
TOTAL COMPREHENSIVE INCOME	₱171,471,211	₱111,264,597	**₱385,442,692**	₱270,070,783
Attributable to:				
Equity holders of the Parent Company			**₱346,899,836**	₱237,598,570
Non-controlling interest			**38,542,856**	32,472,213
			₱385,442,692	₱270,070,783
BASIC/DILUTED EARNINGS PER SHARE			**₱0.083**	₱0.057

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan – Net of Deferred Income Tax Effect	Retained Earnings (Note 16)	Treasury Stock	Total	Non-controlling Interests (Note 17)	Total
BALANCES AT JANUARY 1, 2019	**₱3,940,001,648**	**₱7,277,651**	**₱598,029**	**(₱15,413,505)**	**₱3,290,490,493**	**(₱31,429,574)**	**₱7,191,524,742**	**₱1,056,160,102**	**₱8,247,684,844**
Net income	–	–	–	–	346,699,886	–	346,699,886	38,484,973	385,184,859
Other comprehensive income	–	–	199,950	–	–	–	199,950	57,883	257,833
Cash dividends - ₱0.0450 per share	–	–	–	–	(188,731,688)	–	(188,731,688)	–	(188,731,688)
Cash dividends received by CPI from CDC	–	–	–	–	110,066	–	110,066	–	110,066
Stock dividends - 6.5%	255,973,849	–	–	–	(255,973,849)	–	–	–	–
Fractional shares	–	–	–	–	(292)	–	(292)	–	(292)
Dividends declared by CLDI	–	–	–	–	–	–	–	(28,584,855)	(28,584,855)
Dividends declared by CLDI to CPI	–	–	–	–	–	–	–	494,355	494,355
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	75,785	–	75,785	–	75,785
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	4,699,124	–	4,699,124	–	4,699,124
BALANCES AT JUNE 30, 2019	**₱4,195,975,497**	**₱7,277,651**	**₱797,979**	**(₱15,413,505)**	**₱3,197,369,525**	**(₱31,429,574)**	**₱7,354,577,573**	**₱1,066,612,458**	**₱8,421,190,031**

	Capital Stock	Additional Paid-in Capital	Net Changes in Fair Values of Available-for-sale Financial Assets	Accumulated Re-measurement on Defined Benefit Plan	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2018	**₱3,940,001,648**	**₱7,277,651**	**₱1,251,555**	**(₱21,328,742)**	**₱2,842,649,954**	**(₱31,429,574)**	**₱6,738,422,492**	**₱994,858,416**	**₱7,733,280,908**
Net income	–	–	–	–	239,953,443	–	239,953,443	32,744,622	272,698,065
Other comprehensive loss	–	–	(2,354,873)	–	–	–	(2,354,873)	(272,409)	(2,627,282)
Cash dividends - ₱0.0301 per share	–	–	–	–	(118,535,714)	–	(118,535,714)	–	(118,535,714)
Cash dividends received by CPI from CDC	–	–	–	–	69,129	–	69,129	–	69,129
Cash dividends declared by CLDI	–	–	–	–	–	–	–	(19,193,668)	(19,193,668)
Cash dividends declared by CLDI to CPI	–	–	–	–	–	–	–	331,940	331,940
Transfer of deferred tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	363,427	–	363,427	–	363,427
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	4,291,175	–	4,291,175	–	4,291,175
BALANCES AT JUNE 30, 2018	**₱3,940,001,648**	**₱7,277,651**	**(₱1,103,318)**	**(₱21,328,742)**	**₱2,968,791,414**	**(₱31,429,574)**	**6,862,209,079**	**₱1,008,468,901**	**₱7,870,677,980**

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

			UNAUDITED	
	2nd Qtr 2019	2nd Qtr 2018	**As of June 30, 2019**	As of June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱220,964,443	₱130,134,493	**₱481,969,874**	₱327,177,711
Adjustments for:				
Interest income (Note 21)	(134,935,857)	(89,728,664)	**(270,412,394)**	(176,357,212)
Depreciation (Note 20)	15,197,201	16,630,395	**30,098,470**	33,267,234
Interest expense – net of amounts capitalized (Note 22)	5,554,224	4,095,065	**12,093,369**	7,511,138
Interest expense – lease liability (Note 22)	296,594	–	**296,594**	–
Trust fund income	(479,160)	(359,716)	**(906,452)**	(283,268)
Dividend income (Note 21)	(8,348)	(7,596)	**(12,182)**	(11,235)
Operating income before working capital changes	106,589,097	60,763,977	**253,127,279**	191,304,368
Decrease (increase) in:				
Installment contracts receivable	(4,245,432)	42,865,156	**(7,135,182)**	(19,578,161)
Contract assets	22,100,993	–	**(6,964,674)**	–
Other receivables	2,239,578	(5,338,975)	**6,162,597**	(2,298,712)
Real estate properties for sale (Note 9)	(82,527,776)	9,116,817	**(147,872,488)**	95,055,263
Real estate properties for future development (Note 10)	(44,378)	(16,070,604)	**(265,181)**	(529,588,240)
Cost to obtain contract (Note 6)	(1,832,173)	–	**(971,874)**	–
Deposits and other assets	8,545,864	(234,816,412)	**11,263,210**	(221,876,562)
Increase (decrease) in:				
Accounts payable and accrued expenses	79,678,228	163,425,609	**89,196,148**	160,013,715
Contract liabilities	(74,808,983)	–	**(97,312,059)**	–
Pre-need reserves	(869,540)	(189,063)	**(1,179,830)**	237,638
Cash generated from (used in) operations	54,825,478	19,756,505	**98,047,946**	(326,730,691)
Interest received	137,326,701	92,362,966	**276,127,859**	178,318,762
Income taxes paid	(68,181,698)	(48,413,668)	**(102,555,511)**	(76,281,906)
Net cash flows from (used in) operating activities	123,970,481	63,705,803	**271,620,294**	(224,693,835)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from matured (purchased of) investments (Note 4)	(238,700,000)	242,690,000	**969,200,000**	929,340,000
Purchase of matured (purchased of) notes receivable (Note 7)	529,000,000	(80,000,000)	**616,500,000**	(80,000,000)
Additions to investment properties (Note 11)	(1,654,570)	(861,901)	**(2,179,370)**	(4,000,767)
Additions to right-of-use asset (Note 12)	(8,879,228)	–	**(8,879,228)**	–
Contributions to investment in trust fund	(3,419,654)	(39,891)	**(3,419,654)**	(2,247,053)
Withdrawal from investment in trust fund	230,191	–	**230,191**	–
Dividends received (Note 21)	8,348	7,596	**12,182**	11,235
Net cash flows from investing activities	276,585,087	161,795,804	**1,571,464,121**	843,103,415

(Forward)

			UNAUDITED	
	2nd Qtr 2019	2nd Qtr 2018	**As of June 30, 2019**	As of June 30, 2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of notes payable (Note 15)	₱1,351,200,000	₱1,556,800,000	**₱2,901,800,000**	₱3,026,750,000
Payment of notes payable (Note 15)	(1,388,900,000)	(1,528,700,000)	**(3,121,150,000)**	(3,166,900,000)
Interest paid (Note 14)	(6,381,167)	(8,245,876)	**(13,798,499)**	(8,245,876)
Dividends paid (Note 14)	(188,622,345)	(137,244,051)	**(188,685,602)**	(137,244,051)
Net cash flows used in financing activities	(232,703,512)	(117,389,927)	**(421,834,101)**	(285,639,927)
NET INCREASE IN CASH AND CASH EQUIVALENTS	167,852,056	108,111,680	**1,421,250,314**	332,769,653
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,723,709,681	1,085,486,290	**470,311,423**	860,828,317
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱1,891,561,737	₱1,193,597,970	**₱1,891,561,737**	₱1,193,597,970

See accompanying Notes to Consolidated Financial Statements.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cityland Development Corporation (the Parent Company) was incorporated in the Philippines on January 31, 1978. It has two subsidiaries, Cityplans, Incorporated (CPI) and City & Land Developers, Incorporated (CLDI), a publicly listed company, which are all incorporated and domiciled in the Philippines. The primary purpose of the Parent Company and CLDI is to acquire, develop, improve, subdivide, cultivate, lease, sublease, sell, exchange, barter and/or dispose of agricultural, industrial, commercial, residential and other real properties, as well as to construct, improve, lease, sublease, sell and/or dispose of houses, buildings and other improvements thereon, and to manage and operate subdivisions and housing projects or otherwise engage in the financing and trading of real estate. CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans. The Parent Company is 50.98% owned by Cityland, Inc. (CI), the ultimate parent company incorporated in the Philippines, which also prepares consolidated financial statements.

The Parent Company's registered office and principal place of business is 2/F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Makati City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale financial assets and investment properties included in the investments in trust funds account, that have been measured at fair values. These consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional currency, and rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC) which include the availment of the relief granted by the SEC under Memorandum Circular No. 14-2018 and No. 3-2019 as discussed in the Change in Accounting Policies section below. PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by FRSC.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction

changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9, replaces PAS 39 Financial Instruments: *Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 using the modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity, if any.

  The effects of adopting PFRS 9 as at January 1, 2018 follows:

	As previously reported January 1, 2018	Reference	Adjustment	As restated January 1, 2018
Financial assets at FVOCI	₱–	(a)	₱1,629,078	₱1,629,078
Available-for-sale financial assets	1,629,078	(a)	(1,629,078)	–
Unrealized changes in fair value on financial assets at FVOCI	–	(a)	(1,251,555)	(1,251,555)
Net changes in fair values of available-for sale financial assets	(1,251,555)	(a)	1,251,555	–

  a. Classification and Measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

  The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied prospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The following are the changes in the classification of the Group's financial assets:

- *Cash, Short-term investments, Installment contracts receivable, Notes receivables, Other receivables and Deposits under "Noncurrent assets"* previously classified as *Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as *Debt instruments at amortized cost* beginning January 1, 2018.

- Listed equity investments previously classified as *AFS financial assets* are now classified and measured as *Financial assets at FVOCI* as the Group intends to hold these investments for a long period as a strategic investment.

The change in the classification of the Company's listed equity instruments did not result to any adjustment in retained earnings as of January 1, 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

Financial assets not held in trust:

		PFRS 9 Measurement Category	
PAS 39 Categories	Carrying Amount	Amortized Cost	Fair Value through OCI
Loans and receivables			
Cash and cash equivalents	₱860,828,317	₱860,828,317	₱–
Short-term investments	1,523,000,000	1,523,000,000	–
Installment contracts receivable	6,524,470	6,524,470	–
Notes receivable	728,000,000	728,000,000	
Other receivables	53,236,425	53,236,425	–
Deposits	18,096,064	18,096,064	–
Available for Sale			
Listed equity instruments	1,629,078	–	1,629,078

Financial assets held in trust:

		PFRS 9 Measurement Category	
PAS 39 Categories	Carrying amount	Amortized Cost	Fair Value through OCI
Loans and receivables			
Cash and cash equivalents	₱4,336,908	₱4,336,908	₱–
Loans and receivables	3,419,893	3,419,893	–
Financial assets at FVPL			
Debt instruments	4,445,116	4,445,116	–
Available for Sale			
Debt instruments	17,670,843	16,397,583	1,273,260
Listed equity instruments	881,491	–	881,491

b. Impairment testing under expected credit loss (ECL) model

There is no expected credit loss recognized in retained earnings as at January 1, 2018. The use of ECL upon adoption of PFRS 9 as explained below, did not result to any additional impairment loss.

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For installment contracts receivables (ICR) and contract assets, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward looking data on gross domestic product, interest rate, inflation and unemployment rate were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of five (5) years for the origination, maturity date and default date. The Group considers an ICR in default when contractual payment are ninety (90) days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 150 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for ongoing projects). As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such as notes receivables, other receivables and deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk 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 (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available

and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Further, since the implementation of PFRS 9, all financial assets except installment contracts receivable are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

The adoption of PFRS 9 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Based on the Group's assessment, no expected credit loss was recognized for the period ended June 30, 2019 and as of December 31, 2018.

- PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, PAS 1- *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*

  PIC Q&A 2018-11 requires land approved by the Board of Directors of a real estate developer to be held for sale in the ordinary course of business to be classified as inventory in accordance with PAS 2, *Inventories*. Otherwise, the land should be accounted for as investment property in accordance with PAS 40, *Investment Property*.

  PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* clarifies that the advances to contractors account is a temporary account. The eventual realization of such advances is determined by the usage/realization of the asset to which it was advanced for. As such, the guidance under PAS 1 should be applied to the underlying asset. The advances will be classified as current if it will be applied as payment for construction of assets to be classified inventories; and non-current if it will be applied as payment for assets to be classified as property and equipment or investment properties.

  Since the Group's current practice is in line with the clarifications issued, there is no significant impact on its consolidated financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

  The amendments are not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with

its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 29, 2018 and February 8, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 14, Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years:

a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H

Under the same SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales was also deferred.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
a. the accounting policies applied;
b. discussion of the deferral of the subject implementation issues in the PIC Q&A;
c. qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted; and
d. should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H, which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the provision of PIC Q&A No. 2018-12-D on accounting for significant financing component. Had this provision been adopted, it would have an impact in the financial statements as to the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been

recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

Since the Group's current practice is in line with the PIC Q&A No. 2018-12-E, PIC Q&A No. 2018-12-H and PIC Q&A No. 2018-14, there was no significant impact on its consolidated financial statements upon adoption of these amendments.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under the modified retrospective method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not yet completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 at January 1, 2018 follows:

	As previously reported January 1, 2018	Reference	Adjustment	As restated January 1, 2018
Installment contracts receivable				
Current	₱325,914,643	(b)	(₱319,390,173)	₱6,524,470
Noncurrent	1,509,504,341	(b)	(1,509,504,341)	–
Contract assets				
Current	–	(b)	319,390,173	319,390,173
Noncurrent	–	(b)	1,509,504,341	1,509,504,341
Cost to obtain contract				
Current	–	(a)	5,887,958	5,887,958
Noncurrent	–	(a)	7,827,340	7,827,340
Deferred income tax liabilities	–	(a)	4,114,589	4,114,589
Equity				
Attributable to equity holders of the Parent Company		(a)	6,687,449	6,687,449
Noncontrolling interest		(a)	2,913,257	2,913,257

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated Statement of Income for the Year Ended December 31, 2018

		Amounts prepared under		
	Reference	PFRS 15	Previous PFRS	Increase/ (Decrease)
Revenue				
Sales of real estate properties		₱1,462,770,043	₱1,462,770,043	₱–
Financial income		382,840,201	382,840,201	–
Rent income		126,309,736	126,309,736	–
Other income		83,976,302	83,976,302	–
		2,055,896,282	2,055,896,282	
Cost and Expenses				
Cost of real estate sales		742,331,601	742,331,601	–
Operating expenses	(a)	512,744,710	532,098,666	(19,353,956)
Financial expenses		16,740,403	16,740,403	–
Other expenses		29,978,174	29,978,174	–
		1,301,794,888	1,321,148,844	(19,353,956)
Income before income tax		754,101,394	734,747,438	19,353,956
Provision for income tax	(a)	125,836,065	120,029,878	5,806,187
Net income	(a)	₱628,265,329	₱614,717,560	₱13,547,769
Net income attributable to:				
Equity holders of the Parent Company	(a)	₱551,499,211	₱538,749,836	₱12,749,375
Non-controlling interests	(a)	76,766,118	75,967,724	798,394
		₱628,265,329	₱614,717,560	₱13,547,769
Earnings Per Share				
Basic/diluted, profit for the year attributable to ordinary equity holders of the Parent Company		₱0.140	₱0.137	₱0.003

Consolidated Statement of Financial Position as of December 31, 2018

		Amounts prepared under		
	Reference	PFRS 15	Previous PFRS	Increase/ (Decrease)
ASSETS				
Current Assets				
Cash and cash equivalents		₱470,311,423	₱470,311,423	₱–
Short-term investments		1,590,100,000	1,590,100,000	–
Current portion of:				
Installment contract receivable	(b)	10,964,651	492,104,253	(481,139,602)
Contract assets	(b)	481,139,602	–	481,139,602
Cost to obtain contract	(a)	13,302,307	–	13,302,307
Notes receivables		321,500,000	321,500,000	–
Other receivables		54,646,521	54,646,521	–
Real estate properties for sale		1,916,113,031	1,916,113,031	–
Current portion of investments in trust funds		6,015,289	6,015,289	–
Prepaid income tax		–	–	–
Other current assets		44,292,057	44,292,057	–
Total Current Assets		**4,908,384,881**	**4,895,082,574**	**13,302,307**

(Forward)

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase/ (Decrease)
Noncurrent Assets				
Installment contracts receivable – net of current portion	(b)	₱20,050,544	₱1,584,947,473	(₱1,564,896,929)
Contract assets – net of current portion	(b)	1,564,896,929	–	1,564,896,929
Cost to obtain contract - net of current portion	(a)	19,766,947	–	19,766,947
Notes receivable – net of current portion		595,000,000	595,000,000	–
Other receivables – net of current portion		3,310,297	3,310,297	–
Investments in trust funds – net of current portion		29,416,862	29,416,862	–
Real estate properties held for future development		973,872,993	973,872,993	–
Investment properties		2,046,001,773	2,046,001,773	–
Property and equipment		60,845,828	60,845,828	–
Net retirement plan assets		22,345,660	22,345,660	–
Deferred income tax assets – net		8,453,231	8,453,231	–
Other noncurrent assets		309,125,975	309,125,975	–
Total Noncurrent Assets		**5,653,087,039**	**5,633,320,092**	**19,766,947**
TOTAL ASSETS		**₱10,561,471,920**	**₱10,528,402,666**	**₱33,069,254**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	(b)	₱166,095,116	₱701,957,119	(₱535,862,003)
Contract liabilities	(b)	535,862,003	–	535,862,003
Notes and contracts payable		1,365,547,992	1,365,547,992	–
Income tax payable		24,780,456	24,780,456	–
Current portion of pre-need and other reserves		2,416,195	2,416,195	–
Total Current Liabilities		**2,094,701,762**	**2,094,701,762**	–
Noncurrent Liabilities				
Accounts payable and accrued expenses – noncurrent portion		122,909,362	122,909,362	–
Pre-need and other reserves – net of current portion		38,943,644	38,943,644	–
Net retirement benefits liability		3,643,820	3,643,820	–
Deferred income tax liabilities – net	(a)	53,588,488	43,667,713	9,920,775
Total Noncurrent Liabilities		**219,085,314**	**209,164,539**	**9,920,775**
Total Liabilities		**2,313,787,076**	**2,303,866,301**	**9,920,775**
Equity				
Capital stock		3,940,001,648	3,940,001,648	–
Additional paid-in capital		7,277,651	7,277,651	–
Unrealized fair value changes on financial assets at FVOCI		598,029	598,029	–
Accumulated re-measurement loss on defined benefit plan – net of deferred income tax effect		(15,413,505)	(15,413,505)	–
Retained earnings	(a)	3,290,490,493	3,271,053,665	19,436,828
Treasury stock – at cost		(31,429,574)	(31,429,574)	–
		7,191,524,742	7,172,087,914	19,436,828
Non-controlling interests (Note 17)		1,056,160,102	1,052,448,451	3,711,651
Total Equity		**8,247,684,844**	**8,224,536,365**	**23,148,479**
TOTAL LIABILITIES AND EQUITY		**₱10,561,471,920**	**₱10,528,402,666**	**₱33,069,254**

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of income for the year ended December 31, 2018 are described in the next pages.

a) The Group has sales personnel who are responsible for the marketing and sale of its real estate projects. These real estate sales personnel typically receive sales commission equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

   The above resulted to increase in cost to obtain contract, deferred income tax liability and retained earnings of ₱13.72 million, ₱4.11 million and ₱9.60 million, respectively, as of January 1, 2018.

   As at December 31, 2018, PFRS 15 increased cost to obtain contract and deferred tax liability, and decreased commission expense by ₱33.07 million, ₱9.92 million and ₱19.35 million, respectively.

b) The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, as contract asset while the excess of collection/ receivable over progress of work is recorded as contract liability.

   Before the adoption of PFRS 15, contract asset is not presented separately from installment contracts receivables while contract liabilities are presented as customer deposit. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate while for those receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

   The above resulted to recording of contract asset and contract liability of ₱1,828.89 million and nil, respectively, as of January 1, 2018.

   As at December 31, 2018, PFRS 15 increased contract assets, contract liabilities and retained earnings by ₱2,046.04 million, ₱535.86 million, and ₱19.44 million (net of deferred income tax), respectively, and decreased installment contracts receivable and customer deposit liability by ₱2,046.04 million and ₱535.86 million, respectively.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 – 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The amendments are not applicable to the Group.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the amendment did not have any effect on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments are not expected to have any impact on the Group.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group applied PFRS 16 using the modified retrospective approach for its long-term lease contracts and excluded the short-term lease contracts as permitted by the said accounting standard. The Group recognized in its statement of financial position right-of-use asset and lease liability as of June 30, 2019 amounting to ₱7.60 million and ₱7.90 million, respectively (see Notes 12 and 14). Depreciation expense related to the right-of-use asset and interest expense related to lease liability recognized in the statement of income for the period ended June 30, 2019 amounted to ₱1.28 million and ₱0.30 million, respectively (see Notes 20 and 22).

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of June 30, 2019 and December 31, 2018.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of the period presented. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

The percentage of ownership of the Parent Company in these subsidiaries as of June 30, 2019 and December 31, 2018 are as follows:

	Percentage of Ownership	Nature of Activity
CPI	90.81	Pre-need pension plans
CLDI	49.73	Real estate

The registered office and principal place of business of CLDI is 3/F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Makati City. On the other hand, the registered office and principal address of CPI is at 3/F Cityland Condominium. 10, Tower 2, 154 H.V. Dela Costa St., Salcedo Village, Makati City.

A subsidiary is an entity that is controlled by the Group. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill, if any), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling Interests

Non-controlling interests represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position, separate from the Parent Company's equity.

Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle

- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition, and are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition.

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Installment contract receivables and contract assets are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash, short-term investment, installment contracts receivable, contract assets, other receivables (except advances to contractors) and deposits under "Other noncurrent assets".

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
(a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows; and
(b) Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of June 30, 2019, the Group's investment in trust fund has debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category (Note 13).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if

they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

The Group has no financial assets at fair value through profit or loss as of June 30, 2019 and December 31, 2018.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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 will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk 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 (a lifetime ECL).

For installment contract receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, accrued expenses, notes and contracts payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to interest-bearing loans and borrowings.

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

c. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

Classification of financial instruments
Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each end of reporting period.

a. Financial Assets or Financial Liabilities at Fair Value through Profit or Loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at fair value through profit or loss.
Financial assets or financial liabilities classified in this category are designated as at fair value through profit or loss by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets or liabilities are part of a group of financial assets or financial liabilities, or both financial assets and financial liabilities, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or financial liabilities classified under this category are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets and liabilities are recognized in the consolidated statement of income.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method.

The Group's loans and receivables consist of cash in banks, cash equivalents, short-term investments, installment contracts receivable, notes receivable, refundable deposits, and other receivables.

c. Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost in the consolidated statement of income. Amortization is determined using the effective interest method.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are accounted in the consolidated statement of comprehensive income and in equity.

The Group's available-for-sale financial assets consist of investments in listed equity securities that are traded in liquid markets, held for the purpose of investing in liquid funds and not generally intended to be retained on a long-term basis.

e. Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. Other financial liabilities are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method.

The Group's other financial liabilities consist of accounts payable and accrued expenses and notes and contracts payable and other financial liabilities under its investments in trust funds.

Cash dividend distributions to stockholders are recognized as financial liabilities when the dividends are approved by the BOD.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where inputs are made of data which are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

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

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

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to significant financial difficulty of the counterparty, a breach of contract, such as default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

The impairment assessment is performed at each end of reporting period. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss, if any, is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets
In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Financial income" in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

In case of equity investments classified as available-for-sale financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income – is removed from equity and recognized in the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income and directly in the consolidated statement of changes in equity.

Investments in Trust Funds
The trust fund assets and liabilities are recognized in accordance with the provisions of the applicable PAS and PFRSs and their interpretations.

Investments in trust funds are restricted to cover the Group's pre-need reserves. These are classified as current assets to the extent of the currently maturing pre-need reserves. The remaining portion is classified as noncurrent assets in the consolidated statement of financial position.

Real Estate Properties for Sale and Real Estate Properties Held for Future Development
Property acquired or being constructed for sale in the ordinary course of business and held for future development, rather than to be held for rental or capital appreciation, is classified as real estate properties for sale and real estate properties held for future development and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Amounts paid to contractors for construction
- Borrowing costs directly attributable to the acquisition, development and construction of real estate projects
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to complete and the estimated costs necessary to make the sale. The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

Upon commencement of development, the real estate properties held for future development is transferred to real estate properties for sale.

Upon repossession, real estate properties for sale arising from sale cancellations and forfeitures are measured at fair value less estimated costs to make the sale. Any resulting gain or loss is credited or charged to "Other income" or "Other expenses", respectively, in the consolidated statement of income.

Investment Properties

Investment properties which represent real estate properties for lease and capital appreciation are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the property. The carrying values of revalued properties transferred to investment properties on January 1, 2004 were considered as the assets' deemed cost as of said date.

Subsequent to initial measurement, investment properties, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. Buildings for lease are depreciated over their useful life of 25 years while machineries and equipment are depreciated over their useful life of 5 to 15 years using the straight-line method.

Investment properties are derecognized when either they have been disposed of or when the property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

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.

Transfers between investment properties, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Construction in progress is stated at cost. This includes costs of construction and other direct costs related to the investment property being constructed. Construction in progress is not depreciated until such time when the relevant assets are complete and ready for use. When such construction is completed and assets are ready for use, the costs of the said assets are transferred to specific classification under "Investment properties" account.

Property and Equipment

Property and equipment, except for office premises, are stated at cost less accumulated depreciation and any impairment in value. Office premises are stated at appraised values (asset's deemed cost) as determined by SEC-accredited and independent firms of appraisers at the date of transition to PFRSs, less accumulated depreciation and any impairment in value. Subsequent additions to office premises are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of the purchase price and any directly attributable cost of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance costs, are normally charged to the consolidated statement of income in the period in

which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Building	25
Office premises	25
Furniture, fixtures and office equipment	5-15
Transportation and other equipment	5

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

When property and equipment are sold or retired, the cost and related accumulated depreciation and any impairment in value are removed from the accounts, and any gains or losses from their disposal is included in the consolidated statement of income.

Impairment of Nonfinancial Assets

The carrying values of real estate properties held for future development, investment properties and property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are either written down to their recoverable amount or provided with valuation allowance. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. Impairment losses, if any, are recognized in the consolidated statement of income.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group assesses at each reporting period whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. The Group considers external and internal sources of information in its assessment of the reversal of previously recognized impairment losses. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses," respectively, in the consolidated statement of financial position.

Pre-Need Reserves (PNR)
PNR for pension plans are calculated on the basis of the methodology and assumptions set out in Pre-Need Rule 31, as Amended, as follows:

- The amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as follows:

    i. Provision for termination values applying the inactivity and surrender rate experience of the Group.
    ii. The liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the lower of attainable rate or discount rate provided by the IC for SEC-approved plans and the pricing discount rate for IC-approved plans.

- The rates of surrender, cancellation, reinstatement, utilization, and inflation considered the actual experience of the Group in the last three years.

- The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Group.

- Based on the Group's experience, the probability of pre-termination or surrender of fully paid plans is below 5% and therefore considered insignificant. The derecognition of liability shall be recorded at pre-termination date.

In 2018 and 2017, the Group follows IC Circular Letter No. 23-2012 dated November 28, 2012 which sets the guidelines below for the discount rate to be used in the valuation of PNR:

- Discount interest rate for the PNR

    The transitory discount interest rate per year shall be used in the valuation of PNR shall not exceed the lower of the attainable rates as certified by the trustee banks and the following rates below:

Year	Discount interest rate
2012 – 2016	8.00%
2017	7.25%
2018	6.50%
2019 and onwards	6.00%

- Transitory PNR (TPNR)

  In effecting the transition in the valuation of reserves for old basket of plans, the IC shall prescribe a PNR with a maximum transition period of 10 years. For each of the pre-need plan categories, the TPNR shall be computed annually on the old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability setup shall be the PNR.

  However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

  The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by the Group from the trustee for the contractual benefits outstanding as of the end of the year.

  The TPNR liability shall be recognized each year. As of June 30, 2019 and December 31, 2018, the Group's actual trust fund balance is lower than the resulting PNR (see Note 5).

Other reserves
The Group sets up other provisions in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to cover obligations such as Insurance Premium Reserves (IPR), pension bonus, and trust fund deficiency.

Unless the IC shall so specifically require, the Group may, at its option, set up other provisions as a prudent measure.

Capital Stock
Capital stock is measured at par value for all shares issued and outstanding. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion of retained earnings which can be declared as dividends to stockholders after adjustments for any unrealized items which are considered not available for dividend declaration. Appropriated retained earnings represent that portion of retained earnings which has been restricted and therefore is not available for any dividend declaration.

The retained earnings include deemed cost adjustments on real estate properties for sale, investment properties and property and equipment that arose when the Group transitioned to PFRSs in 2005. The deemed cost adjustment will be realized through depreciation in profit or loss for depreciable assets (property and equipment and investment properties) and through sale for inventories (classified under real estate properties for sale) and land (classified under investment properties). The deferred income tax liability on deemed cost adjustments on investment properties, property and equipment and

inventories sold under Income Tax Holiday (ITH) projects is transferred to retained earnings upon realization while the deferred income tax liability on deemed cost adjustments on inventories sold under regular tax regime is transferred to consolidated statement of income upon sale.

Dividend Distributions
Cash dividends on common shares are deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Group. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of consolidated financial statements are dealt with as an event after the reporting period.

Treasury Stock
Treasury stock is the Group's own equity instruments that has been issued and then reacquired but not yet cancelled. Treasury stock are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Revenue Recognition effective January 1, 2018

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of completed real estate projects and undeveloped land. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as a principal in all of its revenue arrangements, except for the provisioning of water and electricity in its office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sales of real estate properties (CDC and CLDI)
CDC and CLDI derive its real estate revenue from sale of lots and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the entities' performance does not create an asset with an alternative use and the entities have an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the entities use input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The entities uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Sales of real estate properties (CPI)
The Company derives its revenue from sale of condominium units. Revenue from the sale of these real estate projects are recognized at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer. The payment is collectible in monthly installments for periods ranging from 1 to 10 years.

Cost recognition (CDC and CLDI)
CDC and CLDI recognize costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the entities recognize as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Cost recognition (CPI)
The Company recognizes costs relating to satisfied performance obligations as these are incurred.

Contract Balances

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the entities performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the entities have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the entities transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the entities perform under the contract.

The contract liabilities also include payments received by the entities from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Operating expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization and derecognition of capitalized costs to obtain a contract
CDC and CLDI amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within operating expenses.

Capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Revenue Recognition prior to January 1, 2018

Revenue and Costs Recognition
Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and the amount of revenue can be reliably measured. For sales of real estate properties, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Revenue is measured at the fair value of the consideration received excluding VAT. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales of real estate properties
Revenue from sales of completed real estate properties and undeveloped land is accounted for using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the properties have been passed to the buyer and the amount of revenue can be measured reliably.

In accordance with Philippine Interpretations Committee Q&A 2006-01, *Revenue Recognition for Sales of Property Units under Pre-completion Contracts*, the percentage-of-completion (POC) method is used to recognize income from sales of real estate properties when the Group has material obligations under the sales contract to complete the project after the property is sold. The Group starts recognizing revenue under the POC method when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished) and the costs incurred or to be incurred can be measured reliably. Under this method, revenue on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

If the criteria of full accrual and POC method are not satisfied and when the license to sell and certificate of registration for a project are not yet issued by the Housing and Land Use Regulatory Board (HLURB), any cash received by the Group is recorded as part of "Customers' deposits" account which is included under "Accounts payable and accrued expenses" in the consolidated statement of financial position until all the conditions for recognizing the sale are met.

Cost of real estate sales
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate properties sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

The cost of inventory recognized in profit or loss on disposal (cost of real estate sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of real estate sales also include the estimated development costs to complete the real estate property, as determined by independent project engineers, and taking into account the POC. The accrued development costs account is presented under "Accounts payable and accrued expenses" in the consolidated statement of financial position.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in consolidated statement of income in the period in which the change is made.

Applicable to All Periods Presented
Sales of pre-need plans
Premiums from sale of pre-need plans, included under "Other income" account in the consolidated statement of income are recognized as earned when collected.

Cost of contracts issued
This account pertains to (a) the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year; (b) amount of trust funds contributed during the year including any trust fund deficiency; and (c) documentary stamp tax and SEC registration fees.

If there is a decrease in the PNR as a result of new information or developments, the amount shall be deducted from the cost of contracts issued in the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by CPI.

Interest income
Interest income from cash in banks, cash equivalents, short-term investments, installment contracts receivable, contract assets, guaranty deposits and notes receivable is recognized as the interest accrues taking into account the effective yield on interest.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Trust fund income
Trust fund income mainly pertains to rental income on investment properties under the trust fund account, as well as, trading gains and losses from buying and selling and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at fair value through profit or loss investments under the trust fund account.

Leases

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

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

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

Operating leases – Group as a lessor
Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rent income from operating leases is recognized as income when earned on a straight-line basis over the term of the lease agreement. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Operating expenses
Operating expenses constitute costs of administering the business. These costs are expensed as incurred.

Financial expenses
Financial expenses consist of interest incurred on notes and contracts payable. Interest attributable to a qualifying asset is capitalized as part of the cost of the asset while others are expensed as incurred.

Interest costs are capitalized if they are directly attributable to the acquisition, development and construction of real estate projects as part of the cost of such projects. Capitalization of interest cost (1) commences when the activities to prepare the assets for their intended use are in progress and expenditures and interest costs are being incurred, (2) is suspended during extended periods in which active development is interrupted, and (3) ceases when substantially all the activities necessary to prepare the assets for their intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Other income and other expenses
Other income and other expenses pertain mainly to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales.

Retirement Benefits Cost
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefits cost comprises the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the consolidated statement of comprehensive income in the period in which they arise. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are earned by the employees. The undiscounted liability for leave expected to be settled within 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period. Accumulating leave credits which can be utilized anytime when needed or converted to cash upon employee separation (i.e., resignation or retirement) are presented at its discounted amount as "Accounts payable and accrued expense - noncurrent portion" in the consolidated statement of financial position.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the effective future cash flows at a pre-tax rate that reflects current market

assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability under "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" account in the consolidated statement of financial position.

Deferred income tax

Deferred income tax is recognized on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and deferred income tax liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income such as re-measurement of defined benefit plan are recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Other Comprehensive Income
Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income in accordance with PFRSs. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI/available-for-sale financial assets, re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability).

Earnings Per Share
Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any. In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 29 to the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its Group financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  These amendments do not affect the consolidated financial statements but may apply on future insurance contracts which may be entered by the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments, Estimates and Assumption

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the period presented. Actual results could differ from such estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the judgments enumerated in the next pages, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of CLDI in which the Group holds less than a majority of voting right (de facto control)
The Group consolidates the accounts of CLDI since it considers that it controls CLDI even though it owns less than 50% of voting interest. The factors that the Group considered in making this determination include the size of its block of voting shares and the relative size and dispersion of holdings by other stockholders. The Group is the single largest shareholder of CLDI with 49.73% equity interest. The Parent Company, some of its stockholders and affiliates (whose stockholders also own equity ownership in the Parent Company) collectively own more than 50% of the equity of CLDI giving the Parent Company effective control over CLDI.

Management has determined that it has control by virtue of its power to cast the majority of votes at meetings of the BOD in all of its subsidiaries.

Revenue recognition upon adoption of PFRS 15
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Existence of a contract*
  The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of other signed documentation such as reservation agreement, official receipts and other documents, would contain all the criteria to qualify as a contract with the customer under PFRS 15.

  In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will be able to collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as the credit standing and

financial capacity of the buyer, age and location of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

- *Revenue recognition method and measure of progress*
  The Group, except for CPI, concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

  The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the buyer.

- *Identifying performance obligation*
  The Group has various contracts to sell covering its sale of condominium units and other real estate properties. The Group concluded that there is one performance obligation in each of these contracts because it has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the serviced land in accordance with the approved plan. For the sale of real estate properties such as raw land, the Group integrates certain activities to the said property to be able to deliver the guaranteed property based on the contract with the buyer. Included also in this performance obligation is the Group's service is to transfer the title of the real estate unit to the customer.

- *Principal versus agent considerations*
  The contract for the Group's buildings for lease includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA like maintenance, janitorial and security services.

  For the electricity and water usage, the Group determined that it is acting as an agent because the commitment of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility company, and not the real estate developer, is primary responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

  For the provision of air conditioning and services in the CUSA, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of CUSA as it chooses and the party responsible to provide proper ventilation and air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air conditioning charges.

Revenue recognition prior to adoption of PFRS 15
Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*
  Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.
  For sale of real estate properties, in determining whether the sales prices are collectible, the Group considers that initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.

- *Stage of completion of the project*
  The Group commences the recognition of revenue from sale of uncompleted projects where the POC method is used when the POC, as determined by independent project engineers, which is at more or less 10%. It is the period when the Group considers that the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

Distinction between investment properties and owner-occupied 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 the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Investment properties amounted to ₱2.01 billion and ₱2.05 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 11). Property and equipment amounted to ₱66.98 million and ₱60.85 million as of June 30, 2019 and December 31, 2018, respectively (see Note 12).

Distinction between real estate properties for sale and investment properties
The Group determines whether a property is classified as for sale, for lease or for capital appreciation.

Real estate properties which the Group develops and intends to sell on or before completion of construction are classified as real estate properties for sale. Real estate properties for sale amounted to ₱2.13 billion and ₱1.92 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 9). Real estate properties which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation are classified as investment properties. Investment properties amounted to ₱2.01 billion and ₱2.05 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 11).

Distinction between real estate properties for sale and held for future development
The Group determines whether a property will be classified as real estate properties for sale or held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate properties for sale) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (real estate properties held for future development). Real estate properties for sale amounted to ₱2.13 billion and ₱1.92 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 9). Real estate properties held for future development amounted to ₱0.92 billion and ₱0.97 billion as of June 30, 2019 and December 31, 2018, respectively (see Note 10).

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

Revenue recognition upon adoption of PFRS 15 - Revenue recognition method and measure of progress
The measurement of progress for revenue recognition requires management to make use of estimates and assumptions. The Group's real estate sales is based on the percentage-of-completion method measured principally on the basis of total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total estimated development cost of the project. Estimated development costs of the project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. The estimated development cost is prepared by the Group's project engineers and are independently reviewed by the Group's third party independent project engineers. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Revenue recognition prior to adoption of PFRS 15 - Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of POC of real estate projects
The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineers as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱852.24 million and ₱727.42 million as of June 30, 2019 and June 30, 2018, respectively (see Note 6). Cost of real estate sales amounted to ₱466.00 million and ₱381.93 million as of June 30, 2019 and June 30, 2018 (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets - Effective starting January 1, 2018
The Group uses a provision matrix to calculate ECLs for installment contract receivables and contract assets. The provision rates are based on past collection history and other factors, which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior, known market factors that affect the collectability of the accounts.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the inflation rate, gross domestic product, interest rate and unemployment rate. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions such as inflation rate, gross domestic product, interest rate and unemployment rate and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's installment contracts receivable and contract assets is disclosed in Note 27. As of June 30, 2019, installment contracts receivable, contract assets, notes receivable, and other receivables aggregated to ₱2.44 billion. No impairment of receivables was recognized in 2019 (see Notes 6, 7 and 8).

Determination of net realizable value of real estate properties for sale and held for future development
The Group's estimates of net realizable value of real estate properties for sale and held for future development are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate properties for sale and held for future development are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused the real estate properties for sale to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

The Group's real estate properties for sale as of June 30, 2019 and December 31, 2018 amounted to ₱2.13 billion and ₱1.92 billion, respectively (see Note 9). On the other hand, the Group's real estate properties held for future development as of June 30, 2019 and December 31, 2018 amounted to ₱0.92 billion and ₱0.97 billion, respectively (see Note 10).

Estimation of useful lives of investment properties and property and equipment
The Group estimates the useful lives of investment properties and property and equipment based on the internal technical evaluation and experience with similar assets. Estimated lives of investment properties and property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Net book value of depreciable investment properties as of June 30, 2019 and December 31, 2018 amounted to ₱1.04 billion and ₱1.08 billion, respectively (see Note 11). On the other hand, the net book value of depreciable property and equipment amounted to ₱20.45 million and ₱14.32 million as of June 30, 2019 and December 31, 2018, respectively (see Note 12).

Impairment of available-for-sale financial assets
An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of cost and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility

in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Determination of the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40, *Investment Property*, the Group engaged SEC-accredited and independent valuation specialists to assess fair value as of December 31, 2018 and 2017. The Group's investment properties consist of land and building pertaining to commercial properties. These are valued by reference to sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use. Another method used in determining the fair value of land properties is based on the market data approach. The value of land is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others (see Note 27).

Determination of impairment indication on investment properties and property and equipment
The Group determines whether its nonfinancial assets such as investment properties and property and equipment are impaired when impairment indicators exist such as significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. When an impairment indicator is noted, the Group makes an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. No impairment indicator was noted as of June 30, 2019 and December 31, 2018. Net book value of investment properties as of June 30, 2019 and December 31, 2018 amounted to ₱2.01 billion and ₱2.05 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱66.98 million and ₱60.85 million as of June 30, 2019 and December 31, 2018, respectively (see Note 12).

Estimation of retirement benefits cost
The cost of the defined benefit plan and the present value of the defined benefit obligation are determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the various tenors, rates for intermediate durations were interpolated and the rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

Estimation of reserves
Reserves are set up for all pre-need benefits guaranteed and payable by CPI as defined in the pre-need plan contracts. The determination of CPI's reserves is based on the actuarial formula, methods, and assumptions allowed by applicable SEC and IC circulars.

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient

future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

4. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of:

	June 30, 2019	December 31, 2018
Cash on hand and in banks	**₱1,611,737**	₱22,411,423
Cash equivalents	**1,889,950,000**	447,900,000
	₱1,891,561,737	₱470,311,423

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective investment rates.

Short-term investments consist of:

	June 30, 2019	December 31, 2018
Short-term cash investments	**₱165,900,000**	₱1,570,600,000
Short-term bond investments	**355,000,000**	19,500,000
	₱520,900,000	₱1,590,100,000

Short-term investments have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market rates.

Long-term investments amounting to ₱100.00 million pertain to bond investments that have maturities of more than one year from the date of acquisition.

Interest income earned from cash in banks, cash equivalents and investments amounted to ₱85.18 million and ₱45.17 million as of June 30, 2019 and June 30, 2018, respectively (see Note 21).

5. Investments in Trust Funds and Pre-need and Other Reserves

Investments in trust funds
Pursuant to the provisions of the SEC Memorandum Circular No. 6, *Guidelines on the Management of the Trust Fund of Pre-Need Corporation* (SEC Circular No. 4), the SEC requires, among others, that companies engaged in the sale of pre-need plans and similar contracts to planholders set up a trust fund to guarantee the delivery of property or performance of service in the future. Withdrawals from these trust funds are limited to, among others, payments of pension plan benefits, bank charges and investment expenses in the operation of the trust funds, termination value payable to plan holders, contributions to the trust funds of cancelled plans and final taxes on investment income of the trust funds.

In accordance with the SEC requirements, CPI has funds deposited with two local trustee banks with net assets aggregating to ₱39.69 million and ₱35.43 million as of June 30, 2019 and December 31, 2018, respectively, which are recorded under "Investments in trust funds" account in the consolidated statement of financial position.

The details of investments in trust funds are as follows:

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	**₱9,195,754**	₱3,894,062
Debt and listed equity securities	**25,949,052**	27,118,532
Investment properties	**5,169,680**	5,169,680
Others	**300,938**	261,523
	40,615,424	36,443,797
Liabilities	**(926,954)**	(1,011,646)
	39,688,470	35,432,151
Less noncurrent portion	**33,673,181**	29,416,862
	₱6,015,289	₱6,015,289

Pre-need and other reserves

Details of pre-need and other reserves are as follows:

	June 30, 2019	December 31, 2018
Transitory pre-need reserves	**₱29,230,987**	₱30,394,126
Reserve for trust fund deficiency	**10,258,961**	10,258,961
Pension bonus reserve	**560,878**	577,569
Insurance premium reserve	**129,183**	129,183
	40,180,009	41,359,839
Less noncurrent portion	**37,763,814**	38,943,644
	₱2,416,195	₱2,416,195

6. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from the real estate sales overtime in different product types and from one geographical location. The disaggregation of each sources of revenue from contracts with customers are presented below:

Real estate sales

Type of Product	**June 30, 2019**	June 30, 2018
Medium-rise condominium	**₱828,729,324**	₱690,501,916
Parking slots and others	**23,512,674**	36,918,585
Total	**₱852,241,998**	₱727,420,501

Real estate sales of the Group as of the period ended June 30, 2019 and 2018 pertain to sale of properties within Metro Manila.

All of the Group's real estate sales, except for CPI, are revenue from contracts with customers recognized over time and are reported under "Sales of real estate properties" segment. For CPI, real estate sales are revenue from contracts with customers recognized at a point in time.

As of June 30, 2019 and 2018, sales for real estate properties and rental income arose from contracts with external customers. There were no intercompany sales/transactions made on the said years.

Contract Balances

	June 30, 2019	December 31, 2018
Installment contracts receivable	**₱38,150,377**	₱31,015,195
Contract assets:		
Current	**772,497,959**	481,139,602
Noncurrent	**1,280,503,246**	1,564,896,929
Contract liabilities	**438,549,944**	535,862,003

Installment contracts receivable as of:

	June 30, 2019	December 31, 2018
Installment contracts receivable	**₱38,150,377**	₱31,015,195
Less noncurrent portion	**29,397,054**	20,050,544
Current portion	**₱8,753,323**	₱10,964,651

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from 1 to 10 years which bear monthly interest rates of 0.67% to 2.00% both in 2019 and 2018 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱177.34 million and ₱129.77 million as of June 30, 2019 and June 30, 2018, respectively (see Note 21).

The Parent Company, CLDI and CI entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contract receivable enrolled and renewed by these companies aggregated amounted to ₱1.60 billion and ₱2.64 billion as of June 30, 2019 and December 31, 2018, respectively. These companies paid a guaranty premium of 1.00% based on outstanding principal balance of the receivables in 2019 and 2018 (see Note 18).

Contract asset represents the right to consideration that was already delivered by the Group in excess of the amount recognized as installment contracts receivable. This is reclassified as installment contracts receivable when the monthly amortization of the customer is already due for collection. The recognition of contract asset is mainly due to the adoption of PFRS 15 effective January 1, 2018 where contract asset is recognized for the excess of progress of work over the right to an amount of consideration.

Contract liabilities amounting to ₱438.55 million and ₱535.86 million as of June 30, 2019 and December 31, 2018 consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Group based on percentage of completion. Due to the adoption of PFRS 15 effective January 1, 2018, receipts from clients pertaining to projects below the preliminary stage of completion recorded as "Customers' deposits" under "Accounts Payable and Accrued Expenses" account were reclassified as contract liabilities.

As of January 1, 2018, no contract liability was recognized by the Company. Thus, no revenue was recognized for the year ended December 31, 2018 that was included in the contract liability balance as at January 1, 2018. Movement in contract liability as of June 30, 2019 was recognized as income based on the percentage of completion of the ongoing projects.

b. *Performance obligations*

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover either the lot or condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group, except for CPI, recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction. CPI recognizes revenue from the sale of these real estate projects at a point in time when control of the asset is transferred to the buyer, generally when the condominium units are delivered to and accepted by the buyer.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include down payment of generally 5% to 10% of the contract price with the remaining balance payable through in-house financing which ranges from one (1) month to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Within one year	**304,048,819**	₱171,603,219
More than one year	**733,538,267**	202,640,880
	1,037,587,086	₱374,244,099

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three years and five years from start of construction.

Rental agreements
The Group entered into lease agreements for its buildings for lease with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee. Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to issue post-dated check on the monthly rental payments. In case of delay in payments, a penalty of about 4% per annum is charged for the amount due for the duration of delay. The lease arrangement for the Group's long term lease transactions would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

c. Cost to Obtain Contract

The balances below pertain to the cost to obtain contracts as presented in the consolidated statements of financial position:

	June 30, 2019	December 31, 2018
Balance at beginning of year	**₱33,069,254**	₱13,715,298
Additions	**19,065,424**	34,071,059
Amortization	**(18,093,550)**	(14,717,103)
Balance at end of year	**34,041,128**	33,069,254
Less noncurrent portion	**18,909,346**	19,766,947
Current portion	**₱15,131,782**	₱13,302,307

7. Notes Receivable

Notes receivable from various financial institutions earns interest at the prevailing market interest rates ranging from 3.20% to 5.20%.

	June 30, 2019	December 31, 2018
Notes receivable	**₱300,000,000**	₱916,500,000
Less noncurrent portion	**20,000,000**	595,000,000
Current portion	**₱280,000,000**	₱321,500,000

There were no properties offered as collaterals for the said notes receivables. Details of notes receivables as of June 30, 2019 are as follows:

Date of Placement	Amount	Maturity Date
May 2019	₱100,000,000	November 2019
April 2017	180,000,000	April 2020
August 2016	20,000,000	August 2020
Total	₱300,000,000	

Interest income earned from notes receivable amounted to ₱2.01 million and ₱1.42 million as of June 30, 2019 and June 30, 2018, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	June 30, 2019	December 31, 2018
Rent receivable	**₱16,518,477**	₱14,268,276
Accrued interest (Note 26)	**15,571,169**	21,286,634
Advances to customers	**10,238,874**	16,676,710
Due from BIR	**–**	3,774,771
Retention	**2,227,165**	1,462,366
Others	**1,523,071**	488,061
	46,078,756	57,956,818
Less noncurrent portion	**1,827,629**	3,310,297
Current portion	**₱44,251,127**	₱54,646,521

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). Accrued interest pertains to interest income earned as of June 30, 2019 but not yet received by the Group. Advances to customers are receivables of the Group for the real estate property taxes of sold condominium units initially paid by the Group. Due from BIR pertains to input VAT refund relating to zero-rated sales which was written off in 2019. Other receivables include employees' advances and receivables from customers for expenses initially paid by Group.

9. Real Estate Properties for Sale

Real estate properties for sale consists of costs incurred in the development of condominium units and residential houses. Real estate properties for sale includes deemed cost adjustment amounting to ₱8.89 million and ₱22.10 million as of June 30, 2019 and December 31, 2018, respectively. The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

The movements in real estate properties for sale are as follows:

	June 30, 2019	December 31, 2018
Balances at beginning of year	**₱1,916,113,031**	₱1,177,390,644
Construction/development costs incurred	**571,887,936**	685,692,827
Disposals (cost of real estate sales)	**(465,995,896)**	(742,331,601)
Transfer from real estate properties held for future development (Note 10)	**50,292,025**	760,470,007
Transfer from (to) investment properties (Note 11)	**14,668,963**	11,534,295
Borrowing costs capitalized (Note 22)	**14,993,977**	9,495,031
Other adjustments – net	**26,986,471**	13,861,828
Balances at end of year / period	**₱2,128,946,507**	₱1,916,113,031

Real estate properties for sale account includes capitalized borrowing costs incurred during each year in connection with the development of the properties. The average capitalization rate used to determine the amount of capitalized borrowing costs eligible for capitalization is 4.34% in June 30, 2019 and 1.88% in December 31, 2018.

Other adjustments include realized deemed cost adjustment and the recognition of repossessed real estate properties measured at fair value less cost to sell at the date of repossession.

10. Real Estate Properties Held for Future Development

Real estate properties held for future development include land properties reserved by the Group for its future condominium projects.

Movements in real estate properties held for future development are as follows:

	June 30, 2019	December 31, 2018
Balances at beginning of year	**₱973,872,993**	₱1,194,820,381
Additions	**265,181**	597,417,558
Transfer to real estate properties for sale (Note 9)	**(50,292,025)**	(760,470,007)
Transfer to investment properties (Note 11)	**–**	(11,368,615)
Transfer to property and equipment (Note 12)	**–**	(46,526,324)
Balances at end of year / period	**₱923,846,149**	₱973,872,993

In 2018, CLDI purchased a property along Boni Avenue, Mandaluyong City.

11. Investment Properties

Investment properties consist of:

	June 30, 2019	December 31, 2018
Real estate properties for lease	**₱1,825,022,939**	₱1,864,862,441
Real estate properties held for capital appreciation	**181,139,332**	181,139,332
	₱2,006,162,271	₱2,046,001,773

Movements in investment properties are as follows:

	June 30, 2019			
	Land	**Building**	**Machinery and Equipment**	**Total**
Costs				
Balances at beginning of year	**₱963,561,804**	**₱1,072,659,516**	**₱208,978,446**	**₱2,245,199,766**
Additions	**1,345,406**	**–**	**833,964**	**2,179,370**
Transfer to real estate properties for sale (Note 9)	**–**	**(16,599,924)**	**–**	**(16,599,924)**
Balances at end of the period	**964,907,210**	**1,056,059,592**	**209,812,410**	**2,230,779,212**
Accumulated Depreciation				
Balances at beginning of year	**–**	**150,485,246**	**48,712,747**	**199,197,993**
Depreciation (Notes 18 and 20)	**–**	**20,561,938**	**6,787,971**	**27,349,909**
Transfer to real estate properties for sale (Note 9)	**–**	**(1,930,961)**	**–**	**(1,930,961)**
Balances at end of the period	**–**	**169,116,223**	**55,500,718**	**224,616,941**
Net Book Values	**₱964,907,210**	**₱886,943,369**	**₱154,311,692**	**₱2,006,162,271**

	December 31, 2018				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Costs					
Balances at beginning of year	₱951,668,189	₱1,084,193,811	₱208,978,446	₱838,749	₱2,245,679,195
Additions	525,000	–	–	8,591,877	9,116,877
Transfer to real estate properties for sale (Note 9)	–	(11,534,295)	–	–	(11,534,295)
Transfer from real estate properties for future development (Note 10)	11,368,615	–	–	–	11,368,615
Reclassification	–	9,430,626	–	(9,430,626)	–
Transfer to property and equipment (Note 12)	–	(9,430,626)	–	–	(9,430,626)
Balances at end of year	963,561,804	1,072,659,516	208,978,446	–	2,245,199,766
Accumulated Depreciation					
Balances at beginning of year	–	107,140,463	31,253,318	–	138,393,781
Depreciation	–	43,344,783	17,459,429	–	60,804,212
Balances at end of year	–	150,485,246	48,712,747	–	199,197,993
Net Book Values	₱963,561,804	₱922,174,270	₱160,265,699	₱–	₱2,046,001,773

Investment properties as of June 30, 2019 and December 31, 2018 include the following buildings for lease registered with Philippine Economic Zone Authority (PEZA) which are leased out to third parties:

	PEZA Registration No.	Date Registered
CityNet1	EZ14-04	March 3, 2014
Citynet Central	EZ15-06	February 17, 2015

The net book values of land and building include net deemed cost adjustment amounting to ₱158.67 million as of June 30, 2019 and December 31, 2018. The deemed cost adjustment arose when the Group transitioned to PFRSs in 2005.

Based on the appraisal reports by SEC-accredited and independent firms of appraisers using market data and sales comparison approach at various dates in 2018, appraised values of these investment properties amounted to ₱4.52 billion and ₱4.17 billion as of dates of appraisal in 2018 and 2017, respectively.

The following are the long-term lease contracts entered into by the Group as of June 30, 2019:

Commencement Date	Lessee (Third Parties)	Term
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2018	Retail Store	3 years
2018	BPO	5 years
2018	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	BPO	3 years

(Forward)

Commencement Date	Lessee (Third Parties)	Term
2017	Convenience Store	5 years
2016	Fast Food	10 years
2016	Domestic Corporation	5 years
2015	Domestic Corporation	4 years and 4 months
2014	BPO	5 years and 8 months
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

The future minimum lease payments for these lease agreements are as follows:

	June 30, 2019	December 31, 2018
Within one year	**₱107,270,967**	₱97,145,452
After one year but not more than five years	**303,178,090**	161,175,980
Later than five years	**19,297,600**	23,985,920
	₱429,746,657	₱282,307,352

Rent income from investment properties amounted to ₱63.79 million and ₱65.12 million as of June 30, 2019 and June 30, 2018, respectively.

Other lease agreements with third parties are generally for a one year term renewable every year.

12. Property and Equipment

Property and equipment consists of:

	June 30, 2019					
	Land	**Building**	**Office Premises**	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Total**
At Cost						
Balances at beginning and end of the period	**₱46,526,324**	**₱8,649,376**	**₱–**	**₱29,268,716**	**₱5,032,835**	**₱89,477,251**
Accumulated Depreciation						
Balances at beginning of the period	–	**28,831**	–	**24,344,564**	**4,667,341**	**29,040,736**
Depreciation (Notes 18 and 20)	–	**172,988**	–	**878,843**	**98,199**	**1,150,030**
Balances at end of the period	–	**201,819**	–	**25,223,407**	**4,765,540**	**30,190,766**
Net Book Value	**46,526,324**	**8,447,557**	–	**4,045,309**	**267,295**	**59,286,485**
At Cost						
Right-of-use asset	–	–	**8,879,228**	–	–	**8,879,228**
Depreciation (Notes 18 and 20)	–	–	**(1,278,560)**	–	–	**(1,278,560)**
Right-of-use asset, net	–	–	**7,600,668**	–	–	**7,600,668**
At Deemed Cost	–	–	**253,365,628**	–	–	**253,365,628**
Accumulated Depreciation						
Balances at beginning of the period	–	–	**252,956,315**	–	–	**252,956,315**
Depreciation (Notes 18 and 20)	–	–	**319,971**	–	–	**319,971**
Balances at end of the period	–	–	**253,276,286**	–	–	**253,276,286**
Net Deemed Cost	–	–	**89,342**	–	–	**89,342**
Total	**₱46,526,324**	**₱8,447,557**	**₱7,690,010**	**₱4,045,309**	**₱267,295**	**₱66,976,495**

	December 31, 2018					
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Total
At Cost						
Balances at beginning of year	₱–	₱–	₱–	₱40,108,459	₱6,380,142	₱46,488,601
Transfer from real estate properties held for future development (Note 10)	46,526,324	–	–	–	–	46,526,324
Transfer from investment properties (Note 11)	–	8,649,376	–	781,250	–	9,430,626
Disposal	–	–	–	(11,620,993)	(1,347,307)	(12,968,300)
Balances at end of year	46,526,324	8,649,376	–	29,268,716	5,032,835	89,477,251
Accumulated Depreciation						
Balances at beginning of year	–	–	–	33,727,896	5,713,040	39,440,936
Depreciation (Notes 18 and 20)	–	28,831	–	2,237,661	301,608	2,568,100
Disposal	–	–	–	(11,620,993)	(1,347,307)	(12,968,300)
Balances at end of year	–	28,831	–	24,344,564	4,667,341	29,040,736
Net Book Value	46,526,324	8,620,545	–	4,924,152	365,494	60,436,515
At Deemed Cost	–	–	253,365,628	–	–	253,365,628
Accumulated Depreciation						
Balances at beginning of year	–	–	249,879,666	–	–	249,879,666
Depreciation (Notes 18 and 20)	–	–	3,076,649	–	–	3,076,649
Balances at end of year	–	–	252,956,315	–	–	252,956,315
Net Deemed Cost	–	–	409,313	–	–	409,313
Total	₱46,526,324	₱8,620,545	₱409,313	₱4,924,152	₱365,494	₱60,845,828

For the office premises, the Group elected to apply the optional exemption under PFRS 1, *First-Time Adoption of PFRS*, to use the revalued amount as deemed cost as at January 1, 2005, the date of transition to PFRSs. As of June 30, 2019 and December 31, 2018, the balances at pre-PFRS cost of the office premises are as follows:

	June 30, 2019	December 31, 2018
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**55,757,403**	55,690,047
Net book values	**₱18,343**	₱85,699

The Group adopted PFRS 16, Leases on January 1, 2019 for its contracts of lease wherein the Group is acting as the lessee. The said leases pertain to lease of office space for the period of 2-5 years. The Group recorded as part of "Property and equipment" the right-of-use asset amounting to ₱7.60 million as of June 30, 2019. Depreciation expense related to right-of-use asset amounted to ₱1.28 million as of June 30, 2019 (see Note 20).

Other lease contracts entered by the Group pertain to short-term leases of office space with rent expense amounting to ₱0.96 million incurred as of June 30, 2019. The Group does not have any lease contracts pertaining to low value assets. Further, the Group does not have any sublease and leaseback transactions. Thus, there were no income arising from sublease, sale and leaseback transaction.

Difference between the net deemed cost and the net pre-PFRSs cost amounting to ₱0.07 million and ₱0.32 million as of June 30, 2019 and December 31, 2018, respectively, represents the remaining balance of the deemed cost adjustment.

The cost of fully depreciated property and equipment still used in operations amounted to ₱20.43 million as of June 30, 2019 and December 31, 2018.

13. **Other Assets**

Other current assets amounting to ₱33.08 million and ₱44.29 million as of June 30, 2019 and December 31, 2018, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	June 30, 2019	December 31, 2018
Guaranty deposit (Note 26)	**₱257,150,000**	₱257,150,000
Unused input VAT	**33,013,188**	33,109,863
Financial assets at FVOCI	**1,513,713**	1,416,284
Advances to contractors	**671,082**	275,634
Deposits and others	**16,828,916**	17,174,194
	₱ 309,176,899	₱309,125,975

Guaranty deposits pertain to placements made by Credit and Land Holdings, Inc. (CLHI), an affiliate of the Parent Company, in favor of the Housing and Land Use Regulatory Board (HLURB) wherein the Parent Company is required to secure a cash bond in relation to the construction and development of its ongoing projects (see Note 26). The interest income earned from guaranty deposits amounted to ₱5.79 million and nil in June 30, 2019 and June 30, 2018, respectively (see Note 21).

The unused input VAT arose from the purchase of parcels of land recorded as part of "Real estate properties held for future development" and "Investment properties" accounts in June 30, 2019 and December 31, 2018, respectively (see Notes 10 and 11). The related input VAT is utilized upon the launching of the project.

Financial assets at FVOCI consist of investments in listed equity securities. The fair values of available-for-sale financial assets were determined based on published prices in an active market.

The movement in the account presented in the equity section of the consolidated statements of financial position is as follows:

	June 30, 2019	December 31, 2018
Balances at beginning of the year	**₱598,029**	₱1,251,555
Changes in fair value	**199,950**	(653,526)
Balances at end of the period	**₱797,979**	598,029

Advances to contractors are advances made by the Group for the contractors' supply requirement whereas deposits and others represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	June 30, 2019	December 31, 2018
Trade payables	**₱83,439,712**	₱92,358,444
Customers' deposits	**58,034,779**	34,194,907
Accrued expenses:		
Development costs	**101,894,725**	58,515,131
Sick leave (Note 24)	**24,959,690**	25,289,961
Directors' fee (Note 26)	**24,092,637**	25,428,867
Taxes, premiums, staff benefits and others	**12,720,438**	5,000,509
Interest payable	**4,599,006**	6,007,542
Dividends payable	**39,927,724**	11,900,913
Withholding taxes payable	**19,862,384**	8,169,472
Deferred rent income	**15,516,453**	12,837,989
Lease liability	**7,896,439**	–
VAT payable	**2,679,048**	–
Due to related parties (Note 26)	**1,805,356**	1,843,451
Others	**7,390,510**	7,457,292
	404,818,901	289,004,478
Less noncurrent portion	**104,488,417**	122,909,362
Current portion	**₱300,330,484**	₱166,095,116

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of customers' reservation fees, rental deposits and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed condominium units of the Group. Deferred rent income pertains to rent received from long-term operating lease.

Lease liability pertains to the present value of the lease payments that are not yet paid during the remaining lease period. Interest expense related to the lease liability amounted to ₱0.30 million as of June 30, 2019 (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liability.

Other payables consist substantially of commissions payable, unclaimed checks of pension holders and payables due to government agencies.

The movements in dividends payable and accrued interest are as follows:

			Payments		
	January 1, 2019	**Additions**	**Expensed**	**Capitalized**	**June 30, 2019**
Dividends payable (Note 16)	**₱11,900,913**	**₱216,712,413**	**(₱188,685,602)**	**₱–**	**₱39,927,724**
Accrued interest (Note 15)	**6,007,542**	**27,383,940**	**(13,798,499)**	**(14,993,977)**	**4,599,006**
	₱17,908,455	**₱244,096,353**	**(₱202,484,101)**	**(₱14,993,977)**	**₱44,526,730**

			Payments		
	January 1, 2018	Additions	Expensed	Capitalized	December 31, 2018
Dividends payable (Note 16)	₱11,050,680	₱137,328,312	(₱136,478,079)	₱–	₱11,900,913
Accrued interest (Note 15)	2,398,253	24,673,384	(11,569,064)	(9,495,031)	6,007,542
	₱13,448,933	₱162,001,696	(₱148,047,143)	(₱9,495,031)	₱17,908,455

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	June 30, 2019	December 31, 2018
Notes payable	**₱1,138,700,000**	₱1,358,050,000
Contracts payable	**7,497,992**	7,497,992
	₱1,146,197,992	₱1,365,547,992

Notes payable pertain to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 2.31% to 4.69% and 1.31% to 5.00% as of June 30, 2019 and December 31, 2018, respectively.

On various dates in 2018 and 2017, the SEC authorized the Parent Company and CLDI to issue total aggregated amount of ₱1.75 billion, worth of commercial papers registered with the SEC in accordance with the provision of the Securities Regulation Code and its implementing rules and regulations and other applicable laws and orders. Outstanding commercial papers issued by the Parent Company and CLDI as of June 30, 2019 and December 31, 2018 aggregated to ₱1.14 billion and ₱1.36 billion, respectively.

The movements in notes payable are as follows:

	June 30, 2019	December 31, 2018
Beginning balance	**₱1,358,050,000**	₱1,453,450,000
Availment	**2,901,800,000**	6,088,050,000
Payment	**(3,121,150,000)**	(6,183,450,000)
Ending balance	**₱1,138,700,000**	₱1,358,050,000

Interest expense related to notes payable amounted to ₱26.53 million and ₱8.10 million as of June 30, 2019 and June 30, 2018 (see Note 22). Capitalized borrowing costs amounted to ₱14.99 million and ₱9.50 million in June 30, 2019 and December 31, 2018, respectively (see Notes 9, 14 and 22). Total interest paid amounted to ₱28.79 million and ₱21.06 million as of June 30, 2019 and December 31, 2018, respectively.

The Company, CI, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.45 billion as of June 30, 2019 and December 31, 2018, which are available for drawing by any of the companies with Cityland Group. No loans were availed by the Cityland Group from the credit line as of June 30, 2019 and December 31, 2018.

The Parent Company has specific credit lines amounting to ₱500.00 million in June 30, 2019 and December 31, 2018. As of June 30, 2019 and December 31, 2018, no loans were availed from the credit line.

The carrying values of CDC's investment properties and real estate properties for sale that will be used as collaterals both as of June 30, 2019 and December 31, 2018 amounted ₱130.19 million and ₱61.63 million, respectively.

Contracts payable amounting to ₱7.50 million as of June 30, 2019 and December 31, 2018, represents liability arising from a contract entered into by CLDI to purchase land for future development (see Note 10).

The movements in contract payable are as follows:

	June 30, 2019	December 31, 2018
Beginning balance	**₱7,497,992**	₱–
Availment	**–**	482,000,000
Payment	**–**	(474,502,008)
Ending balance	**₱7,497,992**	₱7,497,992

16. Equity

a. The Parent Company registered 10,000,000 shares with the SEC on June 15, 1978 with an initial offer price of ₱10.00. On July 27, 2012, the SEC approved the Amended Articles of Incorporation on the application for increase in authorized capital stock from ₱3.00 billion to ₱4.00 billion with a par value of ₱1.00 each. As of June 30, 2019 and December 31, 2018, the Parent Company has 4,195,975,497 shares held by 657 equity holders and 3,940,001,648 shares held by 661 equity holders, respectively.

On the special stockholders' meeting held last October 5, 2018, the stockholders representing two-thirds (2/3) of the outstanding capital stock approved and ratified the declaration of 6.5% stock dividends which shall come from the unappropriated retained earnings as of December 31, 2017 through an increase in authorized capital stock of One Billion (1,000,000,000) shares with par value of One Peso (Php1.00). The application for the increase in authorized capital stock shall be submitted for approval by the SEC. The record date of stock dividends shall be fixed by the SEC after clearance and approval.

The above declaration amends the previously 5% stock dividends declared by the Board of Directors last May 2, 2018 and approved by stockholders last June 5, 2018. On July 20, 2018 after initial assessment of SEC on the Parent Company's application of increase in authorized capital stock of One Billion (1,000,000,000) shares, the Board resolved and approved the cancellation of the Parent Company's application with SEC to increase the percentage of stock dividends and set a special stockholders' meeting.

On March 14, 2019, the SEC approved the increase in authorized capital stock of the Parent Company from 4,000,000,000 shares to 5,000,000,000 shares with par value of One Peso (₱1.00).

The following table summarizes the reconciliation of the issued and outstanding shares of capital stock for each of the following:

	June 30, 2019		December 31, 2018	
	Shares	**Amount**	Shares	Amount
Authorized shares- ₱1 par value				
Beginning of the year	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000
Increase in authorized capital stock	**1,000,000,000**	**1,000,000,000**	–	–
End of the year	**5,000,000,000**	**5,000,000,000**	4,000,000,000	4,000,000,000
Issued, beginning of year	**3,940,001,648**	**3,940,001,648**	3,940,001,648	3,940,001,648
Treasury stock	**(4,383,869)**	**(4,383,869)**	(4,234,588)	(4,234,588)
Outstanding	**3,935,617,779**	**3,935,617,779**	3,935,767,060	3,935,767,060
Stock dividends	**255,973,849**	**255,973,849**	–	–
	4,191,591,628	**4,191,591,628**	3,935,767,060	3,935,767,060
Treasury stock	**4,383,869**	**4,383,869**	4,234,588	4,234,588
Issued, end of year	**4,195,975,497**	**4,195,975,497**	3,940,001,648	₱3,940,001,648

Treasury stock includes 2,445,922 and 2,296,641 shares as of June 30, 2019 and December 31, 2018, respectively, held by CPI.

b. Dividends declared and issued/paid by the Parent Company in 2019, 2018 and 2017 are as follows:

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	May 30, 2019	–	₱0.0450	June 17, 2019	June 28, 2019
	May 8, 2018	–	0.0301	May 23, 2018	June 07, 2018
	May 23, 2017	–	0.0360	June 6, 2017	June 22, 2017
Stock	April 25, 2019	May 6, 2019	5%	July 5, 2019	July 31, 2019
	September 5, 2018	October 5, 2018	6.5%	April 12, 2019	May 10, 2019
	April 27, 2017	June 6, 2017	5%	July 6, 2017	August 1, 2017

Fractional shares of stock dividends were paid in cash based on the par value.

On March 21, 2019, the SEC resolved to authorize the issuance of 6.5% stocks dividends to cover the dividends declared by its Board of Directors on May 2, 2018 and readopted on September 5, 2018 and ratified by the stockholders representing two-thirds (2/3) of outstanding capital stocks on June 5, 2018 and readopted on October 5, 2018.

In the special meeting held on April 25, 2019, the Board of Directors approved the declaration of 5% stock dividends to stockholders of record as of July 5, 2019 to be distributed on July 31, 2019. This is for ratification by stockholders' meeting on June 6, 2019. The record date of the said meeting is on May 6, 2019.

17. Material Partly-owned Subsidiary

Proportion of equity interest held by non-controlling interests as of June 30, 2019 and December 31, 2018:

CLDI	50.27%
CPI	9.19%

18. Operating Expenses

Operating expenses consist of:

	June 30, 2019	June 30, 2018
Personnel expenses (Note 19)	**₱101,904,301**	₱119,901,986
Taxes and licenses	**52,701,295**	43,828,901
Professional fees	**32,918,371**	20,815,994
Depreciation (Note 20)	**30,098,470**	33,267,234
Light, power and water	**12,220,443**	12,067,973
Outside services	**9,707,488**	11,632,893
Insurance (Note 6)	**8,153,129**	14,869,628
Brokers' commission	**5,709,595**	4,274,416
Repairs and maintenance	**3,925,950**	4,657,453
Membership and association dues	**2,792,791**	3,310,767
Advertising and promotions	**1,903,563**	2,659,064
Postage, telephone and telegraph	**1,229,232**	1,489,117
Stationery and office supplies	**990,370**	1,058,254
Rent expense	**960,490**	3,348,487
Others	**9,468,903**	10,168,534
	₱274,684,391	₱287,350,701

Others include transportation and miscellaneous expenses.

19. Personnel Expenses

Personnel expenses consist of:

	June 30, 2019	June 30, 2018
Salaries and wages	**₱48,155,092**	₱50,038,432
Commissions	**20,546,663**	22,706,429
Bonuses and other employee benefits	**33,202,546**	47,157,125
	₱101,904,301	₱119,901,986

20. Depreciation

Depreciation consists of:

	June 30, 2019	June 30, 2018
Investment properties (Note 11)	**₱27,349,909**	₱30,435,518
Property and equipment (Note 12)	**2,748,561**	2,831,716
	₱30,098,470	₱33,267,234

Depreciation expense of property and equipment includes ₱1.28 million pertaining to the right-of-use asset as an effect of adoption of PFRS 16.

21. Financial Income

Financial income consists of:

	June 30, 2019	June 30, 2018
Interest income from:		
Installment contracts receivable and contract assets (Note 6)	**₱177,342,935**	₱129,771,655
Cash equivalents and investments (Note 4)	**85,149,273**	45,137,724
Notes receivable (Note 7)	**2,011,288**	1,416,474
Guaranty deposit (Note 13)	**5,785,875**	–
Cash in banks (Note 4)	**34,510**	31,359
Others	**88,513**	–
Dividend income	**12,182**	11,235
	₱270,424,576	₱176,368,447

22. Financial Expenses

Financial expenses consist of:

	June 30, 2019	June 30, 2018
Interest expense on:		
Notes payable (Note 15)	**₱26,533,934**	₱8,100,223
Less capitalized borrowing costs (Notes 14, 9 and 15)	**(14,993,977)**	(1,084,970)
	11,539,957	7,015,253
Finance charges	**1,179,850**	588,800
Interest expense on lease liability (Note 14)	**296,594**	–
Others	**553,412**	495,885
	₱13,569,813	₱8,099,938

23. Other Income/Expenses

Other income
Other income amounting to ₱66.17 million and ₱54.89 million as of June 30, 2019 and June 30, 2018, respectively, pertains to trust fund income, penalties for customers' late payments, sale of scraps and forfeiture of reservations/downpayments received on sales which were not consummated.

Other expenses
Other expenses amounting to ₱16.41 million and ₱19.24 million as of June 30, 2019 and June 30, 2018 respectively, pertain to loss due to forfeiture/cancellation of sales.

24. Retirement Benefits Cost

Retirement benefits cost
The Group, jointly with affiliated companies, has a funded, noncontributory defined benefit retirement plan, covering all of its permanent employees. This provides for payment of benefits to covered employees upon retirement subject to certain condition which is based on a certain percentage of the employee's final monthly salary and the number of years of service.

Accrued sick leave
Employees are entitled to paid sick leave of 15 days per year of service after issuance of regular appointment, computed at 1.25 days per month of service, enjoyable only after one year of regular service. Unused sick leaves are cumulative and convertible to cash based on the employee's salary at the time that the employee is leaving the Group. Accrued sick leave, presented under "Accounts payable and accrued expenses - noncurrent portion" account, amounted to ₱24.96 million and ₱25.29 million as of June 30, 2019 and December 31, 2018, respectively (see Note 14).

25. Income Taxes

a. Provision for (benefit from) income tax consists of:

	June 30, 2019	June 30, 2018
Current	**₱68,060,483**	₱63,490,800
Deferred	**10,834,162**	(18,042,842)
Final tax	**17,890,370**	9,031,688
	₱96,785,015	₱54,479,646

b. The components of net deferred income tax assets (liabilities) are as follows:

	June 30, 2019	December 31, 2018
Deferred income tax assets on:		
Accrued expenses and others	**₱15,788,357**	₱16,567,168
Difference between tax basis and book basis of accounting for real estate transactions	**15,028,357**	20,179,513
Actuarial loss on defined benefit plan	**7,782,451**	7,782,451
Lease liability	**88,731**	–
	38,687,896	44,529,132
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(50,284,910)**	(54,327,373)
Capitalized borrowing costs	**(14,955,006)**	(10,898,843)

(Forward)

	June 30, 2019	December 31, 2018
Net retirement plan assets	**(₱13,393,003)**	(₱13,393,003)
Unearned rent revenue	**(1,037,149)**	(1,124,394)
Cost to obtain contract (Notes 2 and 6)		
January 1 transition adjustment, *effect of adoption of PFRS 15*	**(9,920,776)**	(4,114,589)
Movement during the year	**(291,562)**	(5,806,187)
	(89,882,406)	(89,664,389)
Net deferred income tax liabilities	**(₱51,194,510)**	(₱45,135,257)

Deferred income tax assets – net: CLDI	**₱10,173,795**	₱8,453,231
Deferred income tax liabilities – net:		
Parent Company	**(58,128,732)**	(51,480,857)
CPI	**(3,239,573)**	(2,107,631)
	(61,368,305)	(53,588,488)
	(₱51,194,510)	(₱45,135,257)

26. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

			Outstanding Balances				
	Amount of transactions		Receivable (Note 8)		Payable (Note 14)		Terms
Nature of Transaction	**June 30, 2019**	December 31, 2018	**June 30, 2019**	December 31, 2018	**June 30, 2019**	December 31, 2018	and Conditions
Ultimate parent (CI)							
Sharing of expenses charged by (to) the Company	**₱38,095**	**(₱2,861,306)**	**₱–**	₱–	**₱1,805,356**	₱1,843,451	30-day, unsecured, non-interest bearing; to be settled in cash
CLHI							
Interest income from guaranty deposit	**5,785,875**	7,641,128	**1,484,203**	1,484,203	**–**	–	Settled in Cash
Key management personnel							
Salaries and other compensation	**–**	29,231,206	**–**	–	**24,092,637**	25,428,867	Settled in Cash
Total			**₱1,484,203**	₱1,484,203	**₱25,897,993**	₱27,272,318	

Parent Company's transactions with CLDI and CPI are eliminated in the consolidated balance sheets and statements of income.

The transactions of the Parent Company with CLDI and CPI are eliminated in the consolidated statements of financial positions and consolidated statements of income.

a. The Group has an existing management contract with CI wherein the latter provides management services to the Group. The agreement is for a period of five years renewable automatically for another five years unless either party notifies the other party six months prior to expiration. Management fee is based on a certain percentage of net income as mutually agreed upon by both parties. Management fees for 2019, 2018 and 2017 were waived by CI. There are no conditions attached to the waiver of these management fees.

b. The Group has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent.

c. The Group, jointly with affiliated companies under common control, has a trust fund for the retirement plan of their employees. The trust fund is being maintained by a third party trustee bank under the supervision of the Retirement Committee of the plan who is responsible for the investment strategy of the plan.

d. The Group has no standard arrangements with regard to the remuneration of its directors. Moreover, the Group has no standard arrangement with regard to the remuneration of its existing officers aside from the compensation received or any other arrangements in the employment contracts and compensatory plan. The Group does not have any arrangements for stock warrants or options offered to its employees.

e. In 2018, the Parent Company through its affiliate – Credit and Land Holdings, Inc., issued a cash bond amounting ₱257.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as guaranty deposit under "Other noncurrent assets". The said amount was placed by CLHI with a financial institution with a maturity of five (5) years. Interest income earned amounted to ₱5.79 million and ₱7.64 million in June 30, 2019 and December 31, 2018 (see Notes 8 and 13).

f. The Parent Company entered into a Memorandum of Agreement with Cityland, Inc. (CI) wherein CDC shall assign a parcel of land to CI in exchange of condominium units and parking slots of the ongoing project of CI.

27. **Financial Instruments**

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term and long term investments, notes receivable and notes payable and contracts payable. The main purpose of these financial instruments is to finance the Group's operations. The Group's other financial instruments consist of financial assets at fair value through profit or loss, financial assets at FVOCI and available-for-sale financial assets, which are held for investing purposes and investments in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, other receivables and accounts payable and accrued expenses which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (i.e., cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Market risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's short-term notes payable, all with repriced interest rates.

The Group's policy in addressing volatility in interest rates includes maximizing the use of operating cash flows to be able to fulfill principal and interest obligations even in periods of rising interest rates.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates based on forecasted and average movements of interest rates (with all other variables held constant):

	Change in bps	Effect on Income before Income Tax
June 30, 2019	+/-₱4 **bps**	+/-**₱49,382,003**
December 31, 2018	-/+6 bps	+/-8,730,903

There is no impact on the Group's equity other than those already affecting income before income tax.

Equity price risk

Equity price risk is the risk that the fair values of investments in equity securities will decrease as a result of changes in the market values of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as financial assets at FVOCI/available-for-sale financial assets included under "Other noncurrent asset account" in the consolidated statements of financial position. The Group employs the service of a third-party stock broker to manage its investments in shares of stock.

The following table demonstrates the sensitivity analysis of the Group's equity to a reasonably possible change in equity price based on forecasted and average movements of equity prices (with all other variables held constant):

	Change in equity price	Effect on equity
June 30, 2019	**-/+0.02**	**+/-₱22,009**
December 31, 2018	+/-0.08	+/-106,348

Credit risk

Credit risk arises when the Group will incur a loss because its customers, clients or counterparties fail to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the objective that the Group's exposure to bad debts is not significant. The risk is further mitigated because the Group holds the title to the real estate properties with outstanding installment contracts receivable balance and the Group can repossess such real estate properties upon default of the customer in paying the outstanding balance. The Group's policy is to enter into transactions with a diversity of creditworthy

parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk within the Group.

The tables below show the Group's exposure to credit risk for the components of the consolidated statements of financial position. The exposure as of June 30, 2019 is shown at gross, before taking the effect of mitigation through the use of collateral agreements and other credit enhancements, and at net, after taking the effect of mitigation through the use of collateral agreements and other credit enhancements.

June 30, 2019:

	Gross maximum exposure	Fair value of collaterals	Net exposure	Financial effect of collateral/credit enhancements
Financial assets				
Investments in trust funds	**₱39,688,470**	**₱–**	**₱39,688,470**	**₱–**
Cash and cash equivalents, excluding cash on hand	**1,891,358,737**	**–**	**1,891,358,737**	**–**
Short-term investments	**520,900,000**	**–**	**520,900,000**	**–**
Long-term investments	**100,000,000**	**–**	**100,000,000**	**–**
Installment contracts receivable	**38,150,377**	**180,318,728**	**–**	**38,150,377**
Notes receivable	**300,000,000**	**–**	**300,000,000**	**–**
Guaranty deposit	**257,150,000**	**–**	**257,150,000**	**–**
Refundable deposits	**15,912,540**	**–**	**15,912,540**	**–**
Other receivables:				
Rent receivable	**16,518,477**	**–**	**16,518,477**	**–**
Accrued interest	**15,571,169**	**–**	**15,571,169**	**–**
Advances to customers	**10,238,874**	**–**	**10,238,874**	**–**
Retention	**2,227,165**	**–**	**2,227,165**	**–**
Others	**1,523,071**	**–**	**1,523,071**	**–**
Contract assets	**2,053,001,205**	**4,766,744,742**	**–**	**2,053,001,205**
Total credit risk exposure	**₱5,262,240,085**	**₱4,947,063,470**	**₱3,171,088,503**	**₱2,091,151,582**

The Group has performed an expected credit loss (ECL) calculation for its financial assets at amortized cost. The expected credit loss is a product of the probability of default, loss given default and exposure at default.

In determining the probability of default, the Group used historical default rates for the last five years for the installment sales from its buyers and last two years for other receivables. The Group applied the possible effects of macroeconomic factors to the historical loss rate. For loss given default, the Group determined that the fair value less cost of repossession of collaterals upon default is higher than the exposure at default. Thus, no expected credit loss was recognized for the Group's installment contract receivables, contract assets and other receivables from its buyer.

The Group considers its cash and cash equivalent and short-term investments as high grade since these are placed in financial institution of high credit standing. Accordingly, ECL relating to cash and cash equivalent and short-term investment rounds to nil.

The Group considers other receivables from third parties and related parties as medium grade. Third parties are primarily managed through screening based on credit history and financial information submitted. Whereas, related parties have low risk of default and have a strong capacity to meet their contractual cash flows in the near term.

As of June 30, 2019, the following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

			Days past due				
	Contract assets	Current	< 30 days	30-60 days	61-90 days	Over 90 days	Total
Installment contracts receivable	₱–	₱33,170,238	₱ 1,979,785	₱502,721	₱750,971	₱1,746,662	₱38,150,377
Contract assets	2,053,001,205	–	–	–	–	–	2,053,001,205
Notes receivable	–	300,000,000	–	–	–	–	300,000,000
Guaranty deposit	–	257,150,000	–	–	–	–	257,150,000
Refundable deposits	–	15,912,540	–	–	–	–	15,912,540
Other receivables:							
Rent receivable	–	16,518,477	–	–	–	–	16,518,477
Accrued interest	–	15,571,169	–	–	–	–	15,571,169
Advances to customers	–	8,635,079	–	259,823	127,098	1,216,874	10,238,874
Retention	–	2,227,165	–	–	–	–	2,227,165
Others	–	1,523,071	–	–	–	–	1,523,071
	₱2,053,001,205	₱650,707,739	₱ 1,979,785	₱762,544	₱878,069	₱2,963,536	₱2,710,292,878

The tables below show the credit quality by class of asset for loan-related statement of financial position lines based on the Group's credit rating system:

June 30, 2019:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in trust funds	₱39,688,470	₱–	₱39,688,470
Cash and cash equivalents, excluding cash on hand	1,891,358,737	–	1,891,358,737
Short-term investments	520,900,000	–	520,900,000
Long-term investments	100,000,000	–	100,000,000
Installment contracts receivable	–	38,150,377	38,150,377
Notes receivable	–	300,000,000	300,000,000
Guaranty deposits	–	257,150,000	257,150,000
Refundable deposits	–	15,912,540	15,912,540
Other receivables:			
Rent receivable	–	16,518,477	16,518,477
Accrued interest	–	15,571,169	15,571,169
Advances to customers	–	10,238,874	10,238,874
Retention	–	2,227,165	2,227,165
Others	–	1,523,071	1,523,071
Contract assets	–	2,053,001,205	2,053,001,205
Total	₱2,551,947,207	₱2,710,292,878	₱5,262,240,085

**High Grade - financial assets with reputable counterparties and which management believes to be reasonably assured to be recoverable.*

*** Medium Grade - financial assets for which there is low risk of default of counterparties.*

Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial papers.

The tables below summarize the maturity analysis of the consolidated financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

June 30, 2019:

	Up to One Year	Above One Year	Total
Accounts payable and accrued expenses*	**₱278,253,986**	**₱98,806,092**	**₱377,060,078**
Lease liability	**2,214,114**	**5,682,325**	**7,896,439**
Notes payable**	**1,188,082,003**	**–**	**1,188,082,003**
Contracts payable	**7,497,992**	**–**	**7,497,992**
	₱1,476,048,095	**₱104,488,417**	**₱1,580,536,512**

** Excludes statutory liabilities amounting to ₱19,862,384.*
*** Includes interest expense amounting to ₱49,382,003.*

Fair Values

The following table provides fair value hierarchy of the Group's financial assets, financial liabilities and investment properties, other than those with carrying amounts which are reasonable approximations of fair values:

Date of valuation: June 30, 2019

	Fair value		
	Level 1	Level 2	Level 3
Assets measured at fair value:			
Investment in trust fund			
Financial assets at FV through OCI			
Debt securities	**₱3,182,208**	**₱–**	**₱–**
Equity securities - listed	**655,468**	**–**	**–**
Investment properties	**–**	**–**	**5,169,680**
Financial assets at FV through OCI	**1,513,713**	**–**	**–**
Assets for which fair values are disclosed:			
Investment properties*	**–**	**–**	**4,520,686,480**

**Last valuation date is December 31, 2018.*

The following method and assumptions were used to estimate the fair value of each class of financial instruments and investment properties, for which it is practicable to estimate such value.

Cash and cash equivalents, short-term investments, installment contracts receivable, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable
Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term cash investments, notes receivable, other receivables, accounts payable and accrued expenses and notes and contracts payable approximate their carrying amounts. The fair values of notes receivable and installment contracts receivable approximate their carrying amounts as they carry interest rates that approximate the interest rates for comparable instruments in the market.

Financial assets at FVOCI and available-for-sale financial assets
Financial assets at FVOCI and available-for-sale financial assets are stated at fair value based on quoted market prices.

Investment properties
The fair value of certain investment properties is determined using sales comparison. Sales comparison approach considers the sales of similar or substitute properties and other related market data had the investment properties been transacted in the market. The significant unobservable inputs used in determining the fair value are the sales price per square meter of similar or substitute property, location, size, shape of lot and the highest and best use.

Another method used in determining the fair value of other properties is based on the market data approach. The value is based on sales and listings of comparable property registered within the vicinity. This requires adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator by adjusting the difference between the subject property and those actual sales and listings regarded as comparables. The comparison is premised on the factors of location; size and shape of the lot; time element and others.

The fair values of the investment properties as of June 30, 2019 and December 31, 2018 approximate and represent the highest and best use of the said properties.

28. **Basic/Diluted Earnings Per Share**

Basic/diluted earnings per share amounts were computed as follows:

	June 30, 2019	June 30, 2018
Net income attributable to equity holders of the Parent Company (a)	**₱346,716,145**	₱239,953,443
Weighted average number of outstanding shares (b)	**4,194,037,550**	4,194,037,550*
Basic/diluted earnings per share (a/b)	**₱0.083**	**₱0.057**

**After retroactive effect of 6.5% stock dividends in 2019*

The Group has no potential dilutive common shares for the years ended June 30, 2019 and June 30, 2018. Thus, the basic and diluted earnings per share are the same as of those dates.

29**. Business Segments**

The Group derives its revenues primarily from the sale and lease of real estate properties and pension plan operations. These are the operating segments classified as business groups which are consistent with the segments reported to the BOD, its Chief Operating Decision Maker (CODM).

The Group does not have any major customers and all sales and leases of real estate properties and sales of pension plans are made to external customers.

Segment Revenue and Expenses

	June 30, 2019		June 30, 2018	
Sales of real estate properties*	**₱1,029,584,933**	**82.19%**	₱857,192,156	83.73%
Rent income	**63,790,710**	**5.09%**	65,118,922	6.36%
Others	**159,255,126**	**12.72%**	101,483,317	9.91%
	₱1,252,630,769	**100.00%**	₱1,023,794,395	100.00%

**Includes interest income from installment contracts receivable and contract assets amounting to ₱177.34 million and ₱129.77 million as of June 30, 2019 and June 30, 2018, respectively.*

Except for expenses directly relating to the leasing and pension plan operations, operating expenses pertain primarily to the real estate sales.

30. **Income Subject to Income Tax Holiday**

Registration with the Board of Investments (BOI)
The Group is entitled to ITH for a period of three years from various dates indicated in the registration or actual start of commercial operations, whichever is earlier. The ITH is limited only to revenue generated from the registered project. Revenues from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the following Low-Cost Mass Housing Projects with BOI under the Omnibus Investment Code of 1987 (Executive Order No. 226):

Name	Registration No.	ITH Period
CDC		
Pines Peak Tower II	2016-108	June 1, 2016 – May 31, 2019
CLDI		
One Taft Residences	2014-112	January 1, 2016 – December 31, 2018

31. **Contingencies**

The Group is contingently liable for certain lawsuits or claims filed by third parties which are either pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Hence, no provision was recognized as of June 30, 2019 and December 31, 2018.

CITYLAND DEVELOPMENT CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Financial Ratios

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)	June 30, 2018 (Unaudited)
Earnings per share*	**₱0.17**	₱0.13	₱0.11
Return on equity* (%)	**9.43%**	7.67%	6.99%
Solvency ratio*	**0.39**	0.30	0.31
Interest rate coverage ratio	**42.33**	55.06	48.99
Asset-to-liability ratio	**5.00**	4.56	4.99
Asset-to-equity ratio	**1.43**	1.47	1.43
Debt-to-equity ratio	**0.16**	0.19	0.19
Current ratio	**3.01**	2.34	1.99
Acid-test ratio	**1.86**	1.40	1.23

**Annualized for the period of June 30, 2019 and June 30, 2018 and after retroactive effect of 6.5% stock dividends in 2019.*

Manner of Calculations:

Earnings per share = Net income after tax / Outstanding number of shares

Return on equity ratio = Net income after tax / Total Equity

Solvency ratio = Net income after tax + Depreciation expense / Total liabilities

Interest rate coverage ratio = Income before income tax + Depreciation expense + Interest expense / Interest expense

Asset-to-liability ratio = Total assets / Total liabilities

Asset-to-equity ratio = Total assets / Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Debt-to-equity ratio = Notes payable and contracts payable / Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income/available-for-sale financial assets and accumulated re-measurement on defined benefit plan)

Current ratio = Total current assets / Total current liabilities

Acid-test ratio = Cash and cash equivalents + Short-term investments + Installment contracts receivable + Current portion of contract assets + Current portion of notes receivable + Current portion of other receivables / Total current liabilities

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of June 30, 2019

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

Gross Proceeds		**₱1,400,000,000**
Less: Expenses		
Documentary Stamps Tax	₱10,500,000	
Registration Fees	732,250	
Printing Costs	70,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	11,362,250
Net Proceeds		**₱1,388,637,750**
Use of Proceeds		
Project-related Costs		₱940,500,000
Payment of Maturing Notes		427,685,150
Interest Expense		20,452,600
Total		**₱1,388,637,750**

B. Use of Proceeds (November 6, 2018 to June 30, 2019)

Gross Proceeds as of March 31, 2019	₱2,054,000,000	
Add: Issued Notes (April 1 to June 30)	1,106,550,000	
Total Gross Proceeds as of June 30, 2019		₱3,160,550,000
Less: Expenses		
Documentary Stamps Tax	₱4,627,151	
Registration Fees	732,250	
Printing Costs	44,000	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	5,463,401
Total Net Proceeds		₱3,155,086,599
Less: Use of Proceeds		
Payment of Maturing Notes	₱2,359,771,880	
Project-related Costs	795,269,693	
Interest Expense	45,026	3,155,086.599
Balance of Proceeds as of June 30, 2019		-

C. Outstanding Commercial Papers as of June 30, 2019

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018	**₱928,600,000**

CITY & LAND DEVELOPERS, INCORPORATED

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of June 30, 2019

SEC-MSRD Order No. 32, Series of 2018 dated November 6, 2018

A. As stated in the Final Prospectus (November 6, 2018 to November 6, 2019)

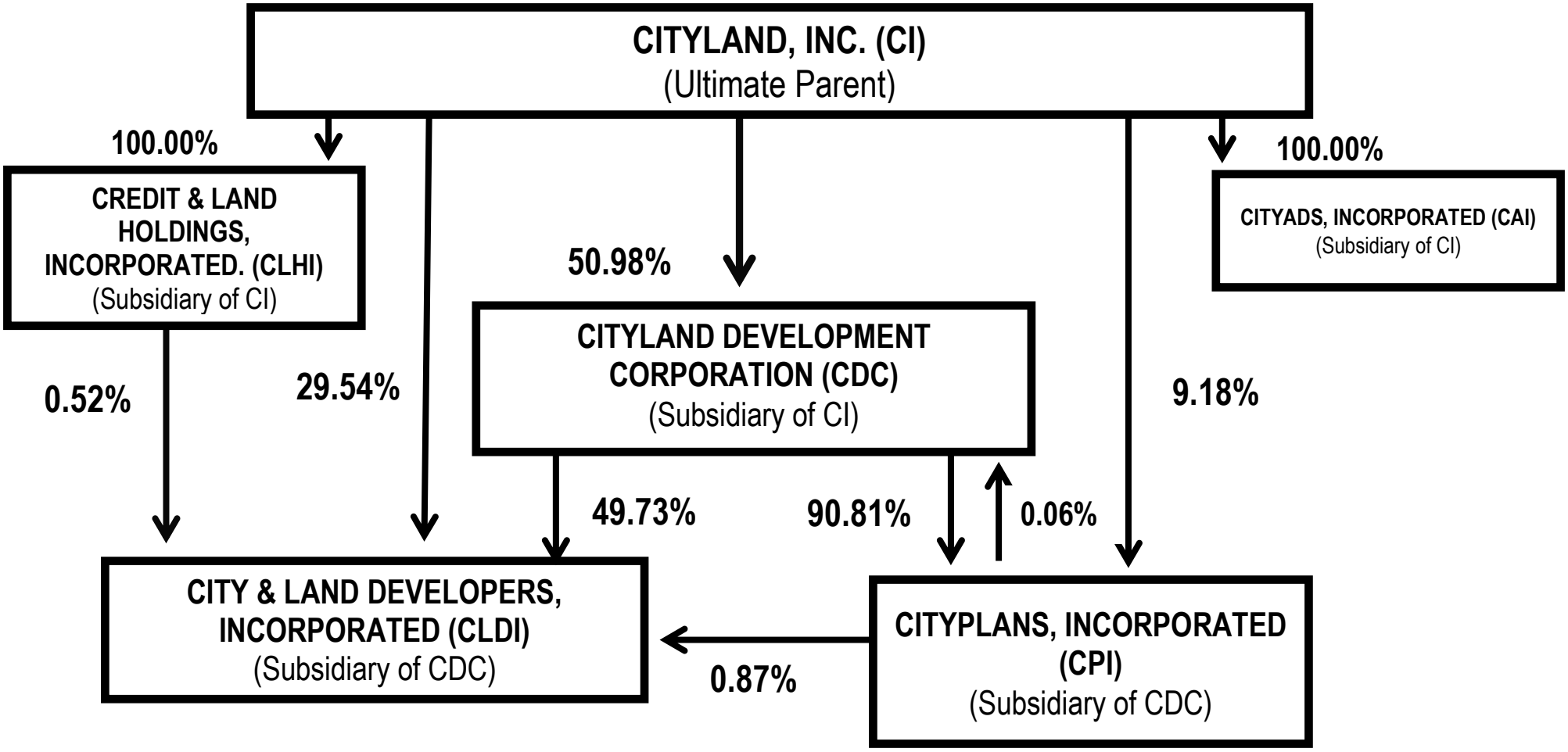
Gross Proceeds		**₱350,000,000**
Less: Expenses		
Documentary Stamps Tax	₱2,625,000	
Registration Fees	328,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	17,500	3,030,750
Net Proceeds		**₱346,969,250**
Use of Proceeds		
Project-related Costs		₱307,500,000
Payment of Maturing Notes		34,401,950
Interest Expense		5,067,300
Total		**₱346,969,250**

B. Use of Proceeds (November 6, 2018 to June 30, 2019)

Gross Proceeds as of March 31, 2019	₱328,750,000	
Add: Issued Notes (April 1 to June 30)	244,650,000	
Total Gross Proceeds as of June 30, 2019		₱573,400,000
Less: Expenses		
Documentary Stamps Tax	₱942,510	
Registration Fees	328,250	
Publication Fees	30,000	
Legal and Accounting Fees	30,000	
Printing Costs	10,350	1,341,110
Net Proceeds		₱572,058,890
Less: Use of Proceeds		
Project-related Costs	₱295,834,493	
Payment of Maturing Notes	276,224,397	
Interest Expense	-	572,058,890
Balance of Proceeds as of June 30, 2019		-

C. Outstanding Commercial Papers as of June 30, 2019

SEC-MSRD Order No. 32, Series of 2018 dated November 6, 2018	**₱210,100,000**

CITYLAND DEVELOPMENT CORPORATION

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP