COVER SHEET

SEC Registration Number

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COMPANY NAME

C	I	T	Y	L	A	N	D	,		I	N	C	.																	

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

3	/	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
12-1	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
comp.fmsd@cityland.net	8-893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27 as of September 30, 2020	3rd 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	8-893-6060	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

1. SEC Identification Number 86188

2. CITYLAND, INC.
Exact name of registrant as specified in its charter

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

4. 000-662-829
BIR Tax Identification Number

5. REAL ESTATE DEVELOPER
General character of business of registrant

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

7. 3/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City
Postal Code: 1226 Telephone No.: (632) 8-893-6060 FAX No.: (632) 8-892-8656
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	₱815,000,000	₱578,750
1% Legal Research Fee		5,788
Total		**₱584,538**

PRELIMINARY PROSPECTUS

CITYLAND, INC.

(A corporation organized under Philippine laws)

Registration of Philippine Peso (Php) 815,000,000
Commercial Papers

Cityland, Inc. (hereinafter referred to as "CI", the "Company" or "Issuer") is offering for public sale at face value, up to (Php) 815,000,000 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 November 5, 2020

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 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, INC.
(A corporation organized under Philippine laws)

Registration of ₱815,000,000 worth of Commercial Papers for public sale at face value.

The Company is registering ₱815,000,000 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 ₱815,000,000 less registration fees, taxes, professional fees and other related expenses.

The net proceeds from the offering of the Commercial Papers is ₱808,167,812 which is intended to be used as follows (in order of priority):

1) Project - Related Costs	₱558,900,000
2) Payment of Maturing Notes	237,985,767
3) Interest Expense	11,282,045
Net Proceeds	**₱808,167,812**

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at 3/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City. Its telephone number is (632) 8-893-6060.

Dividends declared by the Company on its shares of stock are payable in cash or in additional shares of stock. The declaration of dividends depends upon the earnings, cash flows and financial condition of the Company.

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	10
Determination of the Offering Price	13
Offering Period	14
Plan of Distribution	15
Description of Registrant's Securities	16
Market Information for Securities Other Than Common Equity	19
Market for Issuer's Common Equity and Related Stockholders' Matters	20
Interests of Named Experts and Independent Counsels	23
Information With Respect to the Registrant	
Business	24
Properties	34
Legal Proceedings	36
Management's Discussion and Analysis or Plan of Operation	39
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	59
Directors and Executive Officers	60
Executive Compensation	66
Security Ownership of Certain Record and Beneficial Owners and Management	67
Certain Relationships and Related Party Transactions	69
Corporate Governance	69
Other Expenses Relating to Issuance and Distribution	70
Index to the Financial Statements and Supplementary Schedules	71
Exhibits	**
Signatures	**

DEFINITION OF TERMS

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

"Articles"	The Articles of Incorporation of the Company
"Board"	The Incumbent Members of the Board of Directors of the Company
"Cityland Group" or "Group"	Cityland, Inc. and its subsidiaries
"CI" or "Cityland" or "Company" or "Issuer" or "Registrant"	Cityland, Inc.
"CPs", "Offered CPs"	Commercial Papers
"HLURB"	Housing and Land Use Regulatory Board
"Offer"	The offering for public sale of ₱815,000,000 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, Inc. (the Parent Company or CI) is a domestic corporation which is duly organized and existing under and by virtue of the laws of the Philippines since May 15, 1979 with the primary purpose of engaging in real estate development.

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 Makati City, Quezon City, Manila, Mandaluyong City, Pasig City and Tagaytay City, and residential subdivisions in Cavite, Bulacan and Tagaytay City. The Group's real estate properties for sale as of June 30, 2020 and December 31, 2019 amounted to ₱3,021,041,348 and ₱2,949,320,773, respectively.

The Company's ongoing project as of June 30, 2020 is One Premier, a 27-storey commercial and residential condominium located at Alabang-Zapote Road, Brgy. Almanza Uno, Las Piňas City and estimated to be completed in June 2022.

Some of the condominium projects of CI which are fully completed and operational include Tagaytay Prime Residences, a 21-storey commercial and residential condominium project consisting of two (2) buildings located at Tagaytay Prime Rotunda, Brgy. San Jose, Tagaytay City and The Manila Residences II, a 39-storey office, commercial and residential condominium project located along Taft Ave., Malate, City of Manila. As to residential subdivision, it has completed Tagaytay Country Homes 2B situated at Brgy. Neogan, Tagaytay City.

As of August 31, 2020, the foreign equity ownership of CI is 9.09%, equivalent to 11,743,208 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. These 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 political and economic situation, real estate industry outlook, market competition and asset price bubble. These are discussed more extensively under “Risks Factors”.

SUMMARY OF FINANCIAL INFORMATION

The following selected financial information were derived from the consolidated audited financial statements as of and for the years ended December 31, 2019, 2018 and 2017 and consolidated unaudited financial statements as of and for the six months ended June 30, 2020. The annual audited consolidated 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, 2020 (Unaudited)	As of and for the years ended December 31 (Audited)* 2019	2018	2017
INCOME STATEMENT				
Revenue	₱911,025,800	₱3,206,553,727	₱2,579,198,929	₱3,075,181,702
Expenses	524,584,940	1,989,834,213	1,610,862,472	1,827,168,121
Income before Income Tax	386,440,860	1,216,719,514	968,336,457	1,248,013,581
Net Income	303,478,369	948,425,636	799,364,145	962,607,232
BALANCE SHEET				
Total Assets	₱15,528,545,059	₱15,373,254,252	₱14,648,645,629	₱13,853,057,989
Total Liabilities	3,328,956,176	3,475,344,157	3,438,151,170	3,219,132,711
Equity	12,199,588,883	11,897,910,095	11,210,494,459	10,633,925,278
PER SHARE				
Earnings per share	₱2.98**	₱4.51	₱3.81	₱5.39

** Based on Cityland, Inc.'s Audited Consolidated Financial Statements*
*** Annualized*

RISKS FACTORS

The risks to which the Group are exposed include 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 RISKS

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 1.68:1 as of June 30, 2020 from 2.67:1 and 1.44:1 as of December 31, 2019, 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 its customers who buy on financing to credit verification procedures. Also, installment contracts receivable and contract assets 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 receivables 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.

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 counterparties.
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 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 held for future development and/or investment properties which are located in the different areas of Metro Manila, Tagaytay 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 of three to five years to complete the building. During this period of time, 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 by having:

- 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.

Discussion on the Outbreak of COVID-19

The outbreak of COVID-19 has significantly affected the operations of the Group especially on the revenue side due to the community quarantines implemented. As shown in the Group's consolidated statement of income, sales on real estate properties declined as an impact of the COVID-19 pandemic. The Group's revenue recognition on its sale of real estate properties for ongoing projects is based on percentage of completion. As such, revenue recognized is dependent also on the result of the construction percentage of these projects. While the Group already offers its products at a reasonable price, additional discounts and promotions were granted in order to boost sales.

Before the lockdown, the Group's ongoing projects were in full swing. However, with the implementation of community quarantines, there were slight delays in the construction of these projects. As part of the Group's strategies, close communication with the contractors and suppliers were conducted to minimize the delays and still be able to deliver the project to the clients based on the committed date and even ahead of the scheduled turnover date. Also, health protocols are implemented in the construction site in order to minimize the risk of exposure to COVID-19.

In compliance with the Bayanihan to Heal as One Act, collections were slightly affected since monthly amortizations during the Enhanced Community Quarantine were deferred to provide financial assistance to the buyers of residential units. Although there were delays in the collections, the Group's cash position as of June 30, 2020 is still stable. The Management believes that the Group has the capacity to continue its operations.

Preventing the Spread of the COVID-19 virus

The Group has the following measures to prevent the spread of the disease:

1. *Preparation and implementation of policies to ensure compliance with the Guidelines set by the Department of Health.*

   As businesses resume post Enhanced Community Quarantine (ECQ), Cityland Group of Companies (the Group) has implemented protocols to ensure the health and safety of all employees as well as contain the transmission of COVID-19 virus.

   The Group developed health protocols and standards in the workplace and construction sites to help prevent the spread and reduce the risk of exposure to the virus. These protocols and standards were designed in line with the issuances released by the Department of Health and Inter-Agency Task Force. Further, the protocols set by the Group are being strictly monitored to ensure compliance.

2. *Implementation of the Flexible Work Arrangement*

   The health and safety of the employees is the utmost concern of the Group. Thus, a flexible work arrangement was implemented to minimize the risk of contacting the virus but still being able to deliver the output expected from the employees. The Group's IT Department has devised ways to enable the employees to work from home and be able to access the Group's data online.

3. Maximizing the Social Media Platform

The Group took advantage of the various social media platforms in order to sell its real estate projects/properties. Online reservations, together with online processing of requirements, were explored to provide convenience to prospective buyers.

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. In 2020, the effects of the COVID-19 pandemic has caused a significant impact on the real estate industry. With the united effort of the government, businesses and the people, the Philippine economy will recover in due time. The Group has adopted business continuity plans and strategies to mitigate the impact of the pandemic.

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 country's property sector remained vibrant in 2019 as evidenced by the Philippine Residential Real Estate Price Index (RREPI), a method which measures the price changes of residential housing. Residential real estate prices for various types of housing units, as measured by the RREPI, rose by 10.2% year-on-year in the 4th quarter of 2019. While this is the second consecutive quarter that the index has registered a double-digit growth, this is slightly lower than the 10.4% growth in 3rd quarter of 2019, but higher than the 0.6% in 4th quarter of 2018. The RREPI is a measure of the average change in the prices of various types of housing units, i.e., single detached/attached houses, duplexes, townhouses and condominium units, based on banks' data on loans used to acquire new housing units. It is a chain-linked index, which is computed using the average appraised value per square meter, weighted by the share of floor area of each type of housing unit to the total floor area of all housing units. The RREPI is used as an indicator for assessing the real estate and credit market conditions in the country.

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.

USE OF PROCEEDS

The gross proceeds that will be derived from the offering is ₱815,000,000 less registration fees, taxes, professional fees and other related expenses.

The net proceeds from the offering of the Commercial Papers is ₱808,167,812 which is intended to be used as follows (in order of priority):

1) Project-Related Costs	₱558,900,000
2) Payment of Maturing Notes	237,985,767
3) Interest Expense	11,282,045
Net Proceeds	**₱808,167,812**

The actual and estimated expenses related to the issuance and distribution of the CPs are enumerated and discussed on page 12. The itemized expenses, amounting to ₱6,832,188 however are shown under "Other Expenses Relating to Issuance and Distribution" on page 70.

1) Project-related costs

The net proceeds from the offering will be used to partially finance the construction of One Premier and other future projects.

One Premier is a 27-storey commercial and residential condominium project located at Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City. This project was launched last October 2018 and estimated to be completed in June 2022. Further, Two Premier is expected to be launched within 2021 depending on the current economic situation brought about by the impact of COVID-19 pandemic.

The utilization of the ₱558,900,000 project-related costs is broken down as follows:

Period	Amount
1th Qtr. (January-March 2021)	₱139,725,000
2nd Qtr. (April-June 2021)	139,725,000
3rd Qtr. (July-September 2021)	139,725,000
4th Qtr. (October-December 2021)	139,725,000
Total	**₱558,900,000**

The components of the total estimated development cost of One Premier and Two Premier amounting to ₱558,900,000 are as follows:

One Premier	Labor & Materials supplied by Contractor	Materials supplied by Owner	Permits & Licenses	Total
1st Qtr. (January-March 2021)	₱31,839,750	₱26,433,000	₱1,802,250	₱60,075,000
2nd Qtr. (April-June 2021)	31,839,750	26,433,000	1,802,250	60,075,000
3rd Qtr. (July-September 2021)	31,839,750	26,433,000	1,802,250	60,075,000
4th Qtr. (October-December 2021)	31,839,750	26,433,000	1,802,250	60,075,000
Sub-total	**₱127,359,000**	**₱105,732,000**	**₱7,209,000**	**₱240,300,000**

Two Premier	Labor & Materials supplied by Contractor	Materials supplied by Owner	Permits & Licenses	Total
1st Qtr. (January-March 2021)	₱35,842,500	₱42,214,500	₱1,593,000	₱79,650,000
2nd Qtr. (April-June 2021)	35,842,500	42,214,500	1,593,000	79,650,000
3rd Qtr. (July-September 2021)	35,842,500	42,214,500	1,593,000	79,650,000
4th Qtr. (October-December 2021)	35,842,500	42,214,500	1,593,000	79,650,000
Sub-total	**₱143,370,000**	**₱168,858,000**	**₱6,372,000**	**₱318,600,000**
Grand Total	**₱270,729,000**	**₱274,590,000**	**₱13,581,000**	**₱558,900,000**

Extent of financial commitment to complete the projects: The total credit line available for the Company from banks is ₱1.80 billion, all of which is unavailed as of June 30, 2020. This total ₱1.80 billion credit line were all made available to Cityland Group by the following banks and financial institutions: Security Bank and Trust Company and Metropolitan Bank and Trust Company.

2) Payment of Maturing Notes

The ₱237,985,767 proceeds from the offering are all estimated to be allocated for the payment of maturing CPs.

Outstanding Notes and Average Interest Rate as of September 30, 2020

Financial Institution	Amount	Interest Rate	Maturity Date
Commercial Papers	₱534,100,000	1.1974%	31 to 365 days

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

a) Breakdown according to type of investors as of September 30, 2020:

	Amount	Percentage (%)
Individual	₱484,350,000	90.69
Corporate	49,750,000	9.31
Total	**₱534,100,000**	**100.00**

b) Breakdown according to SEC Permit to Sell as of September 30, 2020:

SEC Permit to Sell No. 044 Series of 2019 ₱534,100,000

3) Interest Expense

Interest expense amounting to ₱11,282,045 is computed based on the average commercial paper interest rate as of September 30, 2020 as shown below:

Lender	Principal	Rate	Term	Interest
New CP	₱815,000,000	1.1974%	One year	₱11,282,045

In the event of any deviation/adjustment in the planned use 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 just tap existing lines with the banks.

b) If material amount of other funds are necessary to finance the construction of One Premier, the Company will also avail from its existing lines with banks. The total credit line available for the Company from the following banks is ₱1.80 billion, all of which is unavailed:

Bank	Amount of Line (in millions)	Nature of Facility	Collateral
Security Bank and Trust Company	₱1,000	Contracts to Sell	Receivables
	600	Omnibus Line	Real Estate Mortgage
Metropolitan Bank and Trust Company	200	Omnibus Line	Real Estate Mortgage
Total	**₱1,800**		

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 are 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 including the payment of exemptive relief 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

The estimated expenses which are determined only upon the approval of the commercial paper application and 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;
- Documentary stamps tax - pertain to the tax to be paid on the documents, notes or papers evidencing the sale of the CPs registered with the Commission; 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).

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	₱570,500,000
Institutional Buyers	30	244,500,000
Total	**100**	**₱815,000,000**

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

Period Covered		Amount
Within the First Quarter	(January 2021-March 2021)	₱203,750,000
Within the Second Quarter	(April 2021-June 2021)	203,750,000
Within the Third Quarter	(July 2021-September 2021)	203,750,000
Within the Fourth Quarter	(October 2021-December 2021)	203,750,000
Total		**₱815,000,000**

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 papers issuances, 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 EIGHT HUNDRED FIFTEEN MILLION PESOS (₱815,000,000) 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 constitute direct, unconditional and general obligations of the Issuer. The CPs may be 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 September 30, 2020 is 1.1974%.

e) Change in Control of the Registrant

There is no provision in the charter or by-laws that would delay, defer or prevent a change in control of the Registrant.

f) Redemption

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

g) 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.

h) 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.

i) 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.

j) 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.

k) 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 provision on security (collateral).

5) Financial Ratios

		December 31			Average
	As of June 30, 2020	**2019**	**2018**	**2017**	**(2019-2017)**
Current ratio	3.01	2.67	2.39	2.08	2.38
Asset to equity ratio	1.99	2.02	2.04	2.02	2.03
Debt to equity ratio	0.20	0.23	0.27	0.32	0.27
Asset to liability ratio	4.66	4.42	4.26	4.30	4.33
Solvency ratio*	0.20	0.29	0.25	0.31	0.28
Interest rate coverage ratio	69.36	37.96	41.81	72.91	50.89
Acid-test ratio	1.68	1.44	1.45	1.45	1.45
Return on equity (%)*	4.94	7.68	6.88	10.18	8.25
Basic/Diluted Earnings per share (₱)*	2.98	4.51	3.81	5.39	4.57

** Annualized for interim period ended June 30, 2020.*

Manner of Calculation:

Current ratio = Total current assets/Total current liabilities

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

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

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

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

Basic/Diluted 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 currents 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 group can pay interest expenses on outstanding debt.

Return on equity or ROE is one of the measures of a 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.

Measures on the non-renewal of investment

Reinvestment percentage based on the matured Commercial Papers as of August 31, 2020 resulted to 82.48%. Based on this figure, the remaining 17.52% reflected the percentage of investors who did not renew their investment in commercial papers.

In case the Company's investors will no longer renew their investments, the Company has sufficient cash to pay its investors. The Company has established a strong cash planning and management to ensure that its resources are properly utilized. As reflected in the Company's financial statements as of June 30, 2020, it has a stable cash position. Thus, the risk of of default is remote. The Company also has an available credit line with financial institutions in case the current financial position is not sufficient to payoff the Company's obligations. Lastly, the total consolidated assets (Php15.53 billion) as of June 30, 2020 is significantly higher than the total liabilities (Php3.33 billion) resulting to a 4.66 asset to liability ratio.

The Company believes that its cash position is sufficient to be able for the Company to support its operations and settle its financial obligations.

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 September 30, 2020
1.	044 Series of 2019	December 12, 2019	CP	₱815,000,000	₱534,100,000
2.	035 Series of 2018	December 7, 2018	CP	805,000,000	–
3.	036 Series of 2017	December 8, 2017	CP	700,000,000	–
4.	041 Series of 2016	December 16, 2016	CP	690,000,000	–
5.	059 Series of 2015	October 19, 2015	CP	1,500,000,000	–
6.	209 Series of 2014	October 20, 2014	CP	1,800,000,000	–
7.	045 Series of 2013	October 25, 2013	CP	1,800,000,000	–
8.	173 Series of 2012	October 29, 2012	CP	1,100,000,000	–
9.	317 Series of 2011	October 21, 2011	CP	1,100,000,000	–
10.	258 Series of 2010	November 2, 2010	CP	1,100,000,000	–
11.	167 Series of 2009	November 9, 2009	CP	900,000,000	–
12.	129 Series of 2008	November 3, 2008	CP	1,150,000,000	–
13.	197 Series of 2007	December 17, 2007	CP	1,000,000,000	–
14.	183 Series of 2006	December 28, 2006	CP	970,000,000	–
15.	152 Series of 2005	December 28, 2005	CP	610,000,000	–
16.	178 Series of 2004	December 29, 2004	CP	710,000,000	–

MARKET INFORMATION FOR SECURITIES OTHER THAN COMMON EQUITY

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

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

Trading Market

The Parent Company is not a public corporation and is not listed with the Philippine Stock Exchange (PSE). It is a regular corporation engaged in real estate development. CDC and CLDI are both listed with the PSE.

Dividends Policy

(Registrant and its subsidiaries and affiliates)

Dividends declared by the Group on its shares of stocks 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 Group and other factors.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the BOD, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

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	October 16, 2019	–	₱1.165	October 28, 2019	November 7, 2019
	June 18, 2018	–	1.539	July 12, 2018	August 10, 2018
	October 17, 2017	–	0.638	November 13, 2017	December 8, 2017
	June 20, 2017	–	0.702	July 10, 2017	August 7, 2017
Stock	October 21, 2019	November 19,2019	10%	*To be fixed*	*To be fixed*
	May 18, 2018	June 19, 2018	10%	July 19, 2018	August 14, 2018
	May 22, 2017	June 20, 2017	10%	July 20, 2017	August 15, 2017

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

In the special meetings of the Board of Directors held last May 6, 2019 and September 13, 2019, the Board of Directors resolved to postpone the 2019 Annual Stockholders' Meeting (ASM) which was held last November 19, 2019.

In a special meeting held on October 21, 2019, the Board of Directors unanimously approved the following matters:

1) Declaration of 10% stock dividends from the unappropriated retained earnings as of December 31, 2018 which will come from an increase in authorized capital stock. Record date of the stock dividends shall be fixed by the Securities and Exchange Commission after clearance and approval;

2) To increase its authorized capital stock from 135,000,000 shares to 185,000,000 shares with par value of 10.00 per share; and

3) To cause the amendment of the Articles of Incorporation to increase the authorized capital stock to 185,000,000 shares with par value of 10.00 per share.

The ratifications of the said matters were taken up during the Annual Stockholders' Meeting held last November 19, 2019 and the necessary notices were sent for the purpose of presenting to the stockholders the aforesaid matters which secured their required approval. The record date of the said meeting was on October 21, 2019.

As of June 30, 2020, the Parent Company's application for increase in authorized capital stock is still being reviewed and assessed by SEC.

In a special meeting held on April 7, 2020, the Board of Directors of Cityland, Inc. resolved to postpone the 2020 Annual Stockholders' Meeting which is originally scheduled every third Tuesday of June in order to safeguard the health and safety of the stockholders due to COVID-19 pandemic and enable the Company to prepare all reports and matters to be submitted for the approval of the stockholders. The Company will submit a SEC Form 17-C once a new date of the meeting has been determined.

As of June 30, 2020 and December 31, 2019, the unappropriated retained earnings attributable to equity holders of the Parent Company and the non-controlling interest include the remaining balance of net deemed cost adjustment which arose when the Group transitioned to PFRSs in 2005.

Holders

a) The number of shareholders of record as of September 30, 2020 was 27.

b) List of Stockholders on record as of September 30, 2020:

	Name	No. of Shares Held	Percentage (%)
1.	Stephen C. Roxas	36,430,414	28.20
2.	Grace C. Liuson	19,082,680	14.77
3.	Andrew I. Liuson	17,614,822	13.63
4.	The Good Seed Sower Foundation Inc.	15,266,137	11.82
5.	Lucy Fan	11,743,208	9.09
6.	Helen C. Roxas	11,743,208	9.09
7.	Daniel Yen Chiong	8,220,226	6.36
8.	Joel C. Gohoc	2,027,205	1.57
9.	Johann C. Gohoc	2,027,204	1.57
10.	Josef C. Gohoc	2,007,527	1.55
11.	Josua C. Gohoc	2,006,237	1.55
12.	Joanna C. Gohoc	697,175	0.54
13.	Jefferson C. Roxas	75,796	0.06
14.	Lincoln C. Roxas	75,796	0.06
15.	Connor David Tan Roxas	28,875	0.02
16.	Leon Lee Roxas	28,875	0.02
17.	Olivia Kate Tan Roxas	28,875	0.02
18.	Zino Lee Roxas	28,875	0.02
19.	Aurora M. Pattugalan	23,471	0.02
20.	Nathan Yip Gohoc	20,966	0.02
21.	Cara Elise Chua Gohoc	10,484	0.01
22.	Casey Eloise Chua Gohoc	10,483	0.01
23.	Alice C. Gohoc	111	–
24.	Peter S. Dee	44	–
25.	Paul Y. Ung	40	–
26.	Anastasia Y. Dy	10	–
27.	Benjamin I. Liuson	10	–
Total		**129,198,754**	**100.00**

Recent Sales of Unregistered Securities or Exempt Securities (including recent issuance of securities constituting an exempt transaction)

a) There was no sale of any unregistered securities.

b) 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	Outstanding Shares From	To	Date Distributed
2019	10%	129,198,754	–	*To be fixed*
2018	10%	117,987,170	129,198,754	August 14, 2018
2017	10%	107,261,073	117,987,170	August 15, 2017

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

As of the date of the Prospectus, no stock dividend was declared yet by the Board of Directors. The Company's application for increase in authorized capital stock is still under review by SEC.

Changes in Control

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

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSELS

The validity of the CP offer and other matters concerning the registration and offering of the CPs were 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, 2019, 2018 and 2017, 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*
SEC Registration No. 86188

Cityland, Inc. (the Parent Company or CI) is a domestic corporation which is duly organized and existing under and by virtue of the laws of the Philippines since May 15, 1979 with the primary purpose of engaging in real estate development.

The Parent 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 Tagaytay City, Makati City, Quezon City, Manila City, Mandaluyong City, Pasig City and residential subdivisions in Tagaytay City, Cavite and Bulacan.

The Parent Company is not involved in any bankruptcy, receivership or similar proceedings. It has not entered in any reclassification, merger, consolidation or purchase or sale of significant not ordinary assets.

CI prepares separate financial statements and consolidated financial statements which consists of its financial statements and that of its subsidiaries.

2) *Subsidiaries*

a) Cityland Development Corporation (CDC)
Subsidiary of CI
SEC Registration No. 77823

CDC was incorporated on January 31, 1978 with the primary purpose of engaging in real estate development. Its principal office address is at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City.

Financial performance:

	As of June 30, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Revenue	₱696,160,591	₱1,787,846,219	₱1,505,909,510	₱1,290,364,846
Expenses	398,580,935	1,072,156,624	963,529,221	767,051,649
Income before income tax	297,579,656	715,689,595	542,380,289	523,313,197
Net income	232,461,342	572,687,111	472,045,422	412,019,664

b) City & Land Developers, Incorporated (CLDI)
Subsidiary of CDC
SEC Registration No. 152661

CLDI was incorporated on June 28, 1988 with a primary purpose of acquiring and developing suitable land sites for residential, office, commercial, institutional and industrial uses. 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, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Revenue	₱138,763,087	₱630,232,431	₱512,812,865	₱526,333,428
Expenses	88,188,530	392,770,409	312,825,180	373,542,516
Income before income tax	50,574,557	237,462,022	199,987,685	152,790,912
Net income	40,370,853	175,707,125	149,702,816	131,049,653

c) Cityplans, Incorporated (CPI)
Subsidiary of CDC
SEC Registration No. 156675

CPI was incorporated on October 27, 1988 with a primary purpose of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling educational assistance and pensions. Its principal office address is at 3/F Cityland Condominium 10 Tower II, 154 H.V. Dela Costa St,, Salcedo Village, Makati City.

Financial performance:

	As of June 30, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Revenue	₱14,111,650	₱53,534,299	₱61,584,509	₱38,761,275
Expenses	8,052,645	37,686,090	39,931,696	27,304,773
Income before income tax	6,059,006	15,848,209	21,652,813	11,456,502
Net income	4,740,897	11,698,975	16,436,485	10,262,546

d) Cityads, Incorporated (CAI)
Subsidiary of CI
SEC Registration No. 91317

CAI was incorporated on February 20, 1980 for the purpose of engaging in general advertising business. Its principal office address is at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Salcedo Village, Makati City.

Financial performance:

	As of June 30, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Revenue	₱24,326	₱404,603	₱782,974	₱967,490
Expenses	20,813	60,914	691,167	737,123
Income before income tax	3,513	343,689	91,807	230,367
Net income	3,092	243,913	65,010	167,616

e) Credit and Land Holdings, Inc. (CLHI)
Subsidiary of CI
SEC Registration No. 93995

CLHI was incorporated on July 16, 1980 for the purpose of purchasing, selling or disposing of real and personal property of any kind including shares of stocks and securities. The company's registered office address and principal place of business is at 2/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Salcedo Village, Makati City.

Financial performance:

	As of June 30, 2020	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Revenue	₱18,625	₱354,128	₱251,693	₱106,660
Expenses	5,407	9,020	19,082	9,050
Income before income tax	13,218	345,108	232,611	97,610
Net income	13,218	345,108	232,547	97,610

B. Development of Business for the past three (3) years and two (2) quarters (2017-June 30, 2020)

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

Cityland, Inc. (Ultimate Parent)

	PERCENTAGE SOLD (%)				
	As of June 30, 2020	**2019**	**2018**	**2017**	
One Premier	48.75	45.07	16.81*	–	Launched in 2018
The Manila Residences II	99.84	94.97	92.26	90.38	Launched in 2010
Tagaytay Prime Residences	98.89**	98.95	98.34	93.05	Launched in 2010
Tagaytay Country Homes 2B	99.24	99.24	99.24	99.48	Launched in 2006

** The percentage of completion of One Premier was below the preliminary stage as of December 31, 2018 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.*

*** The decrease in percentage of sold units was due to cancellations/forfeiture of sales due to non-payment.*

	PERCENTAGE OF COMPLETION (%)			
	As of June 30, 2020	**2019**	**2018**	**2017**
One Premier	51.31	48.24	4.71	–
The Manila Residences II	100.00	100.00	100.00	100.00
Tagaytay Prime Residences	100.00	100.00	100.00	100.00
Tagaytay Country Homes 2B	100.00	100.00	100.00	100.00

Cityland Development Corporation (Subsidiary)

	PERCENTAGE SOLD (%)				
	As of June 30, 2020	**2019**	**2018**	**2017**	
Pioneer Heights I	21.94	18.19	12.58*	–	Launched in 2018
101 Xavierville	28.75	26.50	19.77*	–	Launched in 2018
Pines Peak Tower II	95.01	83.70	64.36	34.95	Launched in 2016
Pines Peak Tower I	99.90	99.66	98.96	95.65	Launched in 2012
Grand Central Residences	99.56	98.68	96.52	90.17	Launched in 2010
Makati Executive Tower IV	99.59**	100.00	99.71	98.35	Launched in 2009
Makati Executive Tower III	99.87	99.87	99.69	99.62	Launched in 2006

** The percentage of completion of Pioneer Heights I and 101 Xavierville as of December 31, 2018 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.*

*** The decrease in percentage of sold units was due to cancellations/forfeiture of sales due to non-payment.*

	PERCENTAGE OF COMPLETION (%)			
	As of June 30, 2020	**2019**	**2018**	**2017**
Pioneer Heights I	27.97	23.23	5.33	–
101 Xavierville	39.98	35.44	7.45	–
Pines Peak Tower II	100.00	100.00	90.64	52.98
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 of CDC)

	PERCENTAGE SOLD (%)				
	As of June 30, 2020	**2019**	**2018**	**2017**	
One Taft Residences	33.65	30.00	20.34	14.29	Launched in 2016
North Residences	98.72	95.51	84.23	61.63	Launched in 2014

	PERCENTAGE OF COMPLETION (%)			
	As of June 30, 2020	**2019**	**2018**	**2017**
One Taft Residences	62.18	60.06	25.59	14.93
North Residences	100.00	100.00	100.00	97.37

Project Description

Cityland, Inc.

Future Project:

Two Premier

Two Premier is a commercial and residential condominium project to be located at Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City. This project is to be located beside One Premier.

Ongoing Project:

One Premier

One Premier is a 27-storey commercial and residential condominium project located at Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City.

Estimated Date of Completion: June 2022

Completed Projects:

The Manila Residences Tower II

The Manila Residences II is a 39-storey office, commercial and residential condominium located along Taft Avenue, Manila. Amenities include swimming pool, mini-gym and sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

Tagaytay Prime Residences

Tagaytay Prime Residences is a 21-storey commercial and residential condominium located at Tagaytay Prime Rotunda, Brgy. San Jose, Tagaytay City. Amenities include common viewing balcony for residential floors, swimming pool, multi-purpose area, viewing deck with jogging path and a 24-hour association security.

Tagaytay Country Homes 2-B

Tagaytay Country Homes 2-B is a residential subdivision located at Brgy. Neogan, Tagaytay City. Features include multi-purpose hall, swimming pool and 24-hour association security.

Cityland Development Corporation

Future Project:

Pioneer Heights II

Pioneer Heights II is an office, residential and commercial condominium to be located at Reliance St., Brgy. High Hills, Mandaluyong City.

Ongoing Projects:

Pioneer Heights I

Pioneer Heights I is a 24-storey residential and commercial condominium located at Pioneer St., 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 residential and commercial condominium which is 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-registred building located in central business district along Sultan Street, Brgy. Highway Hills, Mandaluyong City with its proximity to MRT station and various transportation hubs.

CityNet 1

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 in Union corner Pines St., Barangka, Mandaluyong City. 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., corner 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. The project was launched in October 2016 and expected to be completed in September 2022.

Completed Project:

North Residences

This 29-storey commercial and residential condominium is located at 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) Domestic and Foreign Sales Contribution to Total Sales

	PERCENTAGE (%)			
	As of June 30, 2020	**2019**	**2018**	**2017**
Sales				
Filipino Citizens	86.59	89.27	89.90	86.89
Foreign Citizens	13.41	10.73	10.10	13.11
Total	**100.00**	**100.00**	**100.00**	**100.00**

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

	PERCENTAGE (%)			
	As of June 30, 2020	2019	2018	2017
Cityland, Inc.				
One Premier	12.09	16.11	–	–
The Manila Residences Tower II	5.90	4.31	4.22	9.28
The Manila Residences Tower I	0.50	0.49	1.11	0.32
Brentwood Mansion	0.32	0.23	0.75	0.78
Tagaytay Prime Residences	–	2.33	9.94	33.47
Others	2.84	0.58	1.72	0.85
Cityland Development Corporation				
Pioneer Heights 1	31.21	8.35	–	–
Pines Peak Tower II	12.62	22.99	35.36	11.00
101 Xavierville	11.98	11.08	–	–
Grand Central Residences	2.12	4.34	11.40	14.06
Pines Peak Tower I	0.80	1.27	5.88	5.49
Makati Executive Tower III	–	0.68	0.99	1.23
Makati Executive Tower IV	–	0.48	2.08	2.02
Others	–	2.41	1.40	2.23
City & Land Developers, Incorporated				
One Taft Residences	15.71	15.25	4.15	2.14
North Residences	2.68	7.33	17.91	14.86
Grand Emerald Tower	0.28	0.39	0.36	0.74
Others	0.44	0.09	0.61	0.80
Cityplans, Incorporated				
Grand Central Residences	0.51	0.37	0.64	0.08
The Manila Residences II	–	0.92	0.37	0.11
Others	–	–	1.11	0.54
Total	**100.00**	**100.00**	**100.00**	**100.00**

4) 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 consists 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; v) worsening traffic in the business district; and vi) increase in number of tourist arrivals.

The condominium project that is quite similar in of classification and proximity to One Premier is Amaia Steps Alabang, a project of Amaia Land Corporation, which is located along Alabang-Zapote Road, Las Piňas City.

The condominium similar in terms of classification and location to The Manila Residences Towers I and II is Green Residences along Taft Ave., Manila City, a project of SM Development Corporation (SMDC).

The condominium similar in terms of classification and location to Tagaytay Prime Residences is Wind Residences, a project of SMDC, located along Aguinaldo Highway, Brgy. Maharlika West, Tagaytay City.

The subdivision which is similar in terms of classification with Tagaytay Country Homes 2B is Pueblo del Sol, a project of Sta. Lucia Realty and Development, Inc., located at Heroes' Farm, Brgy. Patutong, Tagaytay City.

The condominium project that is quite similar with Pioneer Heights I in terms of price, type of development, market and location is Sunshine 100 City Plaza, a project of Property101 Inc., which is located along Pioneer St. corner Sheridan St., Mandaluyong City.

The condominium project that is quite similar with 101 Xavierville in terms of price, type of development, market and location is Howthorne Heights, a project of Vista Residences, which is located along Katipunan Avenue, Quezon 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 projects that are quite similar with Grand Central Residences in terms of price, type of development, location and market 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 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 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 cor. 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 it can effectively compete with other companies in the industry because of its good location and affordable pricing.

5) 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.

6) Purchases of Raw Materials and Supplies

The Group engaged the services of Millennium Erectors Corporation for the excavation, substructure, superstructures, 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.

7) Number of Employees

The Company has a total of 84 employees as of September 30, 2020 classified as follows:

Managerial	10	Administrative	43
Rank & File	74	Operations	41
Total	**84**	**Total**	**84**

The number of employees is expected to increase by 14% within the next 12 months. The Company maintains an organizational framework whereby important management functions as well as administrative tasks are shared within the Cityland Group.

The Group's employees are entitled to bonuses, 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 or are threatening to strike nor have they been on strike in the past three (3) years.

8) Principal Terms and Expiration Dates of All Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The following table summarizes the registered trademarks of the Group:

	TRADEMARK	REGISTRATION No.	Expiry Date
CI	Cityland w/ "C" device	4-2018-00005623	November 24, 2029
	Cityland, Inc. w/ "C" device	4-2014-00005010	August 7, 2024
CDC	We Commit, We Deliver	4-2018-00005628	August 2, 2028
	CDC	4-2018-00005630	August 2, 2028
	CITYLAND	4-2018-00005627	August 2, 2028
	CityNet1	4-2012-00004428	November 15, 2022
	CityNet Central	4-2016-00006287	August 11, 2026
CLDI	City & Land Developers, Incorporated	4-2018-00006491	October 14, 2028
	CLDI	4-2018-00005626	August 2, 2028
CPI	Cityplans, Incorporated	4-2018-00006492	October 14, 2028
	CITYPLANS, INC. w/ LOGO	4-2013-00007503	August 14, 2024

9) Government Approval of Projects

The following are the government permits obtained by the Company on its ongoing and future project:

	Status of Approval	
Government Agency:	**One Premier**	**Two Premier**
a. Housing and Land Use Regulatory Board (HLURB)		
- Certificate of Registration/License to Sell	Approval Granted	For Application
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, Mechanical	Approval Granted	Approval Granted
- Electrical, Sanitary, Fire, Sidewalk	Approval Granted	Approval Granted
3. Occupancy Permit (electrical, fire, mechanical, civil, sanitary)	For Application upon completion	For Application upon 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	For Application	For Application

10) 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 the service and protection of its community and environment.

11) Amount Spent for Research/Development Activities

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

12) Additional Requirement on Debt Issues

The Parent Company's net worth exceeds ₱25.00 million and that the Parent Company has been in business for more than three years as evidenced by the attached financial statements.

13) Cost and Effect of Compliance with Environmental Laws

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

2019	Payment of ₱54,363.14 to Laguna Lake Development Authority (LLDA) for the LLDA Clearance of North Residences, a project of CLDI. Payment of ₱117,232.91 to Laguna LLDA 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, a project of CDC.
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 I & II. Payment of ₱8,500.00 to Environmental Counselors Inc. for 40-hour training course for pollution control officer of North Residences. 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 I & II. Payment of ₱2,849.00 to EMB-NCR for discharge of permit of CityNet1. 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.

14) 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 pages 4 to 9 of this report.

PROPERTIES

Investment properties and real estate properties held for future development of the Group as of September 30, 2020 are as follows:

Particular	Location	Area (sq.m.)	Description	Mortgagee/ Limitation
Cityland, Inc.:				
1. Land	Brgy. Talipusngo, Maragondon,Cavite	2,496,532	Located along Maragondon, Cavite	–
2. Land	Doña Concha Cruz Drive, Las Piñas City	49,919	Located along Las Piñas City	–
3. Land	Evangelista St., Santolan, Pasig	40,469	Located along Pasig City	–
4. Land	Brgy. Malainen Luma, Naic, Cavite	220,165	Raw land in Naic, Cavite	–
5. Land	Taft Ave., Malate, Manila	1,118	Located along Taft Ave.	–
6. Land	Tagaytay-Calamba Road, Brgy. San Jose, Tagaytay City	15,050	Located along Tagaytay-Calamba Road	–
7. Building for lease	Evangelista St., Santolan Pasig City	1,870	Located along Santolan, Pasig City	–
8. Condo units for lease	Bank Drive, Ortigas	503	Building located at Bank Drive, Ortigas	–
9. Building for lease	Tagaytay Prime Residences Commercial Complex Tagaytay-Calamba Road, within Brgy. San Jose, Tagaytay City	414	Located along Tagaytay-Calamba Road	–
10. Land	Taft Avenue Malate Manila	768	Located at Taft Avenue Malate Manila	–
11. Land	Naic, Cavite	91,689	Located at Naic, Cavite	–
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	2,094	Lot is located at the northeast side of Alabang-Zapote Road.	–
4. Building for lease (CityNet1)	Brgy. 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	–
9.	Parking	EDSA corner Sultan St., Mandaluyong City	27 slots	Located at EDSA corner Sultan St., (fronting MRT Shaw Mandaluyong City	–

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.

Leased Properties

Leased properties of the Group and the amount of consolidated rental income recognized as of June 30, 2020 are as follows:

Project Name	**Consolidated Rental Income**
CityNet Central - Building for Lease	₱48,555,507
CityNet1 - Building for Lease	28,163,878
Pioneer - Unit/Warehouse/Parking	6,464,790
Pasig Property - Warehouse for lease	5,316,227
The Manila Residences II - Condominium Units	4,951,165
Pines Peak Tower II - Condominium Units	4,594,804
Grand Central Residences - Condominium Units	4,242,105
North Residences - Condominium Units	2,049,266
Cityland Condominium 10 Tower I & II - Condominium Units/Parking	1,699,948
Grand Emerald Tower - Condominium Units	1,319,660
Tagaytay Commercial Complex - Building	1,014,959
BSA Twin Tower - Condominium Units	863,657
Pines Peak Tower I - Condominium Units	777,911
Tagaytay Prime Residences - Condotel/Parking	547,835
Makati Executive Tower IV - Condominium Units/Parking	384,079
The Manila Residences I - Condominium Units	314,932
Cabahug Property - Lot for lease	258,387
Saniwares - Lot	198,134
Las Piñas - Lot	105,214
Herrera Tower - Condominium Units	96,920
Rada Regency - Condominium Units	90,938
Makati Executive Tower III - Condominium Units/Parking	72,768
Manila Executive Regency - Condominium Units/Parking	60,000
Corinthian Executive Regency - Condominium Units/Parking	57,509
Vito Cruz Tower I - Condominium Units	50,893
Pacific Regency - Condominium Units	44,750
Windsor Mansion - Condominium Units	17,200
Total	**₱112,313,436**

Investment properties as of June 30, 2020 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 twelve (12) years. Other lease contracts range from one (1) month to one (1) year.

LEGAL PROCEEDINGS

The material legal proceedings 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, Inc. (Registrant)

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.

2) Cityland Development Corporation (Subsidiary of CI)

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.

3) City & Land Developers, Incorporated (Subsidiary of CDC)

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.
Case No. CA G-R No. CV-112245
Court of Appeals
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 Brgy. 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 was granted in a decision dated February 11, 2020. DPWH filed a Motion for Reconsideration and CLDI thereafter filed its opposition/comment. The same is now for resolution.

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, Brgy. 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. Trial of the case is ongoing.

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, 2020

Based on the report released by the Philippine Statistics Authority last August 6, 2020, the gross domestic product (GDP) growth rate dropped by 16.50% in the second quarter of 2020, the lowest recorded quarterly growth starting 1981 series mainly due to the effect of the Covid-19 pandemic. In order to contain the outbreak, Metro Manila and some provinces were under community quarantine since mid-March 2020. Further, on August 2, 2020, President Rodrigo Duterte announced that Metro Manila, Laguna, Cavite, Rizal and Bulacan will be under modified enhanced community quarantine (MECQ) from August 4 to August 18, 2020. With the help of the government and the private sector, economic recovery is anticipated in 2021 assuming that the COVID-19 infections in the country are curbed within the year. The government's economic recovery programs are geared to cushion the impact of the pandemic. The "Build, Build, Build" infrastructure development program is projected to boost private consumption and drive economic growth. This program is expected to enhance regional connectivity and mobility which will pave the way for the real estate sector to flourish.

The COVID-19 pandemic has caused an impact on the real estate industry but the Group is optimistic that the industry will recover in due time. The Information Technology-Business Process Management (IT-BPM) has been a significant demand driver for office spaces, while the residential property market was driven by the young professionals, overseas workers and foreigners. Demand for office and residential units is expected to temporarily slowdown due to the COVID-19 pandemic. Due to the physical distancing which is required to be implemented in the workplaces, companies may need bigger spaces for their employees. With this, the Group is hopeful that rental income will increase in the subsequent periods. There may also be a demand for BPO sector as a result of global companies to outsource their businesses while their countries battle the effects of the pandemic. Moreover, lockdowns and quarantines had reduced people's mobility increasing online consumer activities. E-commerce activity is expected to thrive and will drive up the need for warehouse space for online retailers. Due to the new trends and opportunities, the real estate sector is well positioned to gradually recover from the impact of the COVID-19 pandemic.

The Parent Company, CDC and CLDI are selling the following projects as of June 30, 2020:

CI

One Premier

One Premier is a 27-storey commercial and residential condominium project located in one of the upmarket addresses in the South - Alabang Premier, Km. 21 Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City. It was designed in the style and function of metropolitan living with amenities like swimming pool, gym, playground, multi-purpose function room, viewing deck and 24-hour association security will ensure convenient living.

Estimated Date of Completion: June 2022

The Manila Residences II

The Manila Residences II is a 39-storey office, commercial and residential condominium located along Taft Avenue, Manila. Amenities include swimming pool, mini-gym, and sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

Tagaytay Prime Residences

Tagaytay Prime Residences is a 21-storey commercial and residential condominium located at Tagaytay Prime Rotunda, Brgy. San Jose, Tagaytay City. Amenities include common viewing balcony for residential floors, swimming pool, multi-purpose area, viewing deck with jogging path and a 24-hour association security.

The Manila Residences I

The Manila Residences I is a 39-storey office, commercial and residential condominium located along Taft Avenue. Amenities include swimming pool, mini-gym, sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

Tagaytay Country Homes 2-B

Tagaytay Country Homes 2-B is a residential subdivision located at Barangay Neogan, Tagaytay City. Features include multi-purpose hall, swimming pool and 24-hour association security.

CDC

Pioneer Heights I

Pioneer Heights I is a 24-storey residential and commercial condominium to be located in Pioneer St., 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 residential and commercial 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

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, Star Mall, Robinson's Place Pioneer, SM Megamall, The Podium, Metrowalk and schools like Lourdes School of Mandaluyong, St. Paul College and University of Asia and the Pacific. This project was completed in May 2019.

Pines Peak Tower I

Pines Peak Tower I is a 27-storey residential condominium located at Union corner Pines St., Brgy. Barangka, Ilaya Mandaluyong City. 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.

CDC is also leasing out the following buildings:

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.

CLDI

One Taft Residences

One Taft Residences is a 40-storey mixed residential, office and commercial condominium located at 1939 Taft Avenue, Malate, Manila. It is accessible 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

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. The project was turned over in March 2018.

Pacific Regency

Pacific Regency is a 38-storey commercial, office and residential condominium located at Pablo Ocampo Sr. Ave. (formerly Vito Cruz Street) in front of Rizal Memorial Sports Complex in Manila. Amenities and facilities include swimming pool, gymnasium, separate sauna for male and female, function room, children's playground, 24-hour association security, viewing area and jogging areas at the roof deck.

Future Projects

The following are the future projects of the Group:

CI

Two Premier

Two Premier is a commercial and residential condominium project to be located at Alabang Zapote Road, Barangay Almanza Uno, Las Piñas City. This project is to be located beside One Premier.

CDC

Pioneer Heights 2

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

CLDI

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 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.

The Parent Company and its subsidiaries (the Group) has also a number of prime lots reserved for future projects. Its land bank are situated in strategic locations ideal for horizontal and vertical developments.

Internal sources come from sales of condominium units and real estate projects, collection of installment contracts receivable, contract assets and rental income from leased properties, maturing short-term and long-term investments and notes receivable and other sources such as interest income and dividend income. External sources come from SEC-registered commercial papers.

The estimated development cost of ₱123.55 million as of June 30, 2020 representing the cost to complete the development of real estate projects sold and the contract payable amounting to approximately ₱1.00 million representing the liabilities from the contracts to purchase land held to future development will be sourced through:

a) Sales of condominium units and real estate projects;
b) Collection of installment contracts receivables and contract assets;
c) Maturing short-term and long-term investments and notes receivable; and
d) Issuance of SEC-registered commercial papers.

Financial Condition (June 30, 2020 vs. December 31, 2019)

The Group's balance sheet as of June 30, 2020 remained solid with total assets of ₱15.53 billion, slightly higher by 1.01% as compared to the balance as of December 31, 2019 of ₱15.37 billion. The increase was substantially attributed to the increase in cash and cash equivalents, short term cash investments, installment contracts receivable, real estate properties for sale, real estate properties held for future development and property and equipment. Sales of real estate properties, collection of installment contracts receivable, contract assets and other receivables increased cash and cash equivalents and short-term investments. Due to the COVID-19 pandemic, collections of receivables were deferred to comply with the Bayanihan to Heal as One Act resulting to the increase in installment contracts receivable by ₱54.75 million. The Group also purchased an office equipment amounting to ₱6.79 million which increased the property and equipment account. 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 0.69% to 2.44% as of June 30, 2020 and 1.19% to 4.25% as of December 31, 2019.

Majority of funds were used for operations, payment of liabilities and to finance the Group's on-going condominium projects, Pioneer Heights 1, 101 Xavierville, One Premier and One Taft Residences. Excess funds were invested in both short-term and long-term investments to increase interest earnings and maintain liquidity. The financial position remained stable as cash and cash equivalents and short-term investments stood at ₱2,618.99 million and ₱706.09 million, respectively as of June 30, 2020.

On the liabilities side, total liabilities decreased by 4.21% from ₱3.48 billion as of December 31, 2019 to ₱3.33 billion as of June 30, 2020. The decline was primarily due to the partial payment of accounts payable, accrued expenses and notes payable.

Total equity as of June 30, 2020 stood at ₱12.20 billion from ₱11.90 billion as of December 31, 2019, slightly higher by 2.54%, due to comprehensive income of ₱301.68 million.

As a result of the foregoing, the Group registered a current and acid test ratio of 3.01:1 and 1.68:1, respectively as of June 30, 2020, as compared to 2.67:1 and 1.44:1, respectively as of December 31, 2019. Asset-to-liability and debt-to-equity remained stable at 4.66:1 and 0.20:1,respectively, as of June 30, 2020, as compared to 4.42:1 and 0.23:1, respectively as of December 31, 2019.

Results of Operation (June 30, 2020 vs. June 30, 2019)

Sales of real estate properties reached ₱432.58 million, or 60.68% lower as compared to the same period last year of ₱1,100.18 million. The decrease in sales of some projects was partially due to the high sell-out rates last year. In addition, the quarantine measures imposed since mid-March 2020 due to the COVID-19 pandemic has also affected the Group's sales.

As of June 30, 2020, CI contributed 25.81% of total Group's sales amounting to ₱111.67 million from ₱247.94 million of the same period last year. Sales were substantially generated from One Premier which contributed ₱56.94 million and reached a completion rate of 51.31% as of June 30, 2020, while The Manila Residences II generated sales of ₱33.77 million. Additional sales were also generated from the remaining inventory of The Manila Residences Towers I and II and Tagaytay Prime Residences.

Total sales of the Group was substantially generated from CDC reaching ₱237.96 million which is equivalent to 55.01% of the total Group's sales. Sales substantially came from Pioneer Heights 1, Pines Peak Tower II and 101 Xavierville. Construction of these three projects were in full swing prior to the lockdown in Luzon in mid-March 2020 which consequently increased the percentage of completion. Pines Peak Tower II was completed in May 2019 while Pioneer Heights 1 and 101 Xavierville reached a percentage of completion of 27.97% and 39.98%,

respectively as of June 30, 2020. In addition, the Group also sold the remaining units of Grand Central Residences and Pines Peak Tower I.

Further, the subsidiaries, CLDI and CPI contributed 18.51% and 0.67%, respectively of the total sales. Sales of CLDI reached ₱80.06 million as of June 30, 2020 as compared to the same period last year of ₱236.55 million. Sales for the quarter was driven by One Taft Residences and North Residences. Aside from the effects of the COVID-19 pandemic, the 66.15% decrease in sales was due to lower sales generated from North Residences since this project was already sold at 89.55% as of December 31, 2019. One Taft Residences was in full blast construction prior to the lockdown resulting to a percentage of completion of 62.18% as of June 30, 2020 from 42.73% as 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, cash and cash equivalents, short-term and long-term investments and notes receivables contributed 31.98% of total revenues. Likewise, rent income grew by 41.07% from ₱79.61 million as of June 30, 2019 to ₱112.31 million as of June 30, 2020. Rent income significantly came from the new lease contracts entered by the Group from July 2019 to June 2020 and income generated from lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily due to adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account decreased by 11.34%, amounting to ₱74.80 million as of June 30, 2020 from ₱84.36 million for the quarter ended June 30, 2019.

On the cost side, cost of real estate sales decreased due to lower sales. On the other hand, operating expenses decreased due to lower personnel expenses, taxes and licenses, depreciation, professional fees, light, power and water, outside services, brokers' commission, insurance expense, advertising and promotions, rent expense, donations and contributions and stationery and office supplies. As for the financial expenses, the partial settlement of notes payable and decrease in interest rates significantly eased interest expense from ₱25.64 million as of June 30, 2019 to ₱6.64 million as of June 30, 2020. Provision for income tax decreased by 33.57% due to lower taxable income, deferred income tax and final tax on interest income.

As a result of the foregoing, the Group ended with a net income of ₱303.48 million as of June 30, 2020, lower by 37.60% as compared to the same period last year of ₱486.33 million. This translated to annualized earnings per share and return on equity of ₱2.98 and 4.94% as compared to the same period last year of ₱4.67 and 8.07%, respectively.

Financial Ratios	**June 30, 2020 (Unaudited)**	December 31, 2019 (Audited)	June 30, 2019 (Unaudited)
Basic/Diluted Earnings per share (₱)*	**2.98**	4.51	4.67
Return on equity (%)*	**4.94**	7.68	8.07
Solvency*	**0.20**	0.29	0.32
Interest rate coverage	**69.36**	37.96	27.74
Asset-to-liability	**4.66**	4.42	4.54
Asset-to-equity	**1.99**	2.02	1.98
Debt-to-equity	**0.20**	0.23	0.24
Current	**3.01**	2.67	2.64
Acid-test ratio	**1.68**	1.44	1.70

**Annualized for the period of June 30, 2020 and June 30, 2019.*

Manner of Calculations:

Basic/Diluted Earnings per share	=	$\frac{\text{Net income after tax}}{\text{Outstanding number of shares}}$
Return on equity ratio	=	$\frac{\text{Net income after tax}}{\text{Total Equity}}$
Solvency ratio	=	$\frac{\text{Net income after tax + Depreciation expense}}{\text{Total liabilities}}$
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	=	$\frac{\text{Total assets}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$
Debt-to-equity ratio	=	$\frac{\text{Notes and contracts payable}}{\text{Total equity (net of net changes in fair value of equity instruments designated at fair value through other comprehensive income and accumulated re-measurement on defined benefit plan)}}$
Current ratio	=	Total current assets / Total current liabilities
Acid-test ratio	=	$\frac{\text{Cash and cash equivalents + Short-term cash investments + Current portion of installment contracts receivable + Current portion of contract assets +Current portion of notes receivable + Current portion of other receivables}}{\text{Total current liabilities}}$

Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)

The COVID-19 pandemic has not significantly affected the Group's liquidity position as of June 30, 2020.

Internal and External Sources of Liquidity

Internal sources come from sales of condominiums and real estate projects, collection of installment contracts receivable and contract assets, maturing short-term and long-term investments and notes receivable, and other sources such as rental income, interest income and dividend income. External sources come from issuance of commercial papers.

Any Material Commitments for Capital Expenditures and Expected Sources of Funds of such Expenditures

The estimated development cost of ₱123.55 million as of June 30, 2020 representing the cost to complete the development of real estate projects sold and the contract payable amounting to approximately ₱1.00 million representing the liabilities from the contracts to purchase land held to future development will be sourced through:

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

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

On March 16, 2020, Philippine President Rodrigo Duterte declared the entire Luzon area under "enhanced community quarantine" restricting movement of the population in response to the growing pandemic of the Coronavirus disease 2019 (COVID-19) in the country. This has been extended in the National Capital Region and in some other affected areas until May 31, 2020. On June 1, 2020, the Philippine government eased the quarantine restrictions in Metro Manila and other provinces. On August 2, 2020, Metro Manila, Laguna, Cavite, Rizal and Bulacan were placed under MECQ from August 4 to 18, 2020. These quarantine measures have disrupted economic activities in the first semester of 2020 and had an impact on the actual sales of the Group.

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

There were no significant elements of income or loss that did not arise from continuing operations.

Any Event that Will Trigger Direct or Contingent Financial Obligation that is Material to Company

There were no events that triggered direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

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

Financial Condition (June 30, 2020 vs December 31, 2019)

a) Increase in Cash and Cash Equivalents was substantially due to collections from sales and lease of real estate properties, collection of receivables and contract assets and maturity of notes receivable.
b) Increase in Short-term Investments was due to sales of real estate properties and collection of receivables and contract assets.
c) Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI and increase in past due accounts brought about by the government's implementation of the deferment of collection of monthly amortizations in line with the Bayanihan to Heal as One Act.
d) Decrease in Contract Asset was due to collections received as of June 30, 2020 and lower sales.
e) Increase in Other Receivables was substantially due to higher rent receivable and retention.
f) Increase in Real Estate Properties for Sale was primarily due to additional development cost incurred, capitalized borrowing costs, forfeitures of real estate properties and transfer of properties from investment properties.
g) Increase in Investments in Trust Fund was due to additional contribution to the fund.
h) Net increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
i) Decrease in Long-term Investments was due to maturity of placements.
j) Decrease in Notes Receivable was due to maturity of placements.
k) Increase in Real Estate Properties Held for Future Development was due to additional costs incurred.
l) Decrease in Investment Properties was due to depreciation recognized on the buildings for lease and transfer of properties to real estate properties for sale.
m) Increase in Property and Equipment was due to recognition of right-of-use assets as a result of long-term lease contracts entered into by the Group and purchase of office equipment.
n) Increase in Deferred Income Tax Assets was due to increase in realized gain on sale of real estate transactions and accrued expenses of CLDI.
o) Net decrease in Other Assets was substantially due to utilization of input VAT and prepaid asset.
p) Net decrease in Accounts Payable and Accrued Expenses was substantially due to partial settlement of trade payables, payment of accrued development cost, sick leave, interest payable and withholding tax.
q) Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
r) Net increase in Contract Liabilities was due to higher actual collections as compared to collections based on the percentage of completion of ongoing project.
s) Decrease in Income Tax Payable was due to payment.

t) Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plan.
u) Increase in Deferred Income Tax Liabilities - net was primarily due to higher deferred income tax liabilities from capitalized borrowing costs, unrealized gain on real estate transactions, cost to obtain contract and rent receivables.
v) Increase in Retained Earnings was due to net income recognized as of June 30, 2020.
w) Decrease in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to decrease in market value of financial assets at FVOCI.
x) Increase in Non-Controlling Interest was due to net income of subsidiaries.

Results of Operation (June 30, 2020 vs June 30, 2019)

a) Decrease in Sales of Real Estate Properties was primarily due to lower sales generated from Pines Peak Tower II, Grand Central Residences and North Residences since the majority of inventories were sold last year. In addition, sales of the Group were also affected by quarantine measures and economic impact brought about by the COVID-19 pandemic.
b) Decrease in Financial Income was due to lower interest income from installment contracts receivables, contract assets, cash equivalents and short-term and long-term investments.
c) Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Central, and additional long-term lease contracts entered by the Group.
d) Decrease in Other Income was due to the decrease in miscellaneous and other income.
e) Decrease in Cost of Real Estate Sales was due to decrease in sales as this moves in tandem with the sales of real estate properties.
f) Decrease in Operating Expenses was due to lower personnel expenses, taxes and licenses, depreciation, professional fees, outside services, brokers' commission, insurance expense, advertising and promotions, postage, telephone and telegraph, rent expense, donations and contributions and stationery and office supplies.
g) Decrease in Financial Expenses was substantially due to lower interest rates of commercial papers and partial settlement of notes payable.
h) Increase in Other Expenses was due to higher forfeiture/cancellation of prior years' sales.
i) Decrease in Provision for Income Tax was due to lower taxable income, lower deferred income tax and lower provision for final tax on interest income.
j) Decrease in Net Income was due to decline in revenues.

The outbreak of COVID-19 has significantly affected the operations of the Group especially on the revenue side due to the community quarantines implemented. As shown in the Group's consolidated statement of income, sales on real estate properties declined as an impact of the COVID-19 pandemic. The Group's revenue recognition on its sale of real estate properties for ongoing projects is based on percentage of completion. As such, revenue recognized is dependent also on the result of the construction percentage of these projects. While the Group already offers its products at a reasonable price, additional discounts and promotions were granted in order to boost sales.

Before the lockdown, the Group's ongoing projects were in full swing. However, with the implementation of community quarantines, there were slight delays in the construction of these projects. As part of the Group's strategies, close communication with the contractors and suppliers were conducted to minimize the delays and still be able to deliver the project to the clients based on the committed date and even ahead of the scheduled turnover date. Also, health protocols are implemented in the construction site in order to minimize the risk of exposure to COVID-19.

In compliance with the Bayanihan to Heal as One Act, collections were slightly affected since monthly amortizations during the Enhanced Community Quarantine were deferred to provide financial assistance to the buyers of residential units. Although there were delays in the collections, the Group's cash position as of June 30, 2020 is still stable. The Management believes that the Group has the capacity to continue its operations.

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

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

Items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents

There are no unusual items affecting assets, liabilities, equity, net income or cash flows.

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

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

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

The Parent Company and CDC issued commercial papers during the period with total outstanding balance of ₱1.58 billion as of June 30, 2020.

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.

Effect 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 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.

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

The Company'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, 2020 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, 2019. 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, 2019

Financial Performance

The Group is pre-selling the following on-going projects as of December 31, 2019:

- One Premier (Project of CI)
- Pioneer Heights 1 (Project of CDC)
- 101 Xavierville (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, Inc.

- The Manila Residences II
- Tagaytay Prime Residences
- The Manila Residences I
- Brentwood Mansion
- Tagaytay Country Homes 2-B

Cityland Development Corporation

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

City & Land Developers, Incorporated

- North Residences
- Grand Emerald Tower
- The Pacific Regency

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 come from sales of condominium units and real estate projects, collection of installment contracts receivable, contract assets, rental income from leased properties, maturing short-term investments and notes receivable and other sources such as interest income and dividend income. External sources come from 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 that meet the demands of the present growing economy.

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

The Group's balance sheet remained solid with total assets of ₱15.37 billion, 4.95% higher as compared to the 2018 year-end balance of ₱14.65 billion. The increase in assets is attributed to increase in real estate properties for sale, contract assets and long-term investments. The net increase in installment contracts receivable and contract assets was due to sales of real estate properties. 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 1.19% to 4.25% in 2019 and 1.38 %to 5.00% in 2018. Majority of the funds were utilized for operations and to finance the Group's construction of One Premier, One Taft Residences, Pioneer Heights 1, 101Xavierville and the completion of Pines Peak Tower II. Moreover, the cash position allowed the Group to distribute cash dividends amounting to ₱253.92 million. The Group's liquidity position remained stable as cash and cash equivalents and short-term investments both stood at ₱2,415.82 million and ₱403.75 million, respectively. Excess funds were placed in both short-term investments contributing to the increase in financial income.

On the liability side, total liabilities slightly increased by ₱37.19 million or 1.08%. Although accounts payable and accrued expenses increased by ₱259.66 million due to estimated development costs, this was partially offset by the settlement of matured notes and contracts payable by ₱249.88 million. In addition, the decrease in deferred tax liabilities was also partially offset by the increase in contract liabilities and retirement benefits liability resulting to an overall 1.08% increase in total liabilities.

Total equity stood at ₱11.90 billion as of December 31, 2019, higher by 6.13% from ₱11.21 billion as of December 31, 2018 due to comprehensive income of ₱936.55 million less cash dividends declared and paid by the Group amounting to ₱253.92 million.

As a result of the foregoing, the Group's liquidity position remained stable with acid-test and current ratio of 1.44:1 and 2.67:1 as of December 31, 2019, as compared to 1.45:1 and 2.39:1 as of December 31, 2018, respectively. On the other hand, debt-equity ratio slightly improved to 0.23:1 as of December 31, 2019, as compared to 0.27:1 in December 31, 2018.

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

The Group's balance sheet remained solid with total assets of ₱14.65 billion, 5.74% higher as compared to the 2017 year-end balance of ₱13.85 billion. The increase in assets can be attributed to increase in real estate properties for sale and for future development, contract assets and other assets. In compliance with the Philippine Financial Reporting Standards (*PFRS 15, Revenue from Contracts with Customers*), installment contracts receivable were reclassified to contract assets. The net increase in installment contracts receivable and contract assets was due to sales in real estate properties. 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 1.38% to 5.00% in 2018 and 1.06% to 1.25% in 2017. Majority of the funds were substantially utilized for operations and to finance the Group's construction of One Premier, Pines Peak Tower II, One Taft Residences, Pioneer Heights 1, 101 Xavierville and the completion of North Residences. The healthy financial positions allowed the acquisition of two parcels of lands. Moreover, the cash position allowed the Group to distribute cash dividends amounting to ₱247.00 million. The Group's liquidity position remained stable as cash and cash equivalents and short-term investments both stood at ₱833.72 million and ₱1,591.10 million, respectively. Excess funds were placed in both short-term investments contributing to the increase in financial income.

On the liability side, total liabilities slightly increased by ₱219.02 million or 6.80%. Increase was substantially due to contracts liabilities amounting to ₱615.84 million, which was substantially from collection from the sales of the new 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 by ₱239.50 million and the net decrease in accounts payable and deferred tax liabilities by ₱90.47 million and ₱65.72 million, respectively.

Total equity stood at ₱11.21 billion as of December 31, 2018, higher by 5.42% from ₱10.63 billion as of December 31, 2017 due to comprehensive income of ₱805.85 million less cash dividends declared and paid by the Group amounting to ₱247.00 million.

As a result of the foregoing, the Group's liquidity position remained stable with acid-test and current ratio of 1.45:1 and 2.39:1 as of December 31, 2018, as compared to 1.45:1 and 2.08:1 in December 31, 2017, respectively. On the other hand, debt-equity ratio slightly improved to 0.27:1 as of December 31, 2018, as compared to 0.32:1 in December 31, 2017.

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

Total assets amounted to ₱13.85 billion as of December 31, 2017, higher by ₱183.23 million as compared with the previous year's ending balance of ₱13.67 billion. Increase in assets was due to higher short-term cash investments, installment contracts receivable, notes receivables, real estate for future development and investment properties. Sales increased installment contracts receivable, while increase in investment properties was due to additional development costs incurred for the construction of the building for lease. The Group's funds were substantially derived 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%. The Group's funds were substantially utilized for operations, development of ongoing projects, partial settlement of liabilities and payment of cash dividends. The continous construction activities led to progressive increase in the percentage of accomplishment of the Group's ongoing projects.

On the liability side, total liabilities were reduced by ₱564.92 million, equivalent to 14.93% of total liabilities. The reduction was due to partial settlement of notes and contracts payable by 7.36%, partial payment of trade payable and accrued expenses and the reversal of deposits pertaining to sale of Pines Peak Tower I and One Taft Residences.

Total equity stood at ₱10.63 billion as of December 30, 2017, higher by 7.57% from 2016 year-end balance of ₱9.89 billion due to comprehensive income of ₱962.46 million less cash dividends declared by parent company of ₱150.60 million and to non-controlling interests of ₱69.22 million.

As a result of the foregoing, the Group's liquidity position recorded an improved acid-test and current ratio of 1.45:1 and 2.08:1 as of December 31, 2017 as compared to 1.40:1 and 2.21:1 in December 31, 2016, respectively. On the other hand, reduction of liabilities improved debt-equity ratio to 0.32:1 as compared to 0.38:1 as of December 31, 2016.

Results of Operation (December 31, 2019 vs. December 31, 2018)

The Group's sales from real estate properties in 2019 reached ₱2.18 billion, higher by 22.36% as compared to ₱1.78 billion last year. This can be attributed to higher sales contribution of CI amounting to ₱523.18 million, or 24.04% of Group's sales as compared to the previous year's ₱315.55 Million. Tagaytay Prime Residences, The Manila Residences II and One Premier contributed ₱50.63 million, ₱93.78 million, and ₱350.53 million, respectively, to the Group's sales. Sales of these projects were generated from the remaining inventory last year. CI's condominium project, One Premier, launched in 2018 reached a completion rate of 48.24% which contributed to the significant increase in sales of CI.

Total sales of the Group was substantially generated from the sales of CDC, reaching ₱1.12 billion, or 51.60% of the Group's sales. The increase in CDC sales can be attributed to higher sales and completion of Pines Peak Tower II. Construction accomplishment of Pines Peak Tower II steadily progressed from the previous year's 90.64% to 100.00% this year. Consequently, Pines Peak Tower II was sold at 83.70% and generated the highest sales revenue amounting to ₱500.33 million followed by the sale of the remaining units of 101 Xavierville, Pioneer Heights 1, Grand Central Residences and One Premier, contributing ₱241.20 million, ₱181.61 million, ₱94.36 million and ₱42.84 million, respectively.

Moreover, 23.06% and 1.29% of total revenues on sales of real estate were generated by CLDI and CPI, respectively. Sales of real estate properties of CLDI reached ₱501.88 million as compared to the same period last year of ₱409.54 million. The increase in sales can be attributed to the sales revenue for One Taft Residences since realization of sales was based on percentage of completion. The POC of this project at the end of 2019 was 60.06% resulting to contribution of 15.25% of the Group's sales. North Residences and One Taft Residences contributed ₱159.60 million and ₱331.92 million, respectively in the Group's sales.

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, notes receivable, cash equivalents, short-term and long-term investments and cash in bank, and guaranty deposits contributed ₱697.78 million or 21.76% of total revenues. Likewise, rent income contributed 5.31% of total revenues reaching ₱170.27 million, higher by 9.60% from the previous year's level of ₱155.36 million. Another source of revenue is other income which significantly pertains to adjustments of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account reached ₱162.50 million and ₱112.18 million as of December 31, 2019 and 2018, respectively.

On the cost side, increase in cost of real estate sales was due to higher sales, while increase in provision for income tax was due to higher taxable income. On the other hand, operating expenses increased due to increase in personnel expenses, taxes and licenses, light, power and water, allowance for impairment loss and brokers' commission. Higher interest rates and lower capitalized borrowing costs increased financial expenses by 43.11%.

The Group ended 2019 with a net income of ₱948.43 million, 18.65% higher than 2018, which translated to earnings per share and return on equity of ₱4.51 and 7.68% as compared to the previous year of ₱3.81 and 6.88%, respectively.

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

The Group's sales from real estate properties in 2018 reached ₱1.78 billion, lower by 24.97% as compared to ₱2.37 million last year. This can be attributed to lower sales contribution of CI amounting to ₱315.55 million or 17.74% of Group's sales as compared to the previous year's ₱1.06 billion. Tagaytay Prime Residences and The Manila Residences II contributed ₱176.84 million and ₱75.10 million, respectively, to the Group's sales. Sales of these projects were generated from the remaining inventory last year. CI's latest condominium project, One Premier, launched during the 4th quarter of 2018 is seen to increase the Group's future revenues.

Total sales of the Group was substantially generated from the sales of CDC, reaching ₱1.02 billion or 57.10% of the Group's sales. The increase in CDC sales can be attributed to higher sales and construction accomplishment of Pines Peak Tower II. Construction accomplishment of Pines Peak Tower II steadily progressed from the previous year's 52.98% to 90.64% in 2018. Consequently, Pines Peak Tower II was sold at 64.36% and 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.

To increase future revenues, CDC launched new condominium projects in 2018. These are 101 Xavierville and Pioneer Heights 1. Revenue from sales of these projects were not yet recognized since its percentage of completion were below the preliminary stage of completion. In view of this, future sales of CDC expected to increase as a result of these newly launched condominium projects.

Moreover, 23.04% and 2.11% of total revenues on sales of real estate were generated by CLDI and CPI, respectively. Sales of real estate properties of CLDI reached ₱409.54 million as compared to the same period last year of ₱442.48 million. The decrease in sales can be attributed to the sales revenue for One Taft Residences since realization of sales was based on percentage of completion. The POC of this project at the end of 2018 was 25.59% but is expected to steadily increase in the succeeding records. On the other hand, North Residences was completed in the first quarter of 2018. The Group is optimistic that the completion of this project will increase the future revenues. North Residences and One Taft Residences contributed ₱318.54 million and ₱78.78 million, respectively in the Group's sales.

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, notes receivable, cash equivalent, short-term investments and cash in bank and guaranty deposits contributed ₱533.34 million or 20.68% of total revenues. Likewise, rent income contributed 6.02% of total revenues reaching ₱155.36 million, higher by 5.26% from previous year's level ₱140.69 million. Another source of revenue is other income which significantly pertains to adjustments of market value of repossessed units, penalties charged to clients and other miscellaneous income. Revenue contribution of this account reached ₱112.18 million and ₱106.58 million as of December 31, 2018 and 2017, respectively.

On the cost side, decrease in cost of real estate sales was due to lower sales, while lower provision for income tax was due to lower taxable income. On the other hand, operating expenses increased due to increase in taxes and licenses, depreciation, professional fees, insurance, outside services, light, power and water, repairs and maintenance, donations, postage, telephone and telegraph, stationery and office supplies, transportation and travel and other expenses. Higher interest rates and lower capitalized borrowing costs increased financial expenses by 37.74%.

The Group ended 2018 with a net income of ₱799.36 million, 16.96% lower than 2017, generated from ₱2.58 billion revenues which translated to earnings per share and return on equity of ₱3.81 and 6.88% as compared to the previous year of ₱5.39 and 10.18%, respectively.

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

Consolidated net income for 2017 reached ₱962.61 million, higher by 44.57% as compared to ₱665.83 million of the same period last year. The significant increase in net income can be attributed to higher revenues primarily from sales of real estate properties. The Parent Company CI, contributed ₱1.06 billion or 44.70% of sales generated substantially from sale of Tagaytay Prime Residences and The Manila Residences II amounting to ₱793.24 million and ₱220.05 million, respectively. These two projects were almost sold out at the end of the year resulting to a sell-out rate of 93.05% and 90.38%, respectively.

In addition, CDC contributed ₱853.51 million or 36.03% of total sales of real estate properties, lower by 41.87% as compared to the previous year. It will be worthy to note that the inventory of Pines Peak Tower I 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. In addition, 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 with projects with higher completion rates. However, as of December 31, 2017, the completion rate of Pines Peak Tower II reached 52.98%, thereby allowing the partial recognition of revenue on sales amounting to ₱260.68 million. Furthermore, a substantial portion of CDC's sales came from the remaining units of Grand Central Residences and Pines Peak Tower I amounting to ₱333.14 million and ₱130.07 million, respectively.

Moreover, CLDI contributed 18.54% of the Group's sales. Its latest condominium project, North Residences contributed ₱352.28 million to total sales, while its completion rate reached a high 97.37% and had a sell-out rate of 61.63%. Its newest condominium project, One Taft Residences launched in October 2016 reached a completion rate of 14.93%, thereby allowing the partial recognition of revenues. The Group is optimistic that this project will contribute significantly to future sales revenue as the percentage of construction advances.

Other sources of income are financial income, rent income and other income. Financial income which is composed of interest income from installment contracts receivable, notes receivable, cash equivalents, short-term cash investments and cash in bank contributed 14.89% of total revenues. Likewise, rent income contributed ₱140.69 million, higher by 28.01% from the previous year's level of ₱109.90 million. Another source of revenue is other income which is primarily earned from adjustments of market value of repossessed units, penalties charged to clients and other miscellaneous income. Revenue contribution of this account reached ₱106.58 million and ₱86.05 million as of December 31, 2017 and December 31, 2016, respectively.

On the cost side, cost of real estate sales, operating expenses and provision for income tax increased as these accounts move in tandem with sales.

Altogether, the consolidated net income of the Group for the year 2017 reached ₱962.61 million as compared to ₱665.83 million of the same period last year which translated to higher earnings per share and return on equity of ₱5.39 and 10.18% as compared to the same period of the previous year of ₱3.34 and 6.93%, respectively.

Key Performance Indicators

Cityland, Inc. (Consolidated)	**As of June 30, 2020**	**2019**	**2018**	**2017**
Basic/Diluted earnings per share (₱)**	2.98	4.51	3.81	5.39
Return on equity (%)**	4.94	7.68	6.88	10.18
Solvency ratio**	0.20	0.29	0.25	0.31
Interest rate coverage ratio	69.36	37.96	41.81	72.91
Asset to liability ratio	4.66	4.42	4.26	4.30
Asset to equity ratio	1.99	2.02	2.04	2.02
Debt to equity ratio	0.20	0.23	0.27	0.32
Current ratio	3.01	2.67	2.39	2.08
Acid-test ratio	1.68	1.44	1.45	1.45

Cityland Development Corporation (Consolidated)	**As of June 30, 2020**	**2019**	**2018**	**2017**
Basic/Diluted earnings per share (₱)**	0.10	0.15	0.13*	0.11*
Return on equity (%)**	5.39	8.43	7.67	7.20
Solvency Ratio**	0.24	0.34	0.30	0.30
Interest Rate Coverage Ratio	159.71	65.49	55.06	84.00
Asset to liability ratio	5.19	4.73	4.56	4.93
Asset to equity ratio	1.41	1.45	1.47	1.44
Debt to equity ratio	0.13	0.16	0.19	0.22
Current ratio	3.60	3.08	2.80	2.42
Acid-test ratio	1.92	1.62	1.67	1.69

**After retroactive effect of 6.5% and 5% stock dividends in 2019.*

City & Land Developers, Incorporated	**As of June 30, 2020**	**2019**	**2018**	**2017**
Earnings per share (₱)*	0.06	0.12	0.10*	0.10*
Return on equity (%)*	3.66	8.12	7.31	6.79
Solvency Ratio*	0.32	0.62	0.34	0.49
Interest Rate Coverage Ratio	–	–	–	21,937.96
Asset to liability ratio	9.70	8.60	5.59	8.17
Asset to equity ratio	1.11	1.13	1.22	1.14
Debt to equity ratio	–	–	0.10	0.08
Current ratio	7.68	6.82	4.58	6.59
Acid-test ratio	2.08	1.61	2.35	4.39

**After retroactive effect of 5% stock dividends in 2019.*

Cityplans, Incorporated	**As of June 30, 2020**	**2019**	**2018**	**2017**
Earnings per share (₱)*	0.07	0.09	0.12	0.08
Return on equity (%)*	3.16	3.96	5.77	3.90
Solvency Ratio*	0.29	0.32	0.44	0.35
Asset to liability ratio	6.70	6.42	6.44	6.28
Asset to equity ratio	1.20	1.22	1.22	1.24
Current ratio	12.01	11.75	15.90	14.43
Acid-test ratio	12.33	12.11	16.70	15.31

***** Annualized for the period of June 30, 2020.***

Manner of Calculations:

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

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

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

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

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

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

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

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

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

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

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

a) Increase in Cash and Cash Equivalents was due to sales, collection and shift of placements to shorter term investments.
b) Decrease in Short-term Investments was substantially due to shift of funds to shorter period investments, payment of operating expenses, development costs, partial settlement of notes and contract payables and payment of cash dividends.
c) Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI.
d) Net increase in Contract Assets was due to higher sales and increase in the percentage of completion of all on-going projects.
e) Decrease in Notes Receivable was due maturities and reinvestment in other short-term and long-term investments.
f) Decrease in Other Receivables was substantially due to lower accrued interest, collection of advances to customers and advances to condominium corporations.
g) Increase in Real Estate Properties for Sale was primarily due to additional development cost incurred, higher capitalized borrowing costs and transfer of properties from held for future development and investment properties.
h) Net increase in Investments in Trust Fund was due to additional trust fund contributions and increase in appraised value of real estate properties.
i) Increase in Cost to Obtain Contract was due to recognition of performance obligation as a result of adoption of PFRS 15.
j) Decrease in Real Estate from Future Development was due to transfers to real estate properties for sale and allowance for inventory write-down.
k) Decrease in Investment Properties was due to depreciation and transfers to real estate properties held for future development and real estate properties for sale.
l) Increase in Property and Equipment was due to additions of right-of-use asset as result of adoption of PFRS 16, *Leases*.
m) Decrease in Retirement Plan assets was due to re-measurement loss recognized in 2019.
n) Decrease in Deferred Income Tax Assets was due to decrease of realized gain on sale of real estate transactions and unearned revenue of CLDI.

o) Decrease in Other Assets was due to utilization of input VAT, collection of advances to contractors and refund of deposits.
p) Increase in Accounts Payable and Accrued Expenses was substantially due to higher customers' deposit, accrued development cost, directors' fee and sick leave, deferred rent income, dividends payable and recognition of lease liabilities in compliance with PFRS 16.
q) Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable and cost adjustment resulting to the full settlement of contracts payable of CLDI.
r) Net increase in Contract Liabilities was due to increase in percentage of completion of on-going projects.
s) Increase in Income Tax Payable was due to expiration of income tax holiday entitlement of Pines Peak Tower II and higher taxable income.
t) Decrease in Pre-need and Other Reserves was due to increase in return on investment used in valuation of pension plans.
u) Increase in Retirement Benefits Liabilities was due to decrease in fair value of plan assets.
v) Decrease in Deferred Income Tax Liabilities - net was significantly due to recognition of deferred income tax asset on accrued expenses, unearned rent revenue, inventory write-down and remeasurement loss on defined benefit plan.
w) Increase in Retained Earnings was due to recognition of net income.
x) Increase in Net Changes in Fair Value of Investments was due to increase in market value of financial assets at FVOCI.
y) Increase Accumulated Re-measurement of Defined Benefit Plans was due to increase in value of plan assets.
z) Increase in Non-Controlling Interest was due to net income of subsidiaries.

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

a) Decrease in Cash and Cash Equivalents was substantially due to shift of investments to short and long-term investments, acquisition of new properties, partial payment of notes and accounts payable and accrued expenses, income tax and development costs of projects and payment od cash dividends.
b) Decrease in Short-term Investments was substantially due to placements in longer period investments.
c) Decrease in Installment Contracts Receivable was due to reclassification of the account to contract assets as a result of the adoption of PFRS 15.
d) Increase in Contract Asset was due to reclassification of installment contracts receivable due to adoption of PFRS 15.
e) Increase in Notes Receivable was due to additional long-term placements.
f) Net increase in Other Receivable was due to rent receivable and accrual of interest from investments.
g) Increase in Real Estate Properties for Sale was due to transfer from real estate properties held for future development and construction/development costs incurred and launching of new projects of the Group.
h) Increase in Investment in Trust Fund was due to additional trust fund contributions and increase in appraised value of real estate properties.
i) Increase in Cost of Obtain Contract was due to recognition of performance obligation as a result of adoption of PFRS 15.
j) Increase in Real Estate from Future Developmentwas due to acquisition of real estate properties and transfers from investment properties.
k) Decrease in Investment Properties was due to depreciation and reclassification of some accounts to real estate for future development account and real estate properties for sale and property and equipment.
l) Increase in Property and Equipment was due to transfer of a property from investment properties.
m) Increase in Retirement Plan assets was due to re-measurement gain recognized in 2018.

n) 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 assets of CLDI.
o) Decrease in Other Assets was due to utilization of input VAT, collection of advances to contractors and refund of deposits.
p) Decrease in Accounts Payable and Accrued Expenses was substantially due to payment of trade payables and development costs and reclassification of customer's deposit account to contract liabilities.
q) Decrease in Notes and Contract Payable was due to settlement of matured notes and contracts payable.
r) Increase in Contract Liabilities was due to reclassification from customers' deposits to contract liabilities as compliance with PFRS 15.
s) Increase in Income Tax Payable was due to expiration of income tax holiday entitlement of North Residences.
t) Net increase in Pre-need and Other Reserves was due to decrease in return on investment used in valuation of pension plans.
u) Decrease in Retirement Benefits Liabilities was due to increase in fair value of plan assets.
v) 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.
w) Increase in Retained Earnings was due to net income.
x) Decrease in Net Changes in Fair Value of Investments was due to decrease in market value of available-for-sale financial assets.
y) Increase Accumulated re-measurement of defined benefit plans was due to increase in value of plan assets.
z) Increase in Non-Controllong Interest was due to net income of subsidiaries.

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

a) Decrease in Cash and Cash Equivalents was substantially due to shift of investments to long-term investments, partial payment of notes and accounts payable and accrued expenses, income tax and development costs of projects and payment od cash dividends.
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.
c) Increase in Installment Contracts Receivable was due to sales of real estate properties.
d) Increase in Notes Receivable was due to placements made by CDC to different financial institutions.
e) Net decrease in Other Receivables was substantially due to collections of advances paid for real estate taxes and advances paid to contractors.
f) Decrease in Real Estate Properties for Sale was due to sales of real estate properties and transfer to investment properties.
g) Decrease in Investment in Trust Fund was due to payment of matured and terminated pension plans.
h) Increase in Real Estate Properties for Future Development was due to additional cost incured and properties transferred from Investment Properties.
i) Increase in Investment Properties was due to additional development costs incurrred for the construction of the building for lease, capitalized borrowing costs and transfer from real estate properties for sale.
j) Increase in Property and Equipment was due to acquisition of office equipment.
k) Increase in Retirement Plan Assets was due to increase in contributions in 2017 and increase in investments.
l) Increase in Deferred Income Tax Assets-net was due to increase in realized gain on sale of real estate transactions of CLDI and higher accrued expenses of the Group.
m) Decrease in Accounts Payable and Accrued Expenses was primarily due to reversal of deposits of Pines Peak Tower II and Other Taft Residences and partial payment of development costs and other trade payables.

n) Net decrease in Notes and Contracts Payable was due to partial settlement of notes and contracts payable.
o) Decrease in Income Tax Payable was due to payment of income tax payable and higher creditable withholding tax charged to income tax payable.
p) Decrease in Pre-Need and Other Reserves was due to maturities and termination of pension plans.
q) Decrease in Deferred Tax Liabilities-net was primarily due to lower deemed cost adjustment, unrealized gain on real estate transactions and unearned rent revenue.
r) Increase in Capital Stock was due to 10% stock dividends declared.
s) Decrease in Net Changes in Fair Value of Investments was due to decrease in market value of available-for-sale financial assets.
t) Decrease in Accumulated Re-measurement on Defined Benefit Plan was due to decrease in value of plan assets.
u) Increase in Retained Earnings was due to income recognized as of December 31, 2017.

Results of Operation (December 31, 2019 vs. December 31, 2018)

a) Increase in Sales of Real Estate Properties was due to the increase in percentage of completion of One Premier, 101 Xavierville, Pioneer Heights 1 and One Taft Residences.
b) Increase in Financial Income was due to higher interest income from contract assets, installment contracts receivable, short-term and long-term investments and dividend income.
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.
d) Increase in Other Income was due to the higher income recognized from the adjustments on the market value of repossessed units.
e) Increase in Cost of Real Estate Sales was due to higher sales of real estate properties.
f) Increase in Operating Expenses was due to increase in personnel expenses, taxes and licenses, professional fees, light, power and water, allowance for inventory write-down, repairs and maintenance and brokers' commission.
g) Increase in Financial Expenses was due to higher average interest rates.
h) Decrease in Other Expenses was due to lower reversal of gross profit recognized in income from prior year's forfeited units.
i) Increase in Provision for Income Tax was due to higher taxable income as a result of the expiration of the Income Tax Holiday Entitlement of Pines Peak Tower II, a project of CDC.
j) Increase in Net Income was primarily due to higher revenues.

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

a) Decrease in Sales of Real Estate Properties was primarily due to lower sales generated from Tagaytay Prime Residences, The Manila Residences II and Grand Central Residences since most of the units were already sold in the previous years.
b) Increase in Financial Income was due to higher interest income from contract assets, installment contracts receivable and cash investments.
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.
d) Increase in Other Income was due to the higher income recognized from the adjustment of market value of repossessed units.
e) Decrease in Cost of Real Estate Sales was due to lower sales of real estate properties.
f) Increase in Operating Expenses was due to increase in taxes and licenses, depreciation, professional fees, insurance, outside services, light, power and water, repairs and maintenance, donations, stationery and office supplies, transportation and travel and other expenses.
g) Increase in Financial Expenses was due to higher interest rates.

h) Decrease in Other Expenses was due to lower reversal of gross profit recognized in income from prior year's forfeited units.
i) Decrease in Provision for Income Tax was due to lower taxable income.
j) Decrease in Net Income was primarily due to lower revenues.

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

a) Increase in Sale of Real Estate was substantially due to sale of real estate properties.
b) Increase in Financial Income was due to higher interest income from installment contracts receivable, short-term cash investments and notes receivable.
c) Increase in Rent Income was due to additional lease contracts entered by the Group.
d) Increase in Other Income was due to the increase in value of repossessed real estate properties for sale.
e) Increase in Cost of Real Estate Sales was primarily due to higher sales.
f) Decrease in Operating Expenses was due to decrease in membership dues, taxes and licenses, professional fees, advertising and promotions, outside services, donations stationery and office supplies and transportation and travel.
g) Decrease in Financial Expense was due to lower interest expense on notes payable and higher capitalized interest.
h) Decrease in Other Expenses was due to decrease in forfeiture/cancellation of prior years' sales.
i) Increase in Provision for Income Tax was due to higher net income.
j) Increase in Net Income was due to higher revenues as compared to previous period.

Information on Independent Accountant

Sycip Gorres Velayo & Co. is the Group's external auditor for the years 2019 and 2018. The engagement partner for the year 2019 and 2018 is Ms. Aileen L. Saringan

	External Audit Fees	
	2019	**2018**
Audit and audit-related fees (Parent Company)	₱620,000	₱600,000
Tax fees	–	–
All other fees	–	–
Total	**₱620,000**	**₱600,000**

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

The Audit and Risk Committee's approval policies and procedures consists 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 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(s)	Period of Service	Term of Office (Year)	Age	Family Relationship
Stephen C. Roxas	Filipino	Director Chairman of the Board	May 15, 1979 to Present July 1, 1997 to Present	1	79	Husband of Helen C. Roxas, brother of Grace C. Liuson; brother-in-law of Andrew I. Liuson; and uncle of Josef C. Gohoc
Dr. Andrew I. Liuson	Filipino	Director Vice Chairman of the Board	May 15, 1979 to Present Jan. 16, 2008 to Present	1	76	Husband of Grace C. Liuson; brother-in-law of Stephen C. Roxas
Grace C. Liuson	Filipino	Director Deputy Vice Chairman of the Board	May 15, 1979 to Present Feb. 1, 2011 to Present	1	74	Wife of Dr. Andrew I. Liuson; sister of Stephen C. Roxas; aunt of Josef C. Gohoc; and sister-in-law of Helen C. Roxas
Josef C. Gohoc	Filipino	Director President	June 29, 2007 to Present Feb. 1, 2011 to Present	1	50	Nephew of Stephen C. Roxas, Helen C. Roxas, Grace C. Liuson and Dr. Andrew I. Liuson
Peter S. Dee	Filipino	Independent Director Chairman-Audit & Risk Committee Chairman-Corporate Governance Committee	Dec. 20, 2006 to Present January 2007 to Present July 27, 2018 to Present	1	78	-
Anastasia Y. Dy	Filipino	Independent Director	Nov. 19, 2019 to Present	1	62	-
Helen C. Roxas	Filipino	Director	May 15, 1979 to Present	1	71	Wife of Stephen C. Roxas; sister-in-law of Grace C. Liuson and Andrew I. Liuson
Benjamin I. Liuson	Filipino	Director	Nov. 19, 2019 to Present	1	70	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	59	-
Rudy Go	Filipino	Senior Vice President/ Chief Financial Officer/Compliance Officer & Corporate Information Officer Data Protection Officer	Jan. 1, 2015 to Present Aug. 29, 2017 to Present	1	60	-
Melita M. Revuelta	Filipino	Vice President & Assistant Corporate Secretary Alternate Compliance Officer & Alternate Corporate Information Officer	Jan. 16, 2008 to Present Jan. 1, 2015 to Present	1	61	-
Atty. Emma G. Jularbal	Filipino	Vice President-Legal Affairs Corporate Secretary	July 2001 to Present July 1997 to Present	1	64	-

Name	Citizenship	Position(s)	Period of Service	Term of Office (Year)	Age	Family Relationship
Melita L. Tan	Filipino	Vice President	Feb. 21, 2004 to Present	1	60	-
Romeo E. Ng	Filipino	Vice President	Jan. 10, 2005 to Present	1	59	-
Rosario D. Perez	Filipino	Vice President-Executive Affairs	Feb. 9, 2017 to Present	1	61	-
Winefreda R. Go	Filipino	Vice President-Purchasing Department	Jan. 5, 2018 to Present	1	62	-
Dorothy U. So	Filipino	Assistant Vice President- Head of Internal Audit Dept.	July 2001 to Present	1	62	-

Positions in other Institutions:

a) Stephen C. Roxas

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director Chairman of the Executive Committee	Sept. 25, 1979 July 1, 1997
City & Land Developers, Incorporated	Director Chairman of the Executive Committee	June 28, 1988 July 1, 1997
Cityplans, Incorporated	Director/President	Oct. 27, 1988
Center for Community Transformation	Board Member	
Past positions in other institutions:		
Cityland Development Corporation	President	Sept. 25, 1979 to June 30, 1997
City & Land Developers, Incorporated	President	June 28, 1988 to June 30, 1997
Center for Community Transformation	Vice Chairman	-
MGC New Life Christian Academy	Chairman	-

b) Dr. Andrew I. Liuson

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director Chairman of the Board	Sept. 25, 1979 Dec. 13, 2017
City & Land Developers, Incorporated	Director Vice Chairman of the Board	June 28, 1988 Jan. 16, 2008
Cityplans, Incorporated	Director Chairman of the Board	Oct. 27, 1988 Sept. 25, 2006
Febias College of Bible	Chairman	-
International Graduate School of Leadership	Chairman	-
Philippine Council of Evangelical Church	Chairman	-
Makati Gospel Church	Corporate Secretary/Trustee	-
Past positions in other institutions:		
Cityland Development Corporation	Vice Chairman of the Board President Executive Vice President	Jan. 16, 2008 to Dec. 12, 2017 July 1, 1997 to Jan. 15, 2008 Sept. 25, 1979 to June 30, 1997
City & Land Developers, Incorporated	President Executive Vice President	July 1, 1997 to Jan. 15, 2008 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

c) Grace C. Liuson

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director Vice Chairman of the Board	Sept. 25, 1979 Jan. 5, 2018
City & Land Developers, Incorporated	Director Deputy Vice Chairman of the Board	June 28, 1988 Feb. 1, 2011
Cityplans, Incorporated	Director Executive Vice President/Treasurer	Oct. 27, 1988 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 Development Corporation	Deputy Vice Chairman of the Board President Executive Vice President & Treasurer Senior Vice President & Treasurer Vice President & Treasurer	Feb. 1, 2011 to Jan. 4, 2018 Feb. 14, 2008 to Jan. 31, 2011 July 1, 1997 to Feb. 13, 2008 July 1, 1982 to June 30, 1997 Sept. 25, 1979 to June 30, 1982
City & Land Developers, Incorporated	President Executive Vice President & Treasurer Senior Vice President & Treasurer	Feb. 14, 2008 to Jan. 31, 2011 July 1, 1997 to Feb. 13, 2008 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 Development Corporation	Director President	Jan. 4, 2011 Feb. 1, 2011
City & Land Developers, Incorporated	Director President	Jan. 4, 2011 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 Development Corporation	Senior Vice President Treasurer First Vice President	Jan. 16, 2008 to Jan. 31, 2011 June 11, 2008 to Jan. 31, 2011 Sept. 2006 to Jan. 15, 2008
City & Land Developers, Incorporated	Senior Vice President Treasurer First Vice President	Jan. 16, 2008 to Jan. 31, 2011 June 11, 2008 to Jan. 31, 2011 Sept. 2006 to Jan. 15, 2008
Cityland Foundation Inc.	Director	Nov. 11, 2002 to May 18, 2015

e) Peter S. Dee

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Alpolac, Inc.	Director	1994
China Banking Corporation	Director	1977
CBC Properties & Computer Center, Inc.	Director/President	1984
Cityland Development Corporation	Independent Director Chairman-Audit & Risk Committee	Oct. 1979 Aug. 2002
City & Land Developers, Incorporated	Independent Director/Chairman-Audit & Risk Committee	Nov. 22, 2004
Cityplans, Incorporated	Independent Director Chairman-Compensation Committee/Chairman-Audit Committee/Member-Nomination and Election Committee	July 17, 1990 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	

Name of Office	Position	Date Assumed
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*

f) Anastasia Y. Dy

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Security Bank Corporation	Director/Vice Chairman	Apr.30, 1996/Apr. 24, 2018
Security Bank Foundation, Inc.	Member-Board of Trustee/President	Aug. 23, 2003
Tany Foundation, Inc.	Member-Board of Trustee/Chairman/ President	Oct. 24, 2018
Woodchild Holdings, Inc.	Director	Aug. 30, 1991
Woodson Property Holdings, Inc.	Director	Dec. 9, 1991
Ponderosa Leathergoods Co.	Director	Oct. 9, 1995
Institute for Foundational Learning	Member-Board of Trustee/Corporate Secretary	Dec. 22, 1999
Precept Ministries International of the Phil. Islands, Inc.	Member-Board of Trustee/Treasurer	Mar. 31, 2016
CCF Life Academy Foundation, Inc.	Member-Board of Trustee/Treasurer	Mar. 24, 2014
Uplift Cares Global Movement Foundation Inc.	Member-Board of Trustee/Treasurer	Feb. 26, 2015
Kaibigan Ministry Inc. (KMI)	Member-Board of Trustee/Treasurer	
PLG International Inc.	Chairman/President	
Phil. Bright Corporation	Chairman/President	April 2008
Woodhouse Holdings Corp.	Director/President	June 11, 2010

g) Helen C. Roxas

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director	Sept. 25, 1979
City & Land Developers, Incorporated	Director	June 28, 1988
Cityplans, Incorporated	Director	Oct. 27, 1988
Good Tidings Foundation Inc.	Treasurer	1992
Past positions in other institutions:		
MGC New Life Christian Academy	Board Member	-

h) Benjamin I. Liuson

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director	June 6, 2019
City & Land Developers, Incorporated	Director	June 11, 2019
The Generics Pharmacy, Inc.	Vice Chairman	2016
TGP Pharma Inc.	Chairman	2020
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
Bless Foundation Inc.	Trustee	2014
Global Filipino Movement, Inc.	Trustee	2013
Makati Gospel Church	Trustee	1990
Jedidiah Inc.	President	1996
Keziah Inc.	President	1996

i) Emma A. Choa

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Director Executive Vice President Treasurer	Aug. 18, 2020 Jan. 1, 2015 Feb. 1, 2011
City & Land Developers, Incorporated	Director Executive Vice President Treasurer	Aug. 25, 2020 Jan. 1, 2015 Feb. 1, 2011
WorldNet Information and Services, Inc.	Treasurer	-

j) Rudy Go

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer Data Protection Officer Investor Relations Officer	Jan. 1, 2015 Aug. 29, 2017 June 6, 2018
City & Land Developers, Incorporated	Senior Vice President/Chief Financial Officer/Compliance Officer & Corporate Information Officer Data Protection Officer Investor Relations Officer	Jan. 1, 2015 Aug. 29, 2017 June 14, 2018
Cityplans, Incorporated	Senior Vice President/Compliance Officer Data Protection Officer	Jan. 1, 2015 Aug. 29, 2017

k) Melita M. Revuelta

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

l) Atty. Emma G. Jularbal

Name of Office	Position	Date Assumed
Present positions in other institutions:		
Cityland Development Corporation	Vice President-Legal Affairs Corporate Secretary	July 2001 July 1997
City & Land Developers, Incorporated	Vice President-Legal Affairs Corporate Secretary	July 2001 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	-

m) Melita L. Tan

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

p) Winefreda R. Go

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

q) Dorothy U. So

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

The attendance of the Board of Directors of the Parent Company on the Regular and Special Meetings for the year 2019 are as follows:

	No. of Meetings Attended/Held
Stephen C. Roxas	23/23
Dr. Andrew I. Liuson	23/23
Grace C. Liuson	23/23
Josef C. Gohoc	23/23
Peter S. Dee	22/23
Helen C. Roxas	23/23
Benjamin I. Liuson *(elected last November 19, 2019)*	2/2
Anastasia Y. Dy *(elected last November 19, 2019)*	2/2

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) Independent Directors

An independent director is a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The independent directors of the Parent Company as of December 31, 2019 are Mr. Peter S. Dee and Ms. Anastasia Y. Dy.

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

During the past five years and up to the latest date, there is no involvement in certain legal proceedings of any of the directors and executive officers such as:

a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;

c) Being 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; and

d) Being found by a domestic or foreign court of competent jurisdiction (in a 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.

EXECUTIVE COMPENSATION

Executive Compensation Summary Table

Name	Position	2020 (estimate)
Josef C. Gohoc	President	x
Emma A. Choa	Executive Vice President/Treasurer	x
Rudy Go	Senior Vice President	x
Melita M. Revuelta	Vice President	x
Marcelina C. Clemeña	Assistant Vice President-Purchasing	x
Salaries		₱6,957,348
Bonus		1,760,937
Others		120,000
Total (Top 5)		**₱8,838,285**
Salaries		₱8,939,744
Bonus		2,296,287
Others		340,800
All officers & directors as a group unnamed		**₱11,576,831**
Grand Total		**₱20,415,116**

Name	Position	2019 (actual)
Josef C. Gohoc	President	x
Emma A. Choa	Executive Vice President/Treasurer	x
Rudy Go	Senior Vice President	x
Melita M. Revuelta	Vice President	x
Marcelina C. Clemeña	Assistant Vice President-Purchasing	x
Salaries		₱6,645,153
Bonus		1,688,486
Others		5,896,659
Total (Top 5)		**₱14,230,298**
Salaries		₱9,790,838
Bonus		6,694,336
Others		2,862,167
All officers & directors as a group unnamed		**₱19,347,341**
Grand Total		**₱33,577,639**

Name	Position	2018 (actual)
Josef C. Gohoc	President	x
Emma A. Choa	Executive Vice President/Treasurer	x
Rudy Go	Senior Vice President	x
Melita M. Revuelta	Vice President	x
Marcelina C. Clemeña	Assistant Vice President-Purchasing	x
Salaries		₱5,873,782
Bonus		1,515,710
Others		10,604,409
Total (Top 5)		**₱17,993,901**
Salaries		₱9,671,918
Bonus		2,503,141
Others		4,482,785
All officers & directors as a group unnamed		**₱16,657,844**
Grand Total		**₱34,651,745**

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

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD of the Parent Company received a total of ₱1,156,064 and ₱2,154,480, respectively. Moreover, the Parent Company 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 Parent Company does not have any arrangements for stock warrants or options offered to its employees.

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 September 30, 2020:

Title of Class	Name, Address & Relationship with Issuer	Beneficial Owner & Relationship	Citizenship	No. of Shares Held	%
Unclassified Common Shares	Stephen C. Roxas 1392 Campañilla St., Dasmariñas Village, Makati City -Director & Chairman of the Board	-	Filipino	36,430,414	28.20
Unclassified Common Shares	Grace C. Liuson 2072 Lumbang cor. Cypress Dasmariñas Village, Makati City -Director & Deputy Vice Chairman of the Board	-	Filipino	19,082,680	14.77
Unclassified Common Shares	Dr. Andrew I. Liuson 2072 Lumbang cor. Cypress Dasmariñas Village, Makati City -Director & Vice Chairman of the Board	-	Filipino	17,614,822	13.63
Unclassified Common Shares	The Good Seed Sower Foundation Inc.* 3/F Cityland Condo 10 Tower I, 156 H.V. Dela Costa St., Ayala North, Makati City -Stockholder	-	Filipino	15,266,137	11.82
Unclassified Common Shares	Lucy Fan 47 Cambridge Circle, North Forbes Park, Makati City -Stockholder	-	American	11,743,208	9.09
Unclassified Common Shares	Helen C. Roxas 1392 Campañilla St., Dasmariñas Village, Makati City -Director	-	Filipino	11,743,208	9.09
Unclassified Common Shares	Daniel Yen Chiong 2/F Cityland Condo 10 Tower I, 156 H.V. Dela Costa St., Ayala North, Makati City -Stockholder	-	Filipino	8,220,226	6.36

*The person who will vote the shares of Good Seed Sower Foundation, Inc. is Winnie Go, the Treasurer and Director of the Foundation.

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 September 30, 2020:

Title of Class	Name of Beneficial Owner/ Position	No. of Shares Held	Nature of Ownership	Citizenship	%
Directors:					
Unclassified Common Shares	Stephen C. Roxas Director/Chairman of the Board	36,430,414	Direct	Filipino	28.20
Unclassified Common Shares	Dr. Andrew I. Liuson Director/Vice Chairman of the Board	17,614,822	Direct	Filipino	13.63
Unclassified Common Shares	Grace C. Liuson Director/Deputy Vice Chairman of the Board	19,082,680	Direct	Filipino	14.77
Unclassified Common Shares	Josef C. Gohoc Director/President	2,028,493	Direct/ Indirect	Filipino	1.57
Unclassified Common Shares	Peter S. Dee Independent Director/Chairman-Audit & Risk Committee/Chairman-Corporate Governance Committee	44	Direct	Filipino	0.00
Unclassified Common Shares	Helen C. Roxas Director	11,743,208	Direct	Filipino	9.09
Executive Officers:					
Unclassified Common Shares	Emma A. Choa Executive Vice President/Treasurer	-	-	Filipino	-
Unclassified Common Shares	Rudy Go Senior Vice President, Chief Financial Officer, Compliance Officer & Corporate Information Officer/Data Protection Officer	-	-	Filipino	-
Unclassified Common Shares	Melita M. Revuelta Vice President & Assistant Corporate Secretary/Alternate Compliance Officer & Alternate Corporate Information Officer	-	-	Filipino	-
Unclassified Common Shares	Atty. Emma G. Jularbal Vice President-Legal Affairs/Corporate Secretary	-	-	Filipino	-
Unclassified Common Shares	Melita L. Tan Vice President	-	-	Filipino	-
Unclassified Common Shares	Romeo E. Ng Vice President	-	-	Filipino	-
Unclassified Common Shares	Rosario D. Perez Vice President-Executive Affairs	-	-	Filipino	-
Unclassified Common Shares	Winefreda R. Go Vice President-Purchasing Department	-	-	Filipino	-
Unclassified Common Shares	Dorothy U. So Assistant Vice President-Head of Internal Audit Department	-	-	Filipino	-

Note:The above security ownership of management consists of Unclassified Common Shares amounting to ₱868,996,610 which is equivalent to 67.26%.

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 SEC and PSE (for CLDI & CDC) 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 shares of the companies within the Group.

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

d) Voting Trust Holders of 5% or More

There is no voting trust or similar arrangement holding 5% of a class securities.

CERTAIN RELATIONSHIP AND RELATED PARTY TRANSACTIONS

1) Advances to/from affiliates

   See Note 26 *Related Party Transactions* on the Notes to 2019 Audited Consolidated Financial Statements.

2) Management Agreement

   CI, a major stockholder of CDC, has an existing management agreement with CDC wherein CI provides management services to CDC. 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 the net income as mutually agreed upon by both parties. The management fees for the year 2019, 2018, and 2017 were waived by CI.

   There are no transactions (or series of similar transactions) with or involving the company or any of its subsidiaries with a director, executive officer, any nominee for election as a director and any security holder owning 10% or more of the company's outstanding share.

CORPORATE GOVERNANCE

The evaluation system employed by the Corporation 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, necessary actions/procedures shall be undertaken to improve the Company's corporate governance.

The Annual Certificate of compliance on the Manual of Corporate Governance of the Company was submitted to SEC last January 24, 2020.

OTHER EXPENSES RELATING TO ISSUANCE AND DISTRIBUTION

Actual Fees and Expenses:

Registration Fee:		
Filing Fee	₱578,750	
Legal Research Fee	5,788	584,538
Exemptive Relief:		
Filing Fee	50,000	
Legal Research Fee	500	50,500
Legal and Accounting Fees		20,000

Estimated Fees and Expenses:

Documentary Stamps	6,112,500
Printing Costs of CPs	40,750
Publication Fee	23,900
Total	**₱6,832,188**

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

CITYLAND, INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Audited For Year 2019, 2018 and 2017 and Unaudited as of the Six Months Ended June 30, 2020

Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Balance Sheets as of December 31, 2019 and 2018
Statements of Income for the Years Ended December 31, 2019, 2018 and 2017
Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017
Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017
Notes to Financial Statements
Balance Sheets as of June 30, 2020 and December 31, 2019
Statements of Income for the Six Months Ended June 30, 2020 and June 30, 2019
Statements of Comprehensive Income for the Six Months Ended June 30, 2020 and June 30, 2019
Statements of Changes in Equity as of June 30, 2020 and June 30, 2019
Statements of Cash Flows as of June 30, 2020 and June 30, 2019
Notes to Financial Statements

Index to the Audited Financial Statements and Supplementary Schedules

Schedule I:	Schedule of all the effective standards and interpretations (Part 1, 4J)
Schedule II:	Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
Schedule III:	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 IV:	Schedule of Gross and Net Proceeds of Commercial Papers Issued
Schedule V:	Supplementary Schedule of Financial Soundness Indicators
Schedule VI:	Map of the Relationships of the Companies within the Group

CITYLAND e-MAIL

Rudy Go <cdc_rg@cityland.net>

Cityland, Inc._2019 Consolidated Audited Financial Statement_26June2020

6 messages

Rudy Go <cdc_rg@cityland.net> 26 June 2020 at 14:17
To: ictdsubmission@sec.gov.ph
Cc: cgfd@sec.gov.ph, TAA FMSD <taa_fmsd@cityland.net>

Good day!

We are submitting herewith the Consolidated Audited Financial Statements of Cityland, Inc. and Subsidiaries (the Company) as of and for the year ended December 31, 2019.

In line with SEC Notice dated June 24, 2020 regarding the Options for the Submission of the Reports, Applications and Other Documents During the Effectivity of All Community Quarantine Imposed due to COVID-19, the Company is hereby submitting the said report thru electronic mail only (Option 2).

We hope to receive your confirmation to this submission. Thank you very much.

Very truly yours,
RUDY GO
Senior Vice President / Chief Financial Officer

Cityland, Inc._2019 Consolidated Audited Financial Statements_26June2020.pdf
9343K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> 26 June 2020 at 14:18
To: cdc_rg@cityland.net

This is an auto response

try ko lang

Rudy Go <cdc_rg@cityland.net> 26 June 2020 at 14:31
To: msrd_covid19@sec.gov.ph

Dear Sir / Madam:

Forwarding our submission of Consolidated Audited Financial Statements as of and for the Year Ended December 31, 2019.

Thank you very much.

Very truly yours,
RUDY GO
Senior Vice President / Chief Financial Officer

[Quoted text hidden]

Cityland, Inc._2019 Consolidated Audited Financial Statements_26June2020.pdf
9343K

MSRD COVID19 <msrd_covid19@sec.gov.ph> 26 June 2020 at 20:23
To: Rudy Go <cdc_rg@cityland.net>
Cc: "LOURVIC D. PACIS" <ldpacis@sec.gov.ph>, "CATHERINE E. GALIZA" <cegaliza@sec.gov.ph>

Dear Mr. Go,

Acknowledging receipt of your email with attachment.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

[Quoted text hidden]

ICTD Submission <ictdsubmission@sec.gov.ph> 1 July 2020 at 08:23
To: Rudy Go <cdc_rg@cityland.net>

Kindly submit your 2019 AFS to either one of the
following email address as stated in our Noticed dated April 8, 2020
and the SEC Memorandum Circular No. 10 s. 2020

ermdfs1@sec.gov.ph
ermdfs2@sec.gov.ph

You will received an Acknowledgement
Confirmation (AC) for your submission of the hard
hard copy of your AFS through Courier via SENS

The procedure through SENS is available from our website.
You may arrange your return copy to the courier of your choice.

Kindly follow up your Acknowledgement Confirmation (AC) to the same email
stated above.

For your information and guidance.

Thank you.
[Quoted text hidden]

CGFD Account <cgfd@sec.gov.ph> 4 September 2020 at 23:18
To: MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: Rudy Go <cdc_rg@cityland.net>

Thank you.

CORPORATE GOVERNANCE AND FINANCE DEPARTMENT (CGFD)
Securities and Exchange Commission

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---------- Forwarded message ---------
From: **Rudy Go** <cdc_rg@cityland.net>
Date: Fri, Jun 26, 2020 at 2:18 PM
Subject: Cityland, Inc._2019 Consolidated Audited Financial Statement_26June2020
To: <ictdsubmission@sec.gov.ph>
Cc: <cgfd@sec.gov.ph>, TAA FMSD <taa_fmsd@cityland.net>

[Quoted text hidden]

Cityland, Inc._2019 Consolidated Audited Financial Statements_26June2020.pdf
9343K

CITYLAND e-MAIL

Cityland FMSD <fmsd@cityland.net>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph> Fri, Jun 26, 2020 at 12:31 PM
To: FMSD@cityland.net
Cc: CDC_RG@cityland.net

Hi CITYLAND,

Valid files

- EAFS000662829OTH2019-02.pdf
- EAFS000662829AFS2019.pdf
- EAFS000662829OTH2019-01.pdf
- EAFS000662829OTH2019-03.pdf
- EAFS000662829ITR2019.pdf

Invalid file

- <None>

Transaction Code: **AFS-2019-6FFBCJ6A0QPMRVR32M213MNTN087ED9K5G**
Submission Date/Time: **Jun 26, 2020 12:31 PM**
Company TIN: **000-662-829**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

8	6	1	8	8						

COMPANY NAME

C	I	T	Y	L	A	N	D	,		I	N	C	.		A	N	D																
S	U	B	S	I	D	I	A	R	I	E	S																							

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

3	/	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
A A C F S	M S R D	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
fmsd@cityland.net	8-893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27 (As of December 31, 2019)	3rd 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	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

3/F 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.*

CITYLAND
INCORPORATED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **Cityland, Inc.** (the Company) is responsible for the preparation and fair presentation of the consolidated balance sheets as at December 31, 2019 and 2018, 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, 2019 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.

STEPHEN C. ROXAS
Chairman of the Board

JOSEF C. GOHOC
President / Chief Executive Officer

RUDY GO
Senior Vice President / Chief Financial Officer

Signed this 10th day of June 2020.

SUBSCRIBED AND SWORN to before me this day of JUN 23 2020 affiant(s) exhibiting to me their Social Security System Numbers, as follows:

Name	Number
Stephen C. Roxas	03-0344241-7
Josef C. Gohoc	33-0942784-4
Rudy Go	03-4602228-9

Doc No. 178
Page No. 37
Book No. VI
Series of 2020.

ATTY. EMMA G. JULARBAL
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
APPOINTMENT NO. M-65
IBP ROLL NO. 33152
IBP NO. 06547/Lifetime/PPLM
PTR No. 8117586/01-02-2020/Makati
156 H.V. Dela Costa St., Makati City

SGV
Building a better working world

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

Tel: (632) 8 891 0307
Fax: (632) 8 819 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 Stockholders and the Board of Directors
Cityland, Inc.
3/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, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *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.

Other Information

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

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

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

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.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-5 (Group A),
July 25, 2019, valid until July 24, 2022
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018
February 26, 2018, valid until February 25, 2021
PTR No. 8125297, January 7, 2020, Makati City

June 10, 2020

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,415,823,464**	₱833,719,566
Short-term investments (Note 4)	**403,750,000**	1,591,100,000
Current portion of:		
Installment contracts receivable (Note 6)	**9,117,908**	12,966,125
Contract assets (Note 6)	**465,248,496**	673,352,230
Cost to obtain contracts (Note 6)	**18,029,596**	15,699,414
Notes receivable (Note 7)	**200,000,000**	321,500,000
Other receivables (Note 8)	**56,687,176**	68,852,663
Investments in trust funds (Note 5)	**5,987,496**	6,015,289
Real estate properties for sale (Note 9)	**2,949,320,773**	2,174,705,874
Other current assets (Note 13)	**51,862,821**	63,588,042
Total Current Assets	**6,575,827,730**	5,761,499,203
Noncurrent Assets		
Long-term investments (Note 4)	**465,000,000**	–
Installment contracts receivable - net of current portion (Note 6)	**33,779,791**	20,050,544
Contract assets - net of current portion (Note 6)	**2,665,198,241**	2,432,530,962
Cost to obtain contracts - net of current portion (Note 6)	**29,127,025**	21,770,625
Notes receivable - net of current portion (Note 7)	**257,150,000**	922,150,000
Other receivables - net of current portion (Note 8)	**1,945,704**	3,478,332
Investments in trust funds - net of current portion (Note 5)	**30,762,567**	29,416,862
Real estate properties held for future development (Note 10)	**1,583,401,899**	1,641,310,492
Investment properties (Note 11)	**3,572,679,728**	3,645,735,097
Property and equipment (Note 12)	**64,747,057**	60,846,045
Net retirement plan assets (Note 24)	**11,323,185**	22,345,660
Deferred income tax assets - net (Note 25)	**8,192,586**	8,453,231
Other noncurrent assets (Note 13)	**74,118,739**	79,058,576
	8,797,426,522	8,887,146,426
TOTAL ASSETS	**₱15,373,254,252**	₱14,648,645,629
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱427,481,345**	₱182,580,999
Contract liabilities (Note 6)	**272,482,960**	240,649,472
Notes and contracts payable (Note 15)	**1,716,246,191**	1,966,122,173
Income tax payable	**48,535,922**	15,229,037
Current portion of pre-need and other reserves (Note 5)	**2,133,952**	2,416,195
Total Current Liabilities	**2,466,880,370**	2,406,997,876
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**188,691,188**	173,930,869
Contract liabilities - net of current portion (Note 6)	**355,084,995**	375,190,942
Pre-need and other reserves - net of current portion (Note 5)	**38,416,302**	38,943,644
Net retirement benefits liability (Note 24)	**15,410,620**	8,362,649
Deferred income tax liabilities - net (Note 25)	**410,860,682**	434,725,190
Total Noncurrent Liabilities	**1,008,463,787**	1,031,153,294
Total Liabilities	**3,475,344,157**	3,438,151,170

(Forward)

	December 31	
	2019	2018
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱10 par value (Note 16)		
Authorized - 135,000,000 shares		
Issued -129,785,877 shares held by 27 equity holders as of December 31, 2019 and 25 equity holders as of December 31, 2018	**₱1,297,858,770**	₱1,297,858,770
Treasury - 587,123 shares (Note 26)	**–**	–
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(32,799,442)**	(24,799,453)
Unrealized fair value changes on financial assets at FVOCI (Note 13)	**1,580,331**	945,268
Other equity reserves	**72,536,291**	72,536,291
Retained earnings	**6,253,958,807**	5,818,846,950
	7,593,134,757	7,165,387,826
Non-controlling interests (Note 17)	**4,304,775,338**	4,045,106,633
Total Equity	**11,897,910,095**	11,210,494,459
TOTAL LIABILITIES AND EQUITY	**₱15,373,254,252**	₱14,648,645,629

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Sales of real estate properties (Note 6)	**₱2,176,004,092**	₱1,778,318,735	₱2,370,136,562
Financial income (Note 21)	**697,775,020**	533,337,962	457,773,064
Rent income (Note 11)	**170,270,976**	155,360,031	140,691,939
Other income (Note 23)	**162,503,639**	112,182,201	106,580,137
	3,206,553,727	2,579,198,929	3,075,181,702
COST AND EXPENSES			
Cost of real estate sales (Note 9)	**1,192,449,021**	864,322,375	1,160,477,491
Operating expenses (Note 18)	**732,721,485**	676,689,575	602,206,922
Financial expenses (Note 22)	**37,493,623**	27,716,036	20,122,440
Other expenses (Note 23)	**27,170,084**	42,134,486	44,361,268
	1,989,834,213	1,610,862,472	1,827,168,121
INCOME BEFORE INCOME TAX	**1,216,719,514**	968,336,457	1,248,013,581
PROVISION FOR INCOME TAX (Note 25)	**268,293,878**	168,972,312	285,406,349
NET INCOME	**₱948,425,636**	₱799,364,145	₱962,607,232
Attributable to:			
Equity holders of the Parent Company	**₱583,184,850**	₱493,117,373	₱696,646,646
Non-controlling interests (Note 17)	**365,240,786**	306,246,772	265,960,586
	₱948,425,636	₱799,364,145	₱962,607,232
BASIC/DILUTED EARNINGS PER SHARE (Note 29)	**₱4.51**	₱3.81	₱5.39

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱948,425,636**	₱799,364,145	₱962,607,232
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at FVOCI (Note 13)	**1,190,357**	(927,300)	–
Re-measurement gain (loss) on defined benefit plan, net of income tax effect (Note 24)	**(13,070,554)**	7,417,665	194,554
To be reclassified to profit or loss in subsequent periods:			
Loss from change in fair value of available-for-sale financial assets (Note 13)	**–**	–	(343,480)
	(11,880,197)	6,490,365	(148,926)
TOTAL COMPREHENSIVE INCOME	**₱936,545,439**	₱805,854,510	₱962,458,306
Attributable to:			
Equity holders of the Parent Company	**₱575,819,924**	₱496,815,248	₱695,876,082
Non-controlling interests (Note 17)	**360,725,515**	309,039,262	266,582,224
	₱936,545,439	₱805,854,510	₱962,458,306

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company									
						Retained Earnings (Note 16)				
	Capital Stock (Note 16)	Other Equity Reserves (Note 17)	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 25)	Appropriated	Unappropriated	Subtotal	Non-controlling Interests (Note 17)	Total
BALANCES AT DECEMBER 31, 2016	**₱1,072,610,730**	**₱10,526,685**	**₱–**	**₱1,680,212**	**(₱28,461,708)**	**₱1,550,000**	**₱5,172,893,570**	**₱6,230,799,489**	**₱3,654,979,643**	**₱9,885,779,132**
Net income	–	–	–	–	–	–	696,646,646	696,646,646	265,960,586	962,607,232
Other comprehensive income (loss)	–	–	–	(151,581)	(618,983)	–	–	(770,564)	621,638	(148,926)
Total comprehensive income (loss)	–	–	–	(151,581)	(618,983)	–	696,646,646	695,876,082	266,582,224	962,458,306
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	–	–	370,552	370,552	356,305	726,857
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	–	–	2,435,146	2,435,146	2,341,523	4,776,669
Change in non-controlling interests (Note 17)	–	62,009,606	–	–	–	–	–	62,009,606	(62,009,606)	–
Stock dividends - 10%	107,260,970	–	–	–	–	–	(107,260,970)	–	–	–
Fractional shares of stock dividends	–	–	–	–	–	–	(103)	(103)	–	(103)
Cash dividends - ₱0.702 per share	–	–	–	–	–	–	(75,297,273)	(75,297,273)	–	(75,297,273)
Cash dividends - ₱0.638 per share	–	–	–	–	–	–	(75,299,413)	(75,299,413)	–	(75,299,413)
Cash dividends to non-controlling interests	–	–	–	–	–	–	–	–	(69,218,897)	(69,218,897)
Reversal of appropriated retained earnings to unappropriated retained earnings	–	–	–	–	–	(1,550,000)	1,550,000	–	–	–
BALANCES AT DECEMBER 31, 2017	**₱1,179,871,700**	**₱72,536,291**	**₱–**	**₱1,528,631**	**(₱29,080,691)**	**₱–**	**₱5,616,038,155**	**₱6,840,894,086**	**₱3,793,031,192**	**₱10,633,925,278**
BALANCES AT JANUARY 1, 2018, AS PREVIOUSLY STATED	**₱1,179,871,700**	**₱72,536,291**	**₱–**	**₱1,528,631**	**(₱29,080,691)**	**₱–**	**₱5,616,038,155**	**₱6,840,894,086**	**₱3,793,031,192**	**₱10,633,925,278**
Effect of the adoption of new accounting standards (Note 2)	–	–	1,528,631	(1,528,631)	–	–	5,121,034	5,121,034	4,479,673	9,600,707
BALANCES AT JANUARY 1, 2018, AS RESTATED	**1,179,871,700**	**72,536,291**	**1,528,631**	**–**	**(29,080,691)**	**–**	**5,621,159,189**	**6,846,015,120**	**3,797,510,865**	**10,643,525,985**
Net income	–	–	–	–	–	–	493,117,373	493,117,373	306,246,772	799,364,145
Other comprehensive income (loss)	–	–	(583,363)	–	4,281,238	–	–	3,697,875	2,792,490	6,490,365
Total comprehensive income (loss)	–	–	(583,363)	–	4,281,238	–	493,117,373	496,815,248	309,039,262	805,854,510

(Forward)

	Attributable to Equity Holders of the Parent Company									
						Retained Earnings (Note 16)				
	Capital Stock (Note 16)	Other Equity Reserves (Note 17)	Unrealized Fair Value Changes on Financial Assets at FVOCI (Note 13)	Net Changes in Available-for-Sale Financial Assets (Note 13)	Accumulated Re-measurement Loss on Defined Benefit Plan - Net of Deferred Income Tax Effect (Note 25)	Appropriated	Unappropriated	Subtotal	Non-controlling Interests (Note 17)	Total
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	₱–	₱–	₱–	₱–	₱–	₱–	₱370,552	₱370,552	₱356,305	₱726,857
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	–	–	3,769,261	3,769,261	3,624,346	7,393,607
Stock dividends - 10%	117,987,070	–	–	–	–	–	(117,987,070)	–	–	–
Fractional shares of stock dividends	–	–	–	–	–	–	(100)	(100)	–	(100)
Cash dividends - ₱1.539 per share	–	–	–	–	–	–	(181,582,255)	(181,582,255)	–	(181,582,255)
Cash dividends to non-controlling interests	–	–	–	–	–	–	–	–	(65,424,145)	(65,424,145)
BALANCES AT DECEMBER 31, 2018	**₱1,297,858,770**	**₱72,536,291**	**₱945,268**	**₱–**	**(₱24,799,453)**	**₱–**	**₱5,818,846,950**	**₱7,165,387,826**	**₱4,045,106,633**	**₱11,210,494,459**
BALANCES AT DECEMBER 31, 2018	**₱1,297,858,770**	**₱72,536,291**	**₱945,268**	**₱–**	**(₱24,799,453)**	**₱–**	**₱5,818,846,950**	**₱7,165,387,826**	**₱4,045,106,633**	**₱11,210,494,459**
Net income	–	–	–	–	–	–	583,184,850	583,184,850	365,240,786	948,425,636
Other comprehensive income (loss)	–	–	635,063	–	(7,999,989)	–	–	(7,364,926)	(4,515,271)	(11,880,197)
Total comprehensive income (loss)	–	–	635,063	–	(7,999,989)	–	583,184,850	575,819,924	360,725,515	936,545,439
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	–	–	47,941	47,941	46,098	94,039
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	–	–	2,395,614	2,395,614	2,303,511	4,699,125
Change in non-controlling interests (Note 17)	–	–	–	–	–	–	–	–	–	–
Stock dividends - 10%	–	–	–	–	–	–	–	–	–	–
Fractional shares of stock dividends	–	–	–	–	–	–	–	–	–	–
Cash dividends - ₱1.165 per share	–	–	–	–	–	–	(150,516,548)	(150,516,548)	–	(150,516,548)
Cash dividends to non-controlling interests	–	–	–	–	–	–	–	–	(103,406,419)	(103,406,419)
BALANCES AT DECEMBER 31, 2019	**₱1,297,858,770**	**₱72,536,291**	**₱1,580,331**	**₱–**	**(₱32,799,442)**	**₱–**	**₱6,253,958,807**	**₱7,593,134,757**	**₱4,304,775,338**	**₱11,897,910,095**

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,216,719,514**	₱968,336,457	₱1,248,013,581
Adjustments for:			
Interest income (Note 21)	**(697,728,701)**	(533,301,872)	(457,734,833)
Depreciation (Notes 11, 12, 18 and 20)	**66,698,583**	74,637,260	47,010,259
Interest expense - net of amounts capitalized (Note 22)	**34,164,686**	25,558,886	18,009,640
Interest expense - lease liability (Notes 14 and 22)	**557,387**	–	–
Retirement benefits costs (Note 24)	**5,508,260**	4,654,430	3,676,624
Trust fund income (Note 23)	**(1,867,206)**	(1,720,203)	(2,285,042)
Dividend income (Note 21)	**(46,319)**	(36,090)	(38,231)
Gain on sale of shares of stock (Note 13)	**(607,307)**	–	–
Operating income before working capital changes	**623,398,897**	538,128,868	856,651,998
Decrease (increase) in:			
Installment contracts receivable (Note 6)	**(9,881,030)**	3,016,699,371	(123,536,058)
Contract assets (Note 6)	**(24,563,545)**	(3,129,584,807)	–
Other receivables (Note 8)	**5,604,795**	8,535,481	12,288,948
Real estate properties for sale (Note 9)	**(713,322,125)**	83,544,874	701,699,422
Real estate properties held for future development (Note 10)	**(41,933,671)**	(878,045,306)	(161,377,480)
Cost to obtain contracts (Note 6)	**(9,686,582)**	(23,754,741)	–
Deposits and others (Note 13)	**15,917,838**	45,106,479	(6,517,648)
Increase (decrease) in:			
Accounts payable and accrued expenses (Note 14)	**256,227,314**	(94,328,383)	(336,611,767)
Contract liabilities (Note 6)	**11,727,541**	615,840,414	–
Pre-need and other reserves (Note 5)	**360,604**	(968,111)	(2,850,512)
Cash generated from operations	**113,850,036**	181,174,139	939,746,903
Contributions to the plan assets (Note 24)	**(6,110,034)**	(5,220,189)	(5,220,189)
Interest received (Note 21)	**705,822,021**	522,711,655	453,580,113
Income taxes paid, including creditable and final withholding taxes (Note 25)	**(248,196,026)**	(229,079,011)	(339,830,929)
Net cash flows from operating activities	**565,365,997**	469,586,594	1,048,275,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured (Purchase of) investments (Note 4)	**722,350,000**	31,875,000	(134,225,647)
Purchase of notes receivable (Note 7)	**786,500,000**	(515,650,000)	(708,000,000)
Additions to:			
Investment properties (Note 11)	**(8,341,490)**	(18,360,249)	(248,833,054)
Property and equipment (Note 12)	**–**	–	(5,407,500)
Withdrawals from trust funds (Note 5)	**4,546,272**	3,582,813	4,036,310
Contributions to investments in trust funds (Note 5)	**(3,419,654)**	(2,247,053)	(2,567,482)
Sale of shares of stocks (Note 13)	**797,372**	–	–
Dividends received (Note 21)	**46,319**	36,090	38,231
Net cash flows from (used in) investing activities	**1,502,478,819**	(500,763,399)	(1,094,959,142)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 15)	**₱9,095,550,000**	₱8,638,550,000	₱8,791,700,000
Payments of notes payable (Note 15)	**(9,287,200,000)**	(8,806,850,000)	(9,092,150,000)
Interest paid, net of capitalized borrowing costs (Notes 14 and 15)	**(38,380,400)**	(20,745,587)	(18,550,310)
Dividends paid (Note 14)	**(253,089,253)**	(247,966,267)	(216,183,807)
Payment of lease liabilities (Note 14)	**(2,621,265)**	–	–
Net cash flows used in financing activities	**(485,740,918)**	(437,011,854)	(535,184,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,582,103,898**	(468,188,659)	(581,867,361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**833,719,566**	1,301,908,225	1,883,775,586
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,415,823,464**	₱833,719,566	₱1,301,908,225

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Cityland, Inc. (the Parent Company) was incorporated in the Philippines on May 15, 1979. The Parent Company has a majority owned subsidiary, namely, Cityland Development Corporation (CDC), a publicly listed company, and two wholly owned subsidiaries, namely, Credit & Land Holding, Inc. (CLHI) and Cityads, Incorporated (CAI). CDC has two majority owned subsidiaries, namely, City & Land Developers, Incorporated (CLDI), another publicly listed company, and Cityplans, Incorporated (CPI). The primary purpose of the Parent Company and its subsidiaries (the Group), which are all incorporated and domiciled in the Philippines, 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. In addition, CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans.

The Group's registered office and principal place of business is 2/F and 3/F, Cityland Condominium 10 Tower I, 156 H.V. de la Costa Street, Makati City.

The consolidated financial statements of the Group as at December 31, 2019 and 2018 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 June 10, 2020.

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 profit or loss, financial assets measured at fair value through other comprehensive income (FVOCI), available-for-sale financial assets and investment properties included in the investments in trust funds account. These consolidated financial statements are presented in Philippine peso (Peso), which is the Parent Company'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 Changes 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, 2019:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase
Assets	
Property and equipment	₱8,879,228
Liabilities	
Lease liabilities	8,879,228

  The Group has lease contracts for various items of plant assets. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

  Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

  Leases previously accounted for as operating leases
  The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

  The Group also applied the available practical expedients wherein it**:**
  - Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - Relied on its assessment of whether leases are onerous immediately before the date of initial application;

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the preceding page, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱8.88 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱8.88 million were recognized.
- There was no movement in deferred tax assets and liabilities because the tax impact of the changes in assets is equal to that of the liabilities.
- There were no adjustments to retained earnings.

The lease liabilities at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Lease term of 53 months	
Operating lease commitments as at December 31, 2018	₱8,282,650
Weighted average incremental borrowing rate at January 1, 2019	7.03%
Discounted operating lease commitments at January 1, 2019	7,027,943
Lease term of 23 months	
Operating lease commitments as at December 31, 2018	1,981,384
Weighted average incremental borrowing rate at January 1, 2019	6.88%
Discounted operating lease commitments at January 1, 2019	1,851,285
Lease liabilities recognized at January 1, 2019	**₱8,879,228**

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability.

- 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*. It 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 is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax

treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements.

- 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 had no impact on the consolidated financial statements of the Group.

- 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 had no impact on the consolidated financial statements of Group as it did not have any plan amendments, curtailments, or settlements during the period.

- 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*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

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 had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- 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 permitted. These amendments had no impact on the consolidated financial statement of 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 amendments do not have any effect on its consolidated financial statements upon adoption.

- *Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost) for the Real Estate Industry*

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities. On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

  This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate properties for sale, deferred income tax liability and opening balance of retained earnings.

Adoption of PFRS 9 and PFRS 15 as of January 1, 2018
The Group made necessary transition adjustments as of January 1, 2018 as presented in its December 31, 2018 financial statements to reflect the changes made by management in line with its adoption of PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers*. Likewise, adjustments were made to the December 31, 2018 consolidated statement of comprehensive income for the implementation of PFRS 9 and 15.

- 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)	₱2,446,052	₱2,446,052
Available-for-sale financial assets	2,446,052	(a)	(2,446,052)	–
Unrealized changes in fair value on financial assets at FVOCI	–	(a)	1,528,631	1,528,631
Net changes in fair values of available-for sale financial assets	1,528,631	(a)	(1,528,631)	–

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 Group'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	₱1,301,908,225	₱1,301,908,225	₱–
Short-term investments	1,622,975,000	1,622,975,000	–
Installment contracts receivable	12,359,945	12,359,945	–
Notes receivable	728,000,000	728,000,000	–
Other receivables	70,276,259	70,276,259	–
Deposits	44,405,894	44,405,894	–
Available-for-Sale			
Listed equity instruments	2,446,052	–	2,446,052

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 is ninety (90) days past due, except for certain circumstances when the reason for being past due is due to reconciliation with buyers 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 the 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, short-term investments and long-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.

- 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.
  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 above specific provisions of PIC Q&A, specifically on PIC Q&A No. 2018-12-D *Accounting for significant financing*

component. Had these provisions been adopted, it would have an impact in the consolidated financial statements as to the mismatch between the POC of the real estate projects and right to consideration based on the schedule of payments explicit in the contract to sell which constitutes 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, the interpretation has no significant impact on its 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 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 below:

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 buyers. 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 an increase in cost to obtain contracts, 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 contracts and deferred income tax liabilities and decreased commission expense and by ₱37.47 million, ₱11.24 million, ₱19.35 million, respectively.

b) The Group records any excess of progress of work over the right to an amount of consideration as either installment contracts receivable (unconditional) or contract asset (conditional) 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 buyer's deposit under accounts payable and accrued expenses. 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. For those receivables without explicit interest rate stated in the contract, the receivables were recorded at fair value at initial recognition and the related interest is accreted using effective interest rate method.

The above resulted in recording of contract asset and contract liability of ₱3.01 billion and nil, respectively, as of January 1, 2018.

As at December 31, 2018, PFRS 15 increased contract assets, contract liabilities and retained earnings by ₱3,105.88 million, ₱615.84 million, and ₱15.17 million (net of deferred tax), respectively and decreased installment contracts receivable and customers' deposits by ₱3,105.88 million and ₱615.84 million, respectively.

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.

These subsidiaries, and the percentage of ownership of the Parent Company in 2019 and 2018 are as follows:

	Percentage of Ownership	Nature of Activity
Direct:		
CAI	100.00	Advertising
CLHI	100.00	Holding
CDC	50.98	Real estate
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%):		
CLDI	54.89	Real Estate
CPI	55.47	Pre-need pension plans

A subsidiary is an entity that is controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the 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 Parent Company 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 Parent Company 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 the 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 and Long-term Investments
Short-term investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition. Long-term investments pertain to bond investments that have maturities of more than one year from the dates of acquisition.

Fair Value Measurement
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 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 input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level 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
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.

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 contracts receivable 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 marketplace (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 and cash equivalents, short-term investments, installment contracts receivable, contract assets, notes receivables, other receivables and deposits under "Other noncurrent assets".

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI 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) 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, 2019 and 2018, the Group's investments in trust funds 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 financial assets 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. Financial assets at FVOCI 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, 2019 and 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 Group's 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 contracts receivable 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.

a. 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 contract 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 consolidated statement of income 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.

b. 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.

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

Financial Assets and Financial Liabilities
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.

When the Group has transferred its right 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 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 the end of 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 buyer 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" account 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 asset, 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 - 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 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
Office premises:	
Building	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.

The Group's property and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment, except for 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. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Impairment of Nonfinancial Assets

The carrying values of 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)

Revenue, 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 CPI.
  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 CPI in the last three years.

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

  Based on the CPI'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 2019 and 2018, CPI 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 CPI 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, 2019 and 2018, CPI's actual trust fund balance is lower than the resulting PNR (see Note 5).

Other reserves
CPI 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, CPI 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 Group 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 Group, 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 shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Revenue Recognition
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 buyer 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, electricity, air-conditioning and common use service area 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
The Group derives 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 Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. For CPI, 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.

In measuring the progress of its performance obligation over time, the Group uses 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 Group 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 buyer.

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 is recorded either as installment contracts receivable (unconditional) or contract asset (conditional) while the excess of collection over progress of work is recorded as contract liability.

Any excess of collections over the total of recognized installment contracts receivable is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Sales of real estate properties (CPI)
CPI 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
The Group recognizes 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 Group recognizes 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)
CPI 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 buyer. If the Group performs by transferring goods or services to a buyer before the buyer 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 buyer for which the Group has received consideration (or an amount of consideration is due) from the buyer. If a buyer pays consideration before the Group transfers goods or services to the buyer, a contract liability is recognized when the payment is made or payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its obligation based on the contract.
The contract liabilities also include payments received by the Group from the buyers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a buyer 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 buyer are not capitalized but are expensed as incurred.

Amortization and derecognition of capitalized costs to obtain a contract
The Group 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 includes 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 and cash 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 *(effective January 1, 2019)*

The Group assesses at contract inception whether a contract is, or contains, a lease. It constitutes that the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Group recognizes lease liabilities to make lease payments a right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be

exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office space and transportation equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. The Group does not have any lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (applicable until December 31, 2018 prior to the adoption of PFRS 16)
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 arising from the difference between the outstanding balance of receivables and the original cost of the inventories.

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 an 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 provisions 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 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. 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.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in subsidiaries and affiliates.
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 PFRS. 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 by the weighted average number of ordinary shares issued and outstanding after considering the retrospective effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year 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 in 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 consolidated 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 Group's 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 FRSC 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 periods presented. Actual results could differ from such estimates.

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

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 buyer 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 buyer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer'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 buyers' 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 buyer 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 buyer 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 buyers.

- *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 buyer.

- *Principal versus agent considerations*
  The contract for the Group's buildings for lease to its tenants 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 use 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 ₱3.57 billion and ₱3.65 billion as of December 31, 2019 and 2018, respectively (see Note 11). Property and equipment amounted to ₱64.75 million and ₱60.85 million as of December 31, 2019 and 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 ₱2.95 billion and ₱2.17 billion as of December 31, 2019 and 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 ₱3.57 billion and ₱3.65 billion as of December 31, 2019 and 2018 (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 ₱2.95 billion and ₱2.17 billion as of December 31, 2019 and 2018, respectively (see Note 9). Real estate properties held for future development amounted to ₱1.58 billion and ₱1.64 billion as of December 31, 2019 and 2018, respectively (see Note 10).

Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments.

The Group determined, based on management's assessment, that it is probable that its uncertain tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have significant impact on the consolidated financial statements.

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:

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱6.82 million as of December 31, 2019 (see Note 14).

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 POC 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 costs are 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 ₱2.18 billion, ₱1.78 billion and ₱2.37 billion in 2019, 2018 and 2017, respectively (see Note 6). Cost of real estate sales amounted to ₱1.19 billion, ₱0.86 billion and ₱1.16 billion in 2019, 2018 and 2017, respectively (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets
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 buyer, the buyer's payment behavior and 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 buyer's actual default in the future. The information about the ECLs on the Group's installment contract receivables and contract assets is disclosed in Note 27. As of December 31, 2019 and 2018, installment contracts receivable, contract assets, notes receivables and other receivables aggregated to ₱3.69 billion and ₱4.45 billion, respectively. There was no provision for expected credit loss on receivables in 2019 and 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 buyer, the buyer'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.

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 and held for future development 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, 2019 and 2018 amounted to ₱2.95 billion and ₱2.17 billion, respectively (see Note 9). On the other hand, the Group's real estate held for future development as of December 31, 2019 and 2018 amounted to ₱1.58 billion and ₱1.64 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 amounted to ₱1.09 billion and ₱1.16 billion as of December 31, 2019 and 2018, respectively (see Note 11). On the other hand, the net book value of property and equipment, which are all depreciable, amounted to ₱18.22 million and ₱14.32 million as of December 31, 2019 and 2018, respectively (see Note 12).

Impairment of financial assets at FVOCI
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 FVOCI 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.

Mark-to-market gain (loss) of CPI's financial assets at FVOCI amounted to ₱1.75 million and (₱0.54 million) in 2019 and 2018, respectively (see Note 5).

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 determine fair value as of December 31, 2019 and 2018. The Group's investment properties consist of land, building and machinery and equipment 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 indicators 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, 2019 and 2018. Net book value of investment properties as of December 31, 2019 and 2018 amounted to ₱3.57 billion and ₱3.65 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱64.75 million and ₱60.85 million as of December 31, 2019 and 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.

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 ₱5.51 million, ₱4.65 million and ₱3.68 million in 2019, 2018 and 2017, respectively. The carrying value of the CDC's and CPI's retirement plan assets as of December 31, 2019 and 2018 amounted to ₱11.32 million and ₱22.35 million, respectively. The carrying value of the Parent Company's and CLDI's retirement benefits liabilities as of December 31, 2019 and 2018 amounted to ₱15.41 million and ₱8.36 million, respectively (see Note 24).

Estimation of pre-need 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, 2019, 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 3.58% and 4.79% in 2019 and 2018, respectively, and the IC rate of 6.00%.

The following are the assumptions used in the computation of pre-need reserves:

December 31, 2019:

a. Currently-Being-Paid Pension Plans - Actively Paying Plans

- Plans issued prior to 2006 and after - 3.58% 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 2020 and after - 3.58% discount rate (ROI rate) and no surrender rates were assumed for fully paid plans.

December 31, 2018:

a. Currently-Being-Paid Pension Plans - Actively Paying Plans

- Plans issued prior to 2006 and after - 4.79% 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 - 4.79% 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 - 5.47% 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 - 5.47% 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, 2019 and 2018, pre-need reserve and other reserves amounted to ₱40.55 million and ₱41.36 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 deferred income tax assets to be utilized.

As of December 31, 2019 and 2018, deferred income tax assets amounted to ₱90.99 million and ₱58.02 million, respectively (see Note 25).

4. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of:

	2019	2018
Cash on hand and in banks	**₱48,923,464**	₱28,479,566
Cash equivalents	**2,366,900,000**	805,240,000
	₱2,415,823,464	₱833,719,566

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective cash investment rates.

Short-term investments amounting to ₱0.40 billion and ₱1.59 billion as of December 31, 2019 and 2018, respectively, have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market interest rates.

Short-term investments consist of:

	2019	2018
Short-term cash investments	**₱108,750,000**	₱1,570,600,000
Short-term bond investments	**295,000,000**	20,500,000
	₱403,750,000	₱1,591,100,000

Long-term investments pertain to bond investments amounting to ₱465.00 million and nil as of December 31, 2019 and 2018, respectively.

Interest income earned from cash in banks, cash equivalents, and short-term and long-term investments amounted to ₱186.96 million, ₱104.09 million and ₱83.65 million in 2019, 2018 and 2017, 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 ₱36.75 million and ₱35.43 million as of December 31, 2019 and 2018, respectively, which are recorded under "Investments in trust funds" account in the consolidated statement of financial position.

The details of the CPI's investments in trust funds as of December 31 are as follows:

	2019	2018
Assets		
Cash and cash equivalents:		
Cash in banks	**₱38,185**	₱60,187
Cash equivalents	**5,841,550**	3,833,875
Financial assets at amortized cost	**22,599,695**	21,034,947
Financial assets at fair value through other comprehensive income	**1,917,551**	2,861,830
Loans and receivables - net	**3,062,026**	3,221,755
Investment properties	**3,999,490**	5,169,680
Other assets	**268,257**	261,523
	37,726,754	36,443,797
Liabilities		
Accrued trust fees	**32,285**	73,661
Accrued taxes	**177,121**	203,480
Unrealized gain on sale of investment property	**–**	511,780
Other liabilities	**767,285**	222,725
	976,691	1,011,646
Net equity	**36,750,063**	35,432,151
Less noncurrent portion	**30,762,567**	29,416,862
Current portion	**₱5,987,496**	₱6,015,289

Details of the net equity as of December 31 are as follows:

	2019	2018
Net Equity		
Fund balances at beginning of year	**₱35,432,151**	₱34,606,350
Additional contributions	**3,419,654**	2,247,053
Withdrawals during the year	**(4,546,272)**	(3,582,813)
Unrealized re-measurement gain (loss) on investment properties	**(1,170,190)**	983,680
Trust fund income	**1,867,206**	1,720,203
Other comprehensive gain (loss) for the year:		
Unrealized fair value changes on financial assets at FVOCI	**1,747,514**	(542,322)
Fund balances at end of year	**₱36,750,063**	₱35,432,151

Total contributions to the trust funds amounted to ₱3.42 million, ₱2.25 million and ₱2.57 million in 2019, 2018 and 2017, respectively. Total withdrawals from the trust funds amounted to ₱4.55 million, ₱3.58 million and ₱4.04 million in 2019, 2018 and 2017, respectively.

Mark to market gain (loss) of financial assets at FVOCI and available-for-sale financial assets amounted to ₱1.75 million, (₱0.54 million) and (₱0.59 million) in 2019, 2018 and 2017, respectively.

Movement in unrealized fair value changes on financial assets at FVOCI in 2019 is as follows:

Balance at January 1, 2019	₱130,255
Market to market gain for the year	1,747,514
Balance at December 31, 2019	₱1,877,769

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:

	2019	2018
PNR	**₱33,260,782**	₱30,394,126
Reserve for trust fund deficiency	**6,701,986**	10,258,961
Pension bonus reserve	**485,253**	577,569
Insurance premium reserve	**102,233**	129,183
	40,550,254	41,359,839
Less noncurrent portion	**38,416,302**	38,943,644
	₱2,133,952	₱2,416,195

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 ₱40.55 million and ₱41.36 million as of December 31, 2019 and 2018, 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 ₱33.26 million and ₱30.39 million as of December 31, 2019 and 2018, 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 2019 and 2018, the BOD has deemed it prudent and opted to set up the difference in net contractual liabilities and transitory pre-need reserve amounting to ₱6.70 million (to

be funded for the next 2 years) and ₱10.26 million (to be funded for the next 3 years) under "Pre-need and other reserves" account as of December 31, 2019 and 2018, respectively.

The trust fund deficiency amounting to ₱3.35 million, ₱3.42 million and ₱2.21 million in 2019, 2018 and 2017, 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 investments 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, 2019:

Within one year	₱2,133,952
More than one year	31,126,830
	₱33,260,782

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, CPI 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.

6. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from 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 on the next page:

Real estate sales

Type of Product	**2019**	2018	2017
High-rise condominium	**₱2,102,988,493**	₱1,697,700,419	₱2,277,884,786
Parking slots and others	**73,015,599**	68,640,292	86,230,360
Lot only	**–**	11,978,024	6,021,416
Total	**₱2,176,004,092**	₱1,778,318,735	₱2,370,136,562

Geographical Location	**2019**	2018	2017
Metro Manila	**₱2,125,374,608**	₱1,589,498,921	₱1,570,873,970
Tagaytay	**50,629,484**	188,819,814	796,762,592
Cavite	**–**	–	2,500,000
Total	**₱2,176,004,092**	₱1,778,318,735	₱2,370,136,562

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 2019, 2018 and 2017, sales for real estate properties and rental income arose from contracts with external buyers. There were no intercompany sales/transactions made on the said years.

Contract Balances

	December 31, 2019	December 31, 2018
Installment contracts receivable	**₱42,897,699**	₱33,016,669
Contract asset		
Current	**465,248,496**	673,352,230
Noncurrent	**2,665,198,241**	2,432,530,962
Contract liabilities		
Current	**272,482,960**	240,649,472
Noncurrent	**355,084,995**	375,190,942

Installment contracts receivable as of December 31

	2019	2018
Installment contracts receivable	**₱42,897,699**	₱33,016,669
Less noncurrent portion	**33,779,791**	20,050,544
Current portion	**₱9,117,908**	₱12,966,125

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from one to 10 years which bear monthly interest rates of 0.67% to 2.00% in 2019, 2018 and 2017 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱494.23 million, ₱390.53 million and ₱362.01 million in 2019, 2018 and 2017, respectively (see Note 21).

The Group entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by these companies amounted to ₱2.83 billion and ₱2.64 billion in 2019 and 2018, respectively. These

companies paid a guarantee premium of 1.00% based on the outstanding principal balance of the receivables enrolled 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 buyer is already due for collection.

Contract liabilities amounting to ₱627.57 million and ₱615.84 million as of December 31, 2019 and 2018, respectively, consist of collections from real estate buyers 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.

As of December 31, 2017, no contract liability was recognized by the Group. Thus, no revenue was recognized for the year ended December 31, 2018 that was included in the contract liability balance as at December 31, 2017. Movement in contract liability in 2019 was recognized as income based on the percentage of completion of the ongoing projects. The remaining balance of contract liability will be recognized as income based on the subsequent increase on the percentage of completion of the ongoing projects in the following years.

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; and 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 buyer. 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 buyer 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, 2019 and 2018 are as follows:

	2019	2018
Within one year	**₱684,317,875**	₱222,649,873
More than one year	**1,093,776,100**	253,836,651
	₱1,778,093,975	₱476,486,524

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 condominium units are generally completed within three years to five years from start of construction.

Rental agreements
The Group entered into lease agreements for its building for lease with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity (c) provision of air conditioning and CUSA services and (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 checks 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 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, 2019 and 2018 as presented in the consolidated statements of financial position:

	2019	2018
Balance at beginning of year	**₱37,470,039**	₱13,715,298
Additions	**54,029,123**	53,179,723
Amortization	**(44,342,541)**	(29,424,982)
Balance at end of year	**47,156,621**	37,470,039
Less noncurrent portion	**29,127,025**	21,770,625
Current portion	**₱18,029,596**	₱15,699,414

7. Notes Receivable

Notes receivable pertains to short-term and long-term investments placed by CDC to different financial institutions which earn interest at the prevailing market interest rates ranging from 2.860% to 3.375%.

	2019	2018
Notes receivable	**₱457,150,000**	₱1,243,650,000
Less noncurrent portion	**257,150,000**	922,150,000
Current portion	**₱200,000,000**	₱321,500,000

There were no properties offered as collaterals for the notes receivable. Details of notes receivable as of December 31, 2019 and 2018 are as follows:

December 31, 2019:

Date of Placement	**Amount**	**Maturity Date**
May 2018	**₱257,150,000**	**November 2023**
April 2017	**180,000,000**	**April 2020**
August 2016	**20,000,000**	**August 2020**
	₱457,150,000	

December 31, 2018:

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
June 2018	70,000,000	June 2021
May 2018	257,150,000	November 2023
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
	₱1,243,650,000	

Interest income earned from notes receivable amounted to ₱16.54 million, ₱38.68 million and ₱12.08 million in 2019, 2018 and 2017, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	2019	2018
Rent receivable	**₱19,266,387**	₱16,495,089
Advances to customers	**19,256,441**	22,857,242
Accrued interest	**15,514,018**	23,607,338
Retention	**3,287,645**	1,520,923
Advances to condominium corporations	**917,049**	2,985,650
Due from BIR	**–**	3,774,771
Others	**391,340**	1,089,982
	58,632,880	72,330,995
Less noncurrent portion	**1,945,704**	3,478,332
Current portion	**₱56,687,176**	₱68,852,663

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). 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. Retention pertains to the amount held on cash sale of real estate properties. Advances to condominium corporations pertain to disbursements which are collectible from condominium corporations. 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 buyers for expenses initially paid by Group.

9. Real Estate Properties for Sale

Real estate properties for sale consist of costs incurred in the development of condominium units and residential lots and housing units for sale. Real estate properties for sale includes deemed cost adjustment amounting to ₱5.86 million and ₱22.14 million as of December 31, 2019 and 2018, 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:

	2019	2018
Balances at beginning of year	**₱2,174,705,874**	₱1,507,532,510
Construction/development costs incurred	**1,845,611,806**	744,466,538
Cost of real estate sales	**(1,192,449,021)**	(864,322,375)
Transfer from investment properties (Note 11)	**11,000,749**	25,807,337
Transfer from real estate properties held for future development (Note 10)	**50,292,025**	724,910,901
Borrowing costs capitalized (Note 22)	**33,774,108**	9,606,732
Other adjustments - net	**26,385,232**	26,704,231
Balances at end of year	**₱2,949,320,773**	₱2,174,705,874

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 rates used to determine the amount of borrowing costs eligible for capitalization were 3.61%, 1.88% and 1.24% in 2019, 2018 and 2017, respectively.

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:

	2019	2018
Balances at beginning of year	**₱1,641,310,492**	₱1,617,271,208
Additions	**17,553,765**	806,845,124
Transfer from (to) investment properties (Note 11)	**8,675,743**	(11,368,615)
Transfer to real estate properties for sale (Note 9)	**(50,292,025)**	(724,910,901)
Transfer to property and equipment (Note 12)	**–**	(46,526,324)
Cost adjustment (Note 15)	**(7,497,992)**	–
	1,609,749,983	1,641,310,492
Less allowance for inventory-write down	**26,348,084**	–
	₱1,583,401,899	₱1,641,310,492

In September 2018, the Parent Company purchased a parcel of land for future development. No purchase was made in 2019.

In January 2018, CLDI purchased a parcel of land for future development. The said acquisition in 2018 resulted to an outstanding balance of contract payable amounting to ₱7.50 million which was settled in 2019 through adjustment of the cost of property (see Note 15).

In 2019, the Parent Company recognized provision for inventory write-down in its real estate properties held for future development relating to the land improvements in Naic Country Homes amounting to ₱26.35 million. No provision for inventory write-down was recognized in 2018.

11. Investment Properties

Investment properties consist of:

	2019	2018
Real estate properties for lease	**₱2,457,977,040**	₱2,522,356,847
Real estate properties held for capital appreciation	**1,114,702,688**	1,123,378,250
	₱3,572,679,728	₱3,645,735,097

Movements in investment properties are as follows:

	2019			
	Land	**Building**	**Machinery and Equipment**	**Total**
Cost				
Balances at beginning of year	**₱2,481,590,841**	**₱1,191,149,114**	**₱212,665,865**	**₱3,885,405,820**
Additions	**7,477,169**	**–**	**864,321**	**8,341,490**
Transfer to real estate properties for sale (Note 9)	**–**	**(20,468,283)**	**–**	**(20,468,283)**
Transfer to real estate properties held for future development (Note 10)	**(8,675,743)**	**–**	**–**	**(8,675,743)**
Balances at end of year	**2,480,392,267**	**1,170,680,831**	**213,530,186**	**3,864,603,284**
Accumulated Depreciation				
Balances at beginning of year	**–**	**190,714,876**	**48,955,847**	**239,670,723**
Depreciation for the year (Notes 18 and 20)	**–**	**48,261,317**	**13,459,050**	**61,720,367**
Transfer to real estate properties for sale (Note 9)	**–**	**(9,467,534)**	**–**	**(9,467,534)**
Balances at end of year	**–**	**229,508,659**	**62,414,897**	**291,923,556**
Net Book Value	**₱2,480,392,267**	**₱941,172,172**	**₱151,115,289**	**₱3,572,679,728**

	2018				
	Land	Building	Machinery and Equipment	Construction in Progress	Total
Cost					
Balances at beginning of year	₱2,473,026,405	₱1,197,490,999	₱212,174,794	₱13,905,770	₱3,896,597,968
Additions	5,953,005	–	–	12,407,244	18,360,249
Transfer to real estate properties for sale (Note 9)	(8,757,184)	(22,733,202)	–	–	(31,490,386)
Transfer from real estate properties held for future development (Note 10)	11,368,615	–	–	–	11,368,615
Transfer to property and equipment (Note 12)	–	(9,430,626)	–	–	(9,430,626)
Reclassification	–	25,821,943	491,071	(26,313,014)	–
Balances at end of year	2,481,590,841	1,191,149,114	212,665,865	–	3,885,405,820
Accumulated Depreciation					
Balances at beginning of year	–	145,107,943	31,253,318	–	176,361,261
Depreciation for the year (Notes 18 and 20)	–	51,289,982	17,702,529	–	68,992,511
Transfer to real estate properties for sale (Note 9)	–	(5,683,049)	–	–	(5,683,049)
Balances at end of year	–	190,714,876	48,955,847	–	239,670,723
Net Book Value	₱2,481,590,841	₱1,000,434,238	₱163,710,018	₱–	₱3,645,735,097

Investment properties as of December 31, 2019 and 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

Construction in progress as of January 1, 2018 pertains to a supermarket building for lease of the Parent Company which commenced in September 2017 and was completed in January 2018. This account also includes the construction of a building of CDC which commenced in 2018 and was subsequently transferred to "Property and Equipment" account upon its completion in November 2018.

The net book values of land and building include net deemed cost adjustment amounting to ₱1.39 billion as of December 31, 2019 and 2018 (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 2019 and 2018, appraised value of these investment properties amounted to ₱8.48 billion and ₱7.80 billion as of the dates of appraisal in 2019 and 2018, respectively (see Note 27).
The following are the non-cancellable operating lease contracts entered by the Parent Company as of December 31, 2019:

Commencement Date	Lessees (Third Parties)	Term
2019	Domestic Corporation	3 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	3 years
2018	Coffee Shop	3 years
2018	Domestic Corporation	3 years
2018	Shopping Center	12 years
2015	Foundation	5 years
2015	Convenience Store	5 years
2015	Bank	5 years
2014	Domestic Corporation	10 years

CDC and CLDI also entered the following non-cancellable operating lease contracts with various third parties as of December 31, 2019:

Commencement Date	Lessees (Third Parties)	Term
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years

(Forward)

Commencement Date	Lessees (Third Parties)	Term
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	BPO	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	BPO	3 years
2017	Convenience Store	5 years
2017	Fast Food	10 years
2017	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. There were lease contracts terminated during 2019.

The future minimum lease payments for these lease agreements as of December 31 are as follows:

	2019	2018
Not later than one year	**₱134,351,406**	₱109,029,054
Later than one year and not later than five years	**437,868,797**	205,803,934
Later than five years	**60,070,967**	78,783,595
	₱632,291,170	₱393,616,583

Rent income from investment properties amounted to ₱170.27 million, ₱155.36 million and ₱140.69 million in 2019, 2018 and 2017, respectively. Rent income from investment property is recognized in the parent company statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the rental income, and are also spread over the term of the lease.

Direct operating expenses on investment properties pertaining to depreciation, real estate taxes and other expenses amounted to ₱122.28 million, ₱115.20 million and ₱79.95 million in 2019, 2018 and 2017, 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 consist of:

	2019						
	Land	**Building**	**Office Premises**	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Right-of-use Assets**	**Total**
At Cost							
Balances at beginning of year	**₱46,526,324**	**₱8,649,376**	**₱–**	**₱29,708,294**	**₱5,051,760**	**₱–**	**₱89,935,754**
Additions (Note 14)	**–**	**–**	**–**	**–**	**–**	**8,879,228**	**8,879,228**
Balances at end of year	**46,526,324**	**8,649,376**	**–**	**29,708,294**	**5,051,760**	**8,879,228**	**98,814,982**
Accumulated Depreciation							
Balances at beginning of year	**–**	**28,831**	**–**	**24,783,926**	**4,686,265**	**–**	**29,499,022**
Depreciation for the year (Notes 18 and 20)	**–**	**345,975**	**–**	**1,492,806**	**185,878**	**2,557,120**	**4,581,779**
Balances at end of year	**–**	**374,806**	**–**	**26,276,732**	**4,872,143**	**2,557,120**	**34,080,801**
Net Book Value	**46,526,324**	**8,274,570**	**–**	**3,431,562**	**179,617**	**6,322,108**	**64,734,181**
At Deemed Cost						**–**	
Balances at beginning and end of year	**–**	**–**	**253,365,628**	**–**	**–**		**253,365,628**
Accumulated Depreciation							
Balances at beginning of year	**–**	**–**	**252,956,315**	**–**	**–**	**–**	**252,956,315**
Depreciation for the year (Notes 18 and 20)	**–**	**–**	**396,437**	**–**	**–**	**–**	**396,437**
Balances at end of year	**–**	**–**	**253,352,752**	**–**	**–**	**–**	**253,352,752**
Net Deemed Cost	**–**	**–**	**12,876**	**–**	**–**	**–**	**12,876**
Total	**₱46,526,324**	**₱8,274,570**	**₱12,876**	**₱3,431,562**	**₱179,617**	**₱6,322,108**	**₱64,747,057**

	2018					
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	**Transportation** and Other Equipment	Total
At Cost						
Balances at beginning of year	₱–	₱–	₱–	₱40,548,037	₱6,399,067	₱46,947,104
Transfer from investment properties (Note 11)	–	8,649,376	–	781,250	–	9,430,626
Transfer from real estate properties held for future development (Note 10)	46,526,324	–	–	–	–	46,526,324
Disposal	–	–	–	(11,620,993)	(1,347,307)	(12,968,300)
Balances at end of year	46,526,324	8,649,376	–	29,708,294	5,051,760	89,935,754
Accumulated Depreciation						
Balances at beginning of year	–	–	–	34,167,258	5,731,964	39,899,222
Depreciation for the year (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	–	24,783,926	4,686,265	29,499,022
Net Book Value	46,526,324	8,620,545	–	4,924,368	365,495	60,436,732
At Deemed Cost						
Balances at beginning and end of year	–	–	253,365,628	–	–	253,365,628
Accumulated Depreciation						
Balances at beginning of year	–	–	249,879,666	–	–	249,879,666
Depreciation for the year (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	₱4,924,368	₱365,495	₱60,846,045

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 PFRS.

As of December 31, 2019 and 2018, the balances of pre-PFRS cost of the office premises are as follows:

	2019	2018
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**55,773,015**	55,690,047
	₱2,731	₱85,699

Difference between the net deemed cost and the net pre-PFRSs cost amounting to ₱0.01 million and ₱0.32 million as of December 31, 2019 and 2018, respectively, represents the remaining balance of the deemed cost adjustment (see Note 16).

The Group adopted PFRS 16 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 spaces for the period of 2 to 5 years. At the initial recognition, the right-of-use assets were recognized at cost amounting to ₱8.88 million (see Note 2). Subsequently, this is being amortized based on the remaining lease term. The Group recorded as part of "Property and equipment" the right-of-use assets amounting to ₱6.32 million as of December 31, 2019. Depreciation expense related to right-of-use assets amounted to ₱2.56 million for the year ended December 31, 2019 (see Note 20).

Other lease contracts entered by the Group pertain to short-term leases of office space and transportation equipment with rent expense amounting to ₱4.40 million incurred for the year ended December 31, 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.

The cost of fully depreciated property and equipment still used in operations amounted to ₱28.03 million and ₱20.89 million as of December 31, 2019 and 2018.

13. Other Assets

Other current assets amounted to ₱51.86 million and ₱63.59 million as of December 31, 2019 and 2018, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	2019	2018
Refundable deposits	**₱34,779,451**	₱41,329,511
Unused input VAT	**32,948,298**	33,109,863
Advances to contractors	**3,432,260**	863,272
Financial assets at FVOCI	**1,320,354**	2,067,552
Others	**1,638,376**	1,688,378
	₱74,118,739	₱79,058,576

The unused input VAT arose from the purchase of parcels of land in previous years recorded as part of "Real estate properties held for future development" and "Investment properties" accounts in 2019 and 2018, respectively (see Notes 10 and 11).

Advances to contractors are advances made by the Group for the contractors' supply requirements. Refundable deposits represent payments made by the Group to various utility companies for the

installation of electric and water meters for unsold condominium units. Other noncurrent assets pertain to insurance premium fund and other prepayments made by the Group.

Financial assets at FVOCI consist of investments in listed equity securities. The fair values of these financial assets were determined based on published prices in an active market.

In 2019, the Group sold shares of stock with listed corporations resulting to a gain on sale amounting to ₱0.06 million.

The movement in fair value reserve of financial assets at FVOCI presented in the equity section of the consolidated statements of financial position, is as follows:

	2019	2018
Balances at beginning of year	**₱945,268**	₱1,528,631
Mark-to-market gain (loss) attributable to equity holders of the Parent Company	**635,063**	(583,363)
Balances at end of year	**₱1,580,331**	₱945,268

Mark-to-market gain (loss) on financial assets at FVOCI pertaining to the non-controlling interests amounted to ₱0.56 million and (₱0.34) million in 2019 and 2018, respectively.

Dividend income from financial assets at FVOCI and available-for-sale financial assets amounted to ₱46,319, ₱36,090 and ₱38,231 in 2019, 2018 and 2017, respectively (see Note 21).

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	2019	2018
Trade payables	**₱115,339,562**	₱ 122,015,222
Customers' deposits	**75,727,745**	41,740,906
Accrued expenses:		
Development costs	**236,267,601**	63,699,264
Sick leave (Note 24)	**55,460,073**	40,061,393
Directors' fee (Note 26)	**48,079,977**	25,428,867
Interest	**4,232,714**	8,448,428
Taxes, premiums and others	**865,514**	1,050,011
Lease liabilities	**6,815,350**	–
Deferred rent income	**37,842,332**	14,051,469
Withholding taxes payable	**11,694,753**	17,103,947
Dividends payable	**12,735,740**	11,902,025
Others	**11,111,172**	11,010,336
	616,172,533	356,511,868
Less noncurrent portion	**188,691,188**	173,930,869
Current portion	**₱427,481,345**	₱182,580,999

Trade payables consist of payables to suppliers, contractors and other counterparties. Customers' deposits consist of rental deposit and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed and sold condominium units of the Group.

Lease liabilities 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 liabilities amounted to ₱0.56 million as of December 31, 2019 (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liability.

Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commission payable, unclaimed checks of pension holders and payables due to government agencies.

Group as a lessee
The Group has lease contracts for various items of plant assets used in its operations. Leases of plant assets generally have lease terms between 2 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The following are the amounts recognized in consolidated statement of income:

	2019
Depreciation expense of right-of-use assets included in property and equipment (Note 12)	₱2,557,120
Interest expense on lease liabilities (Note 21)	557,387
Total amount recognized in consolidated statement of income	₱3,114,507

The rollforward analysis of lease liabilities follows:

	2019
As at January 1, 2019, as previously stated	₱–
Effect of adoption of PFRS 16 (see Note 12)	8,879,228
At January 1, 2019, as restated	8,879,228
Interest expense (Note 21)	557,387
Payments	(2,621,265)
As at December 31, 2019	₱6,815,350

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	₱2,621,265
More than 1 year to 2 years	2,693,868
More than 2 years to 3 years	1,920,875
More than 3 years to 4 years	2,112,963
More than 5 years	915,063

Other payables consist of deferred credit and payable to employees.

The movements in dividends payable and accrued interest are as follows:

	January 1, 2019	**Additions**	**Payments**		**December 31, 2019**
			Expensed	**Capitalized**	
Dividends payable (Note 16)	**₱11,902,025**	**₱253,922,968**	**(₱253,089,253)**	**₱–**	**₱12,735,740**
Accrued interest (Note 15)	**8,448,428**	**67,938,794**	**(38,380,400)**	**(33,774,108)**	**4,232,714**
	₱20,350,453	**₱321,861,762**	**(₱291,469,653)**	**(₱33,774,108)**	**₱16,968,454**

	January 1, 2018	Additions	Payments		December 31, 2018
			Expensed	Capitalized	
Dividends payable (Note 16)	₱12,861,792	₱247,006,500	(₱247,966,267)	₱–	₱11,902,025
Accrued interest (Note 15)	3,635,129	35,165,618	(20,745,587)	(9,606,732)	8,448,428
	₱16,496,921	₱282,172,118	(₱268,711,854)	(₱9,606,732)	₱20,350,453

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	2019	2018
Notes payable	**₱1,715,250,000**	₱1,906,900,000
Contracts payable	**996,191**	59,222,173
	₱1,716,246,191	₱1,966,122,173

The notes payable pertains to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 1.19% to 4.25% in 2019 and 1.38% to 5.00% in 2018.

On various dates in 2019, the SEC authorized the Parent Company and CDC to issue the total aggregated amount of ₱2.22 billion worth of commercial papers registered with the SEC. On the other hand, CLDI no longer applied for a new Certificate of Permit to Offer Securities for Sale for the year 2019. All outstanding commercial papers issued were paid to the investors on or before November 6, 2019.

On various dates in 2018, the SEC authorized the Parent Company, CDC and CLDI to issue the total aggregated amount of ₱2.55 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, CDC and CLDI as of December 31, 2019 and 2018 aggregated to ₱1.72 billion and ₱1.91 billion, respectively.

The movements in notes payable are as follows:

	2019	2018
Beginning balance	**₱1,906,900,000**	₱2,075,200,000
Availments	**9,095,550,000**	8,638,550,000
Payment	**(9,287,200,000)**	(8,806,850,000)
Ending balance	**₱1,715,250,000**	₱1,906,900,000

Interest expense related to notes payable amounted to ₱66.88 million, ₱34.34 million and ₱27.81 million in 2019, 2018 and 2017, respectively (see Note 22). Capitalized borrowing costs amounted ₱33.77 million, ₱9.61 million and ₱10.35 million in 2019, 2018 and 2017, respectively (see Notes 9, 11 and 22). Total interest paid amounted to ₱72.15 million, ₱30.35 million and ₱28.90 million in 2019, 2018 and 2017, respectively (see Note 14).

The Parent Company, CDC, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.50 billion and ₱2.45 billion as of December 31, 2019 and 2018, respectively which are available for drawing by any of the companies in the Cityland Group. No loans were availed by Cityland Group from the credit line in 2019 and 2018.

In 2019 and 2018, the Parent Company has no specific credit lines, while the credit line of CDC amounted to ₱500.00 million.

The carrying values of CDC's investment properties and real estate properties for sale that will be used as collaterals that will be used for the Group's credit lines as of December 31, 2019 and 2018 are as follows:

	2019	2018
Investment properties	**₱146,666,172**	₱146,670,792
Real estate properties for sale	**50,476,720**	50,476,720
Total	**₱197,142,892**	₱197,147,512

Contracts payable amounting to ₱1.00 million and ₱59.22 million as of December 31, 2019 and 2018, respectively, represent liability arising from contracts entered into by the Group to purchase parcels of land for future development (see Note 10). In September 2018, the Parent Company entered into a contract to purchase a parcel of land for future development amounting to ₱190.00 million of which ₱1.00 million still remains unpaid as of December 31, 2019 (see Note 10).

The movements in contracts payable are as follows:

	2019	2018
Beginning balance	**₱59,222,173**	₱130,422,355
Payment	**(51,256,655)**	(743,200,182)
Cost adjustment (Note 10)	**(7,497,992)**	–
Availments	**528,665**	672,000,000
Ending balance	**₱996,191**	₱59,222,173

16. Equity

a. The Parent Company has 27 equity holders owning 129,198,754 shares of December 31, 2019 and 25 equity holders owning 129,198,754 shares as of December 31, 2018.

The following table summarizes the reconciliation of the issued and outstanding shares of capital stock for each of the following:

	Shares		Amount	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Authorized - ₱10 par value				
Balance at beginning and end of year	**135,000,000**	135,000,000	**₱1,350,000,000**	₱1,350,000,000

	Shares		Amount	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
Issued and outstanding, beginning of year	**129,198,754**	117,987,170	**₱1,291,987,540**	₱1,179,871,700
Stock dividends	–	11,798,707	–	117,987,070
Treasury shares	–	(587,123)	–	(5,871,230)
Issued and outstanding, end of year	**129,198,754**	129,198,754	**₱1,291,987,540**	₱1,291,987,540

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	October 16, 2019	–	₱1.165	October 28, 2019	November 7, 2019
	June 18, 2018	–	₱1.539	July 12, 2018	August 10, 2018
	October 17, 2017	–	0.638	November 13, 2017	December 8, 2017
	June 20, 2017	–	0.702	July 10, 2017	August 7, 2017
Stock	October 21, 2019	November 19, 2019	10%	*To be fixed*	*To be fixed*
	May 18, 2018	June 19, 2018	10%	July 19, 2018	August 14, 2018
	May 22, 2017	June 20, 2017	10%	July 20, 2017	August 15, 2017

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

In the special meetings of the Board of Directors held last May 6, 2019 and September 13, 2019, the Board of Directors resolved to postpone the Annual Stockholders' Meeting (ASM) which was held last November 19, 2019.

In a special meeting held on October 21, 2019, the Board of Directors unanimously approved the following matters:

a) Declaration of 10% stock dividends from the unappropriated retained earnings as of December 31, 2018 which will come from an increase in authorized capital stock. Record date of the stock dividends shall be fixed by the Securities and Exchange Commission after clearance and approval;
b) To increase its authorized capital stock from 135,000,000 shares to 185,000,000 shares with par value of ₱10.00 per share; and
c) To cause the amendment of the Articles of Incorporation to increase the authorized capital stock to 185,000,000 shares with par value of ₱10.00 per share.

The ratifications of the above were taken up during the Annual Stockholders' Meeting last November 19, 2019 and the necessary notices were sent for the purpose of presenting to the stockholders the aforesaid matters which secured their required approval. The record date of the said meeting was on October 21, 2019.

c. As of December 31, 2019 and 2018, the unappropriated retained earnings attributable to equity holders of the Parent Company and the non-controlling interest include the remaining balance of net deemed cost adjustment which arose when the Group transitioned to PFRSs in 2005.

The components of deemed cost adjustment, net of deferred income tax liabilities included in equity, as of December 31 are as follows:

	2019	2018
Real estate properties for sale (Note 9)	**₱5,863,869**	₱22,142,279
Investment properties (Note 11)	**1,390,875,526**	1,390,875,526
Property and equipment (Note 12)	**10,142**	323,610
Deemed cost adjustment	**1,396,749,537**	1,413,341,415
Deferred income tax liability (Note 25)	**(419,024,861)**	(424,002,429)
Net deemed cost adjustment	**₱977,724,676**	₱989,338,986

The net deemed cost adjustment is allocated in the consolidated statements of changes in equity as follows:

	2019	2018
Attributable to:		
Equity holders of the Parent Company	**₱921,728,737**	₱927,968,550
Non-controlling interest	**55,995,939**	61,370,436
	₱977,724,676	₱989,338,986

The balance of retained earnings is restricted for the payment of dividends to the extent of the following:

	2019	2018
Undistributed earnings of subsidiaries	**₱3,917,029,552**	₱3,656,862,355
Net deemed cost adjustment in properties	**977,724,676**	989,338,986
Deferred income tax assets (Note 25)	**71,163,827**	43,793,750
Fair value measurement of repossessed inventories, net of tax	**8,307,194**	15,750,377
	₱4,974,225,249	₱4,705,745,468

17. Material Partly Owned Subsidiary

Below are summarized financial information of the subsidiaries that have non-controlling interests that are material to the Group. The amounts disclosed are based on financial information included in the consolidated financial statements before intercompany eliminations.

Proportion of equity interest held by non-controlling interests as of December 31 follows:

	2019	2018
Direct:		
CDC	**49.02%**	49.02%
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%)		
CLDI	**45.11%**	45.11%
CPI	**44.53%**	44.53%

As of December 31, the summarized statements of financial position of subsidiaries are as follows:

	2019		
	CDC	**CLDI**	**CPI**
Total assets	**₱8,475,227,745**	**₱2,447,174,383**	**₱352,829,886**
Total liabilities	**2,008,295,190**	**284,498,115**	**54,949,308**
Equity	**6,466,932,555**	**2,162,676,268**	**297,880,578**
Attributable to non-controlling interest	**3,171,243,064**	**999,244,054**	**134,288,220**

	2018		
	CDC	CLDI	CPI
Total assets	₱7,900,928,597	₱2,494,404,536	₱337,216,148
Total liabilities	1,816,064,366	446,281,674	52,374,188
Equity	6,084,864,231	2,048,122,862	284,841,960
Attributable to non-controlling interest	2,983,348,440	933,412,810	128,345,383

Summarized statements of income for the years ended December 31 are as follows:

	2019		
	CDC	**CLDI**	**CPI**
Revenue	**₱1,787,846,219**	**₱630,232,431**	**₱53,620,818**
Expenses	**1,072,156,624**	**392,770,409**	**37,686,090**
Provision for income tax	**143,002,484**	**61,754,897**	**4,149,234**
Net income	**572,687,111**	**175,707,125**	**11,785,494**
Attributable to non-controlling interest	**280,731,222**	**79,261,484**	**5,248,080**
Cash dividends paid to non-controlling interest	**91,911,853**	**11,494,566**	**–**

	2018		
	CDC	CLDI	CPI
Revenue	₱1,505,909,510	₱512,812,865	₱61,584,509
Expenses	963,529,221	312,825,180	39,931,696
Provision for income tax	70,334,867	50,284,869	5,216,328
Net income	472,045,422	149,702,816	16,436,485
Attributable to non-controlling interest	231,396,666	67,530,940	7,319,166
Cash dividends paid to non-controlling interest	57,705,138	7,719,007	–

	2017		
	CDC	CLDI	CPI
Revenue	₱1,291,077,282	₱526,333,428	₱38,761,275
Expenses	767,464,358	373,542,516	27,304,773
Provision for income tax	111,293,533	21,741,259	1,193,956
Net income	412,319,391	131,049,653	10,262,546
Attributable to non-controlling interest	202,118,965	59,116,498	943,128
Cash dividends paid to non-controlling interest	65,967,950	3,250,947	–

Summarized statements of comprehensive income for the years ended December 31 are as follows:

	2019		
	CDC	**CLDI**	**CPI**
Net income	**₱572,687,111**	**₱175,707,125**	**₱11,785,494**
Other comprehensive income (loss)	**(6,679,629)**	**(4,291,010)**	**1,253,124**
Total comprehensive income	**566,007,482**	**171,416,115**	**13,038,618**
Attributable to non-controlling interest	**277,456,868**	**77,325,809**	**5,942,838**

	2018		
	CDC	CLDI	CPI
Net income	₱472,045,422	₱149,702,816	₱16,436,485
Other comprehensive income (loss)	5,076,638	1,028,596	(3,391,253)
Total comprehensive income	477,122,060	150,731,412	13,045,232
Attributable to non-controlling interest	233,885,234	67,994,940	7,159,088

	2017		
	CDC	CLDI	CPI
Net income	₱412,019,664	₱131,049,653	₱10,262,546
Other comprehensive income	573,119	491,575	267,112
Total comprehensive income	412,592,783	131,541,228	10,529,658
Attributable to non-controlling interest	202,252,982	59,338,248	4,688,857

Summarized statements of cash flows for the years ended December 31 are as follows:

	2019		
	CDC	**CLDI**	**CPI**
Operating cash flows	**₱453,709,333**	**(₱121,630,353)**	**₱22,573,859**
Investing cash flows	**967,443,282**	**526,671,467**	**(38,966,369)**
Financing cash flows	**(175,967,343)**	**(251,671,065)**	**–**

	2018		
	CDC	CLDI	CPI
Operating cash flows	₱495,755,945	(₱407,570,324)	₱28,833,285
Investing cash flows	(538,124,926)	306,515,056	(12,360,865)
Financing cash flows	(267,213,993)	3,648,928	–

	2017		
	CDC	CLDI	CPI
Operating cash flows	₱558,459,338	₱103,894,191	₱20,969,876
Investing cash flows	(942,436,674)	(270,985,338)	(20,309,907)
Financing cash flows	(375,096,024)	(2,637,421)	–

18. Operating Expenses

Operating expenses consist of:

	2019	2018	2017
Personnel (Note 19)	**₱283,128,363**	₱265,129,357	₱286,887,343
Taxes and licenses	**97,815,706**	92,688,191	64,459,059
Professional fees	**74,112,712**	47,372,350	41,973,276
Depreciation (Note 20)	**66,698,583**	74,637,260	47,010,259
Insurance (Note 6)	**33,585,459**	35,640,616	25,813,214
Light, power and water	**33,189,231**	29,437,728	18,197,083
Outside services	**29,508,790**	32,457,995	27,803,639
Provision for inventory write-down	**26,348,084**	–	–
Repairs and maintenance	**16,099,794**	14,253,669	13,032,145
Brokers' commission	**14,404,593**	9,743,495	9,797,462
Donations	**11,225,000**	11,725,000	8,925,000
Membership dues	**8,610,272**	10,249,257	16,662,613
Advertising and promotions	**5,578,113**	7,618,629	9,788,428
Rent expense	**4,395,606**	8,019,351	8,726,837
Postage, telephone and telegraph	**3,467,721**	3,623,865	3,538,717
Stationery and office supplies	**1,958,244**	2,539,446	1,981,045
Transportation and travel	**1,176,862**	1,206,533	1,195,039
Others	**21,418,352**	30,346,833	16,415,763
	₱732,721,485	₱676,689,575	₱602,206,922

Rent expense pertains to the lease payments on the short-term lease transactions entered into by the Group. Others include representation expense, pre-need expense and plan benefits.

19. Personnel Expenses

Personnel expenses consist of:

	2019	2018	2017
Salaries and wages	**₱131,418,782**	₱120,520,649	₱113,647,892
Bonuses and other employee benefits	**98,809,703**	97,084,053	97,132,994
Commission	**47,391,618**	42,870,225	72,429,833
Retirement benefits cost (Note 24)	**5,508,260**	4,654,430	3,676,624
	₱283,128,363	₱265,129,357	₱286,887,343

20. Depreciation

Depreciation consists of:

	2019	2018	2017
Investment properties (Note 11)	**₱61,720,367**	₱68,992,511	₱41,797,452
Property and equipment (Note 12)	**4,978,216**	5,644,749	5,212,807
	₱66,698,583	₱74,637,260	₱47,010,259

Depreciation expense of property and equipment includes ₱2.56 million pertaining to the right-of-use assets as an effect of the adoption of PFRS 16 on January 1, 2019

21. Financial Income

Financial income consists of:

	2019	2018	2017
Interest income from:			
Installment contracts receivable and contract assets (Note 6)	**₱494,226,342**	₱390,531,839	₱362,009,010
Cash equivalents and investments (Note 4)	**186,850,904**	103,772,712	83,438,018
Notes receivable (Note 7)	**16,540,036**	38,676,037	12,077,708
Cash in banks (Note 4)	**111,419**	321,284	210,097
Dividend income (Note 13)	**46,319**	36,090	38,231
	₱697,775,020	₱533,337,962	₱457,773,064

22. Financial Expenses

Financial expenses consist of:

	2019	2018	2017
Interest expense on notes payable (Note 15)	**₱66,884,069**	₱34,342,490	₱27,809,623
Less capitalized borrowing costs (Notes 9, 11 and 15)	**33,774,108**	9,606,732	10,353,375
	33,109,961	24,735,758	17,456,248
Finance charges	**2,771,550**	2,157,150	2,112,800
Interest expense on security deposits	**1,054,725**	822,565	553,392
Interest expense on lease liabilities (Note 14)	**557,387**	–	–
Others	**–**	563	–
	₱37,493,623	₱27,716,036	₱20,122,440

23. Other Income/Expenses

Other Income
Other income amounting to ₱162.50 million, ₱112.18 million and ₱106.58 million in 2019, 2018 and 2017, respectively, pertains to trust fund income, penalties for buyers' late payments, sale of scraps, gain on sale of shares of stock and forfeiture of reservations/downpayments received which were not consummated.

Other Expenses
Other expenses amounting to ₱27.17 million, ₱42.13 million and ₱44.36 million in 2019, 2018 and 2017, respectively, pertains to loss due to forfeiture/cancellation of sales.

24. Employee Benefits

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement 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 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. The committee is responsible for investment strategy of the plan.

The details of net retirement benefits cost which is included in "Personnel expenses" account (see Note 19) are as follows:

	2019	2018	2017
Current service cost	**₱6,538,349**	₱4,813,427	₱3,727,874
Net interest income on benefit obligation	**(1,030,089)**	(158,997)	(51,250)
Net retirement benefits cost	**₱5,508,260**	₱4,654,430	₱3,676,624

The details of re-measurement loss (gain) recognized in the consolidated statements of comprehensive income comprises the following:

	2019	2018	2017
Actuarial loss (gain) on defined benefit obligation:			
Due to change in financial assumption	**₱24,199,226**	(₱6,857,318)	(₱4,335,879)
Due to experience adjustments	**(1,892,990)**	6,557,037	2,768,742
Actuarial loss (gain) on plan assets excluding amounts included in net interest cost	**(3,634,016)**	(10,296,383)	1,289,202
Re-measurement loss (gain)	**18,672,220**	(10,596,664)	(277,935)
Tax effect (Note 25)	**(5,601,666)**	3,178,999	83,381
	₱13,070,554	(₱7,417,665)	(₱194,554)

The details of the net retirement plan assets are as follows:

	2019	2018
Present value of defined benefit obligation	**₱123,538,700**	₱89,063,008
Fair value of plan assets	**119,451,265**	103,046,019
Net retirement plan assets	**(₱4,087,435)**	₱13,983,011

The breakdown of net retirement plan assets (benefits liabilities) per company as of December 31 follows:

	2019	2018
Net retirement plan assets:		
CDC	**₱10,939,905**	₱21,659,561
CPI	**383,280**	686,099
	11,323,185	22,345,660
Net retirement benefits liabilities:		
Parent Company	**(7,096,148)**	(4,718,829)
CLDI	**(8,314,472)**	(3,643,820)
	(15,410,620)	(8,362,649)
Net retirement plan assets (benefits liabilities)	**(₱4,087,435)**	₱13,983,011

Changes in net retirement plan assets (benefits liabilities) are as follows:

	2019	2018
Beginning balances	**₱13,983,011**	₱2,820,588
Retirement benefits cost	**(5,508,260)**	(4,654,430)
Re-measurement gain	**(18,672,220)**	10,596,664
Contributions	**6,110,034**	5,220,189
Ending balances	**(₱4,087,435)**	₱13,983,011

Changes in present value of defined benefit obligation are as follows:

	2019	2018
Defined benefit obligation, January 1	**₱89,063,008**	₱80,590,445
Current service cost	**6,538,349**	4,813,427
Interest cost on benefit obligation	**6,578,709**	4,544,979
Benefits paid	**(947,602)**	(585,562)
Actuarial gains	**22,306,236**	(300,281)
Defined benefit obligation, December 31	**₱123,538,700**	₱89,063,008

Changes in fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets, January 1	**₱103,046,019**	₱83,411,033
Interest income on benefit obligation	**6,934,102**	6,016,031
Actuarial gains excluding amount recognized in net interest cost	**4,308,712**	8,984,328
Contributions to the plan	**6,110,034**	5,220,189
Benefits paid	**(947,602)**	(585,562)
Fair value of plan assets, December 31	**₱119,451,265**	₱103,046,019

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:

	2019	2018
Cash and cash equivalents	**52.64%**	49.94%
Investment properties	**43.31%**	45.72%
Investments in equity securities	**3.88%**	4.14%
Receivables	**0.23%**	0.28%
Payables	**(0.06%)**	(0.08%)
	100.00%	100.00%

Cash and cash equivalents consist of savings deposits and short-term time deposits with maturities of less than three months. Investment properties pertain to condominium units which are held for lease and are stated at fair value (see Note 27). 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. Receivables include loans to individuals and accrued interest income.

The Group expects to contribute ₱5.75 million to the retirement fund in 2020.

The Group does not currently employ any asset-liability matching strategy.

The latest actuarial valuation report is as of December 31, 2019. The principal assumptions used in determining retirement benefits cost for the Group's plan as of January 1 are as follows:

	2019	2018
Discount rate per annum	**5.62%-7.40%**	5.62%-5.64%
Future annual increase in salary	**5.00%**	4.00%
Mortality rate	**1994 GAM***	1994 GAM*
Disability rate	**1952 Disability Study**	1952 Disability Study

**Group Annuity Mortality Table*

As of December 31, 2019, the discount rate is 4.87%-5.02% 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, 2019 and 2018, assuming all other assumptions were held constant.

	Increase (decrease) in basis points (bps)	Increase (decrease) in defined benefit obligation	
		2019	2018
Discount rate	+0.50%	**(₱6,070,431)**	(₱4,044,851)
	-0.50%	**6,724,266**	4,405,725
Salary increase rate	+1.00%	**13,646,973**	9,056,085
	-1.00%	**(10,370,626)**	(7,773,629)

Shown below is the maturity analysis of the undiscounted expected benefit payments as of December 31, 2019:

Plan year	Number of retirees	Total benefits
More than one year to five years	12	42,739,486
More than five years to 10 years	25	87,117,530
More than 10 years to 15 years	21	59,063,300
More than 15 years to 20 years	21	84,751,508
More than 20 years	233	1,166,502,034
	312	₱1,440,173,858

The average duration of the defined benefit obligation as of December 31, 2019 is 22 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 ₱55.46 million and ₱40.15 million as of December 31, 2019 and 2018, respectively (see Note 14).

25. **Income Taxes**

a. Provision for (benefit from) income tax consists of:

	2019	2018	2017
Current	**₱240,816,916**	₱202,352,383	₱289,604,647
Deferred	**(13,209,033)**	(61,925,569)	(23,334,452)
	227,607,883	140,426,814	266,270,195
Final tax on interest income	**40,685,995**	28,545,498	19,136,154
	₱268,293,878	₱168,972,312	₱285,406,349

b. The components of the net deferred income tax liabilities are as follows:

	2019	2018
Deferred income taxes recognized in profit or loss:		
Deferred income tax assets on:		
Accrued expenses	**₱32,470,547**	₱20,998,598
Difference between tax basis and book basis of accounting for real estate transactions	**21,532,513**	22,295,138
Re-measurement loss on defined benefit plan	**19,825,151**	14,223,485
Unearned rent revenue	**8,307,426**	–
Allowance for inventory write-down (Note 10)	**7,904,425**	–
Unamortized past service cost	**800,943**	500,015
Lease liabilities (Note 14)	**147,973**	–
	90,988,978	58,017,236
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(419,039,861)**	(424,002,429)
Unrealized gain on real estate transactions	**(16,907,280)**	(17,552,366)
Retirement plan assets	**(18,598,911)**	(18,418,389)
Capitalized borrowing costs	**(20,147,741)**	(11,399,835)
Rent receivable, net of unearned rent revenue	**(4,816,294)**	(1,675,166)
Cost to obtain contract (Notes 2 and 5):		
January 1, 2018 transition adjustment, *effect of adoption of PFRS 15*	**(11,241,010)**	(4,114,588)
Movement during the year	**(2,905,977)**	(7,126,422)
	(493,657,074)	(484,289,195)
Net deferred income tax liabilities	**(₱402,668,096)**	(₱426,271,959)

The breakdown of net deferred income tax liabilities as of December 31 per entity follows:

	2019	2018
Deferred income tax assets - net:		
CLDI	**₱8,192,586**	₱8,453,231
Deferred income tax liabilities - net:		
Parent Company	**(371,898,242)**	(381,136,701)
CDC	**(35,065,780)**	(51,480,857)
CPI	**(3,896,660)**	(2,107,632)
	(410,860,682)	(434,725,190)
	(₱402,668,096)	(₱426,271,959)

c. The reconciliation of income tax computed at statutory tax rate to the provision for income tax follows:

	2019	2018	2017
Income tax at statutory tax rate	**₱365,015,854**	₱290,500,937	₱374,404,074
Adjustments to income tax resulting from:			
Tax-exempt interest income	**(65,755,680)**	(62,222,891)	(54,468,769)
Interest income subjected to final tax	**(61,050,707)**	(42,818,247)	(28,710,592)
Net income entitled to tax holiday (Note 31)	**(24,008,947)**	(51,138,863)	(29,683,340)
Final tax on interest income	**₱40,685,995**	₱28,545,498	₱19,136,154
Nondeductible interest expense	**16,846,833**	9,740,728	7,616,793
Trust fund income subjected to final tax	**(560,162)**	(300,758)	(685,512)
Non-taxable dividend income	**(13,896)**	(10,827)	(11,468)
Others - net	**(2,865,412)**	(3,323,265)	(2,190,991)
Provision for income tax	**₱268,293,878**	₱168,972,312	₱285,406,349

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 balance** **Payable** (Note 14)		
	2019	2018	**2019**	2018	Terms and Conditions
Retirement plans					
Contributions to the plans (Note 26d)	**₱6,110,034**	₱5,220,189	**₱–**	₱–	Settled in cash
Key management personnel					
Salaries and other compensation (Note 26g)	**34,542,209**	37,034,341	**48,079,977**	25,428,867	Settled in cash
Board of Directors					
Shares of stock (Note 26e)	**200**	12,023,380	–	–	Pertains to 86,878,715 and 86,878,695 common shares at ₱10 par value as of December 31, 2019 and 2018, respectively
			₱48,079,977	₱25,428,867	

**Outstanding balances are included under "Other receivable" and "Accounts payable and accrued expenses" account in the consolidated statement of financial position.*

The transactions of the Parent Company with CDC, CLDI, CPI, CAI and CLHI are eliminated in the consolidated statement of financial position and consolidated statements of income.

a. The Parent Company has an existing management contract with CDC, wherein the Parent Company provides management services to CDC. 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 of CDC as mutually agreed upon by both parties. The management fees for 2019, 2018 and 2017 were waived by the Parent Company. There are no conditions attached to the waiver of these management fees.

b. In 2019, the Parent Company entered into a Memorandum of Agreement with CDC whereby the CDC shall assign its parcel of land to the Parent Company in exchange of certain number of condominium units on One Premier, a project that is currently being constructed by the Parent Company. The said land is recorded under "Real Estate Properties Held for Future Development" account.

c. The Parent Company has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent. The Parent Company has dividend receivable pertaining to cash dividend declared by CAI and CLHI.

d. 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. The committee is responsible for the investment strategy of the plan. The fair value of the Group's plan assets amounted to ₱119.45 million and ₱103.05 million as of December 31, 2019 and 2018, 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 CDC. The third-party trustee bank exercises the voting rights over the shares. The fair value of the investment in CDC amounted to ₱4.84 million and ₱4.34 million as of December 31, 2019 and 2018, respectively, with original cost of ₱3.40 million ₱3.31 million, respectively. Unrealized gain on changes of fair value of these investments amounted to ₱1.45 million and ₱1.28 million as of December 31, 2019 and 2018, respectively. Loans and receivables of plan assets include installment contracts receivable purchased in prior years on a non-recourse basis from CDC amounting to ₱0.11 million as of December 31, 2019 and 2018, respectively. The retirement plan assets as of December 31, 2019 and 2018 include investment properties held for lease amounting to ₱54.04 million and ₱48.99 million, respectively, 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 ₱6.11 million and ₱5.22 million in 2019 and 2018, respectively (see Note 23).

e. Shares of stock of the Parent Company held by members of the BOD aggregated to 86,878,715 shares equivalent to ₱868.79 million and 86,878,695 shares equivalent to ₱868.79 million as of December 31, 2019 and 2018, respectively.

   In 2018, one of the members of the Board donated 587,123 shares to the Parent Company. These shares are recorded as treasury shares in the 2019 and 2018 consolidated statements of financial position (see Note 16).

f. The Parent Company and CDC, through CLHI, issued a cash bond aggregating to ₱327.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as part of "Notes receivable" in the 2019 and 2018 consolidated statements of financial position. The said amount was placed by CLHI to financial institutions with a maturity of three (3) to five (5) years. Interest income earned amounted to ₱15.10 million and ₱9.52 million in 2019 and 2018, respectively.

g. Compensation of key management personnel are as follows:

	2019	2018	2017
Short-term benefits:			
Salaries	**₱12,894,835**	₱11,558,330	₱10,419,326
Bonuses	**3,290,983**	2,984,684	2,661,736
Other benefits	**15,729,462**	20,798,652	18,972,836
Long-term benefits	**2,626,929**	1,692,675	1,585,038
	₱34,542,209	₱37,034,341	₱33,638,936

Other benefits consist of incentives and performance bonuses.

The Group has no standard arrangements with regard to the remuneration of its directors. In 2019, 2018 and 2017, the BOD received a total of ₱39.88 million, ₱25.67 million and ₱22.95 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.

h. The following are the balances and transactions among related parties which are eliminated during consolidation:

Amounts owed by	Amounts owed to	Nature	**2019**	2018
Parent Company	CDC	Sharing of expenses	**₱–**	₱–
CDC	Parent Company	Sharing of expenses	**2,195,816**	1,589,277
CPI	Parent Company	Sharing of expenses	**641,714**	41,154
CLDI	Parent Company	Sharing of expenses	**601,329**	213,020
CAI	Parent Company	Dividend income	**250,000**	75,000
CLHI	Parent Company	Dividend income	**350,000**	230,000
Parent Company	CAI	Sharing of expenses	–	20,567
CLDI	Parent Company	Interest income	–	679
CLHI	CI and CDC	Investment placement	**327,150,000**	327,150,000

Revenue and income by	Capitalizable cost and expense by	Nature	**2019**	2018	2017
Parent Company	CDC	Interest charges	**₱–**	₱–	₱–
Parent Company	CLDI	Interest charges	**–**	–	–
CDC	Parent Company	Interest charges	**–**	–	–
CLDI	Parent Company	Interest charges	**–**	–	–
Parent Company	CPI	Retention	**150,000**	150,000	150,000
CLDI	CPI	Sale of real estate properties	**–**	2,070,283	2,899,561

Investee	Investor	Nature	**2019**	2018	2017
Parent Company	CDC	Shares of Stock	**₱96,215,415**	₱60,429,507	₱68,832,858
Parent Company	CLDI	Shares of Stock	**16,797,135**	11,277,828	4,749,328

Dividend declared to	Dividend declared by	**2019**	2018	2017
Parent Company	CDC	**₱96,215,415**	₱60,429,507	₱68,832,858
Parent Company	CLDI	**16,797,135**	11,277,828	4,749,328
Parent Company	CLHI	**350,000**	230,000	222,000
Parent Company	CAI	**250,000**	75,000	3,300,000
CLHI	CLDI	**292,842**	196,633	82,806

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 and notes 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 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, contract assets, notes 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 risks (i.e., cash flow interest rate and equity price risks), 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, 2019	-/+ **21 bps**	**-/+₱36,970,499**
December 31, 2018	-/+ 1 bps	-/+₱12,259,460

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 value of individual shares of stock. The Group is exposed to equity price risk because of investments held by the Group classified as available-for-sale financial assets included under "Other noncurrent assets" account in the consolidated statements of financial

position. The Group employs the service of a third-party stockbroker 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
2019	**+/-0.14**	+/-**₱173,575**
2018	+/-0.11	+/-₱213,043

Credit risk

Credit risk arises when the Group will incur a loss because its buyers, clients or counterparties failed to discharge their obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all buyers 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 buyer 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 statement of financial position. The exposure as of December 31, 2019 and 2018 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, 2019:

	Gross maximum exposure	Fair value of collaterals/credit enhancements	Net exposure	Financial effect of collaterals/credit enhancement
Financial assets				
Investments in trust funds	**₱36,750,063**	**₱–**	**₱36,750,063**	**₱–**
Cash and cash equivalents, excluding cash on hand*	**2,415,608,964**	**–**	**2,415,608,964**	**–**
Investments	**868,750,000**	**–**	**868,750,000**	**–**
Installment contracts receivable	**42,897,699**	**339,992,545**	**42,897,699**	**–**
Refundable deposits	**34,779,451**	**–**	**34,779,451**	**–**
Notes receivable	**457,150,000**	**–**	**457,150,000**	**–**
Other receivables:				
Advances to customers	**19,256,441**	**–**	**19,256,441**	**–**
Accrued interest	**15,514,018**	**–**	**15,514,018**	**–**
Rent receivable	**19,266,387**	**–**	**19,266,387**	**–**
Retention	**3,287,645**	**–**	**3,287,645**	**–**
Advances to condominium corporations	**917,049**	**–**	**917,049**	**–**
Others	**391,340**	**–**	**391,340**	**–**
Contract assets	**3,130,446,737**	**7,023,785,456**	**–**	**3,130,446,737**
Total credit risk exposure	**₱7,045,015,794**	**₱7,363,778,001**	**₱3,914,569,057**	**₱3,130,446,737**

**Excluding cash on hand amounting to ₱214,500.*

December 31, 2018:

	Gross maximum exposure	Fair value of collaterals/credit enhancements	Net exposure	Financial effect of collaterals/credit enhancement
Financial assets				
Investments in trust funds	₱35,432,151	₱–	₱35,432,151	₱–
Cash and cash equivalents, excluding cash on hand*	833,522,375	–	833,522,375	–
Short-term investments	1,591,100,000	–	1,591,100,000	–
Installment contracts receivable	33,016,669	359,337,442	33,016,669	–
Refundable deposits	41,329,511	–	41,329,511	–
Notes receivable	1,243,650,000	–	1,243,650,000	–
Other receivables:				
Advances to customers	22,857,242	–	22,857,242	–
Accrued interest	23,607,338	–	23,607,338	–
Rent receivable	16,495,089	–	16,495,089	–
Retention	1,520,923	–	1,520,923	–
Due from BIR	3,774,771	–	3,774,771	–
Advances to condominium corporations	2,985,650	–	2,985,650	–
Others	1,089,982	–	1,089,982	–
Contract assets	3,105,883,192	5,721,256,831	–	3,105,883,192
Total credit risk exposure	₱6,956,264,893	₱6,080,594,273	₱3,850,381,701	₱3,105,883,192

**Excluding cash on hand amounting to ₱197,191.*

The following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

December 31, 2019:

			Days past due				
	Contract asset	**Current**	**Less than 30 days**	**30-60 days**	**61-90 days**	**Over 90 days**	**Total**
Installment contracts receivable	**₱–**	**₱37,552,654**	**₱3,748,889**	**₱534,434**	**₱256,618**	**₱805,104**	**₱42,897,699**
Contract assets	**3,130,446,737**	**–**	**–**	**–**	**–**	**–**	**3,130,446,737**
Notes receivable	**–**	**457,150,000**	**–**	**–**	**–**	**–**	**457,150,000**
Refundable deposits	**–**	**34,779,451**	**–**	**–**	**–**	**–**	**34,779,451**
Other receivables:							
Rent receivable	–	**19,266,387**	**–**	**–**	**–**	**–**	**19,266,387**
Accrued interest	–	**15,514,018**	**–**	**–**	**–**	**–**	**15,514,018**
Advances to customers	–	**17,690,659**	**–**	**102,072**	**151,084**	**1,312,626**	**19,256,441**
Retention	–	**3,287,645**	**–**	**–**	**–**	**–**	**3,287,645**
Advances to condominium corporations	–	**917,049**	**–**	**–**	**–**	**–**	**917,049**
Others	–	**391,340**	**–**	**–**	**–**	**–**	**391,340**
	₱3,130,446,737	**₱586,549,203**	**₱3,748,889**	**₱636,506**	**₱407,702**	**₱2,117,730**	**₱3,723,906,767**

December 31, 2018:

			Days past due				
	Contract asset	Current	Less than 30 days	30-60 days	61-90 days	Over 90 days	Total
Installment contracts receivable	₱–	₱23,701,615	₱4,073,197	₱1,161,234	₱551,658	₱3,528,965	₱33,016,669
Contract assets	3,105,883,192	–	–	–	–	–	3,105,883,192
Notes receivable	–	1,243,650,000	–	–	–	–	1,243,650,000
Refundable deposits	–	41,329,511	–	–	–	–	41,329,511
Other receivables:							
Rent receivable	–	16,495,089	–	–	–	–	16,495,089
Accrued interest	–	23,607,338	–	–	–	–	23,607,338
Advances to customers	–	22,857,242	–				22,857,242
Retention	–	1,520,923	–	–	–	–	1,520,923
Due from BIR	–	3,774,771	–	–	–	–	3,774,771
Advances to condominium corporations	–	2,985,650	–	–	–	–	2,985,650
Others	–	1,089,982	–	–	–	–	1,089,982
	₱3,105,883,192	₱1,381,012,121	₱4,073,197	₱1,161,234	₱551,658	₱3,528,965	₱4,496,210,367

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, 2019:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in Trust Funds	**₱36,750,063**	**₱–**	**₱36,750,063**
Cash and cash equivalents, excluding cash on hand***	**2,415,608,964**	**–**	**2,415,608,964**
Investments	**868,750,000**	**–**	**868,750,000**
Refundable deposits	**–**	**34,779,451**	**34,779,451**
Installment contracts receivable	**–**	**42,897,699**	**42,897,699**
Notes receivable	**–**	**457,150,000**	**457,150,000**
Other receivables:			
Advances to customers	**–**	**19,256,441**	**19,256,441**
Accrued interest	**–**	**15,514,018**	**15,514,018**
Rent receivable	**–**	**19,266,387**	**19,266,387**
Retention	**–**	**3,287,645**	**3,287,645**
Advances to condominium corporations	**–**	**917,049**	**917,049**
Others	**–**	**391,340**	**391,340**
Contract assets	**–**	**3,130,446,737**	**3,130,446,737**
Total	**₱3,321,109,027**	**₱3,723,906,767**	**₱7,045,015,794**

**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.*
****Excluding cash on hand amounting to ₱214,500.*

December 31, 2018:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in Trust Funds	₱35,432,151	₱–	₱35,432,151
Cash and cash equivalents, excluding cash on hand***	833,522,375	–	833,522,375
Short-term investments	1,591,100,000	–	1,591,100,000
Refundable deposits	–	41,329,511	41,329,511
Installment contracts receivable	–	33,016,669	33,016,669
Notes receivable	–	1,243,650,000	1,243,650,000
Other receivables:			
Advances to customers	–	22,857,242	22,857,242
Accrued interest	–	23,607,338	23,607,338
Rent receivable	–	16,495,089	16,495,089
Retention	–	1,520,923	1,520,923
Due from BIR	–	3,774,771	3,774,771
Advances to condominium corporations		2,985,650	2,985,650
Others	–	1,089,982	1,089,982
Contract assets	–	3,105,883,192	3,105,883,192
Total	₱2,460,054,526	₱4,496,210,367	₱6,956,264,893

**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.*
****Excluding cash on hand amounting to ₱197,191.*

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 on the next page summarize the maturity analysis of the Group's financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

December 31, 2019:

	30 days	31 - 90 days	91 - 180 days	181 - 365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	**₱290,262,782**	**₱3,359,254**	**₱48,695,123**	**₱57,104,378**	**₱80,438,102**	**₱479,859,639**
Lease liability	**183,858**	**370,923**	**578,244**	**1,156,869**	**4,525,456**	**6,815,350**
Notes payable**	**872,978,693**	**869,973,960**	**34,243,601**	–	–	**1,777,196,254**
Contracts payable	–	–	–	**996,191**	–	**996,191**
	1,163,425,333	**873,704,137**	**83,516,968**	**59,257,438**	**84,963,558**	**2,264,867,434**
Financial Assets						
Cash and cash equivalents	**1,624,323,464**	**791,500,000**	–	–	–	**2,415,823,464**
Investments	**50,900,000**	**137,650,000**	**215,200,000**	–	**465,000,000**	**868,750,000**
Installment contracts receivable	**4,070,903**	**1,389,560**	**1,723,160**	**1,934,285**	**33,779,791**	**42,897,699**
Notes receivable	–	–	**180,000,000**	**20,000,000**	**257,150,000**	**457,150,000**
Refundable deposits	–	–	–	–	**34,779,451**	**34,779,451**
Other receivables	**21,120,144**	**18,856,046**	**7,023,698**	**9,687,288**	**1,945,704**	**58,632,880**
Financial assets at FVPL	–	–	–	–	**36,750,063**	**36,750,063**
Contract assets	**51,044,270**	**77,708,276**	**115,851,283**	**220,644,667**	**2,665,198,241**	**3,130,446,737**
	1,751,458,781	**1,027,103,882**	**519,798,141**	**252,266,240**	**3,494,603,250**	**7,045,230,294**
	₱588,033,448	**₱153,399,745**	**₱436,281,173**	**₱193,008,802**	**₱3,409,639,692**	**₱4,780,362,860**

**Excludes statutory liabilities amounting to ₱11,694,753, interest payable amounting to ₱4,232,714, deferred rent income amounting to ₱37,842,332 and customers' deposits amounting to ₱75,727,745.*
***Includes future interest cash flows amounting to ₱61,946,254.*

December 31, 2018:

	30 days	31 - 90 days	91 - 180 days	181 - 365 days	Above 1 year	Total
Financial Liabilities						
Accounts payable and accrued expenses*	₱157,334,666	₱305,457	₱157,197	₱173,033	₱117,196,765	₱275,167,118
Notes payable**	961,564,204	887,292,080	93,935,388	–	–	1,942,791,672
Contracts payable	–	–	–	59,222,173	–	59,222,173
	1,118,898,870	887,597,537	94,092,585	59,395,206	117,196,765	2,277,180,963
Financial Assets						
Cash and cash equivalents	518,219,566	315,500,000	–	–	–	833,719,566
Investments	509,500,000	920,000,000	161,600,000	–	–	1,591,100,000
Installment contracts receivable	4,439,605	2,377,063	4,553,617	1,595,840	20,050,544	33,016,669
Notes receivable	89,000,000	52,500,000	120,000,000	60,000,000	922,150,000	1,243,650,000
Refundable deposits	–	–	–	–	41,329,511	41,329,511
Other receivables	30,597,648	20,905,178	8,234,712	9,115,125	3,478,332	72,330,995
Financial assets at FVPL	–	–	–	–	35,432,151	35,432,151
Contract assets	235,371,036	92,607,844	116,277,996	229,095,354	2,432,530,962	3,105,883,192
	1,387,127,855	1,403,890,085	410,666,325	299,806,319	3,454,971,500	6,956,462,084
	₱268,228,985	₱516,292,548	₱316,573,740	₱240,411,113	₱3,337,774,735	₱4,679,281,121

**Excludes statutory liabilities amounting to ₱17,103,947, interest payable amounting to ₱8,448,428, deferred rent income amounting to ₱14,051,469 and customers' deposits amounting to ₱41,740,906.*
***Includes future interest cash flows amounting to ₱35,891,671.*

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, 2019

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Investments in trust funds			
Financial assets at FVOCI			
Debt securities	**₱2,177,271**	**₱–**	**₱–**
Equity securities - listed	**716,126**	**–**	**–**
Investment properties	**–**	**–**	**3,999,490**
Financial assets at FVOCI	**1,320,354**	**–**	**–**
Assets for which fair values are disclosed			
Investment properties	**–**	**–**	**8,475,751,280**

Date of Valuation: December 31, 2018

	Fair value		
	Level 1	Level 2	Level 3
Assets measured at fair value			
Investments in trust funds			
Financial assets at FVOCI			
Debt securities	₱3,182,208	₱–	₱–
Equity securities - listed	655,468	–	–
Investment properties	–	–	5,169,680
Financial assets at FVOCI	2,067,552	–	–
Assets for which fair values are disclosed			
Investment properties	–	–	7,803,088,800

The following method and assumptions were used to estimate the fair value of each class of financial instruments, repossessed real estate properties for sale and investment properties, for which it is practicable to estimate such value.

Cash and cash equivalents, short-term and long-term investments, notes receivable, installment contracts receivable, other receivables, accounts payable and accrued expense, notes and contracts payable.
Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term and long-term investments, other receivables, accounts payable and accrued expenses, notes and contracts payable approximate their carrying amounts. The fair values of long-term investments, notes receivable, installment contracts receivable and contract assets approximate their carrying amounts as they carry interest rates that approximate the interest rates for comparable instruments in the market.

Financial assets at FVPL and financial assets at FVOCI
Financial assets at FVPL and financial asset at FVOCI 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 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.

The fair values of the investment properties as of December 31, 2019 and 2018 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 debt coverage basis. Debt consists of short-term debt. Debt coverage includes short-term debt less cash and cash equivalents and short-term investments . The Group considers as capital the equity holders of the parent company excluding unrealized fair value changes on financial assets at FVOCI and accumulated re-measurement on defined benefit plan.

As of December 31, 2019 and 2018, the Group has the following ratios:

	2019	2018
Notes and contracts payable	**₱1,716,246,191**	₱1,966,122,173
Total equity attributable to parent	**7,593,134,757**	7,165,387,826
Add (less):		
Unrealized fair value changes on financial assets at FVOCI	**(1,580,331)**	(945,268)
Accumulated re-measurement on defined benefit plan	**32,799,442**	24,799,453
Capital	**₱7,624,353,868**	₱7,189,242,011
Debt to capital ratio	**0.23:1**	0.27:1
Cash and cash equivalents	**₱2,415,823,464**	₱ 833,719,566
Short-term investments	**403,750,000**	1,591,100,000
Current portion of notes receivable	**200,000,000**	321,500,000
Notes and contracts payable	**(1,716,246,191)**	(1,966,122,173)
Current portion of lease liabilities	**(2,289,894)**	–
Debt coverage	**₱1,301,037,379**	₱780,197,393

As of December 31, 2019 and 2018, the Group has no externally imposed capital requirements.

29. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share amounts were computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the parent	**₱583,184,850**	₱493,117,373	₱696,646,646
Weighted average number of outstanding shares	**129,198,754**	129,565,706	129,198,754*
Basic/diluted earnings per share	**₱4.51**	₱3.81	₱5.39

**After retroactive effect of 10% stock dividends in 2018.*

The Group has no potential dilutive common shares as of December 31, 2019, 2018 and 2017. 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 its investments in trust funds. 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 buyers and all sales and leases of real estate properties are made to external buyers.

Segment Revenue and Expenses

	2019			
	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Revenue:				
Sales of real estate	**₱2,176,004,092**	**₱–**	**₱–**	**₱2,176,004,092**
Financial income	**697,118,577**	**–**	**656,443**	**697,775,020**
Rent income	**–**	**170,270,976**	**–**	**170,270,976**
Other income	**161,636,238**	**–**	**867,401**	**162,503,639**
Cost of real estate sales	**1,192,449,021**	**–**	**–**	**1,192,449,021**
Operating expenses				
Personnel	**281,973,828**	**–**	**1,154,535**	**283,128,363**
Taxes and licenses	**64,347,269**	**33,449,285**	**19,152**	**97,815,706**
Depreciation	**5,112,885**	**61,585,698**	**–**	**66,698,583**
Insurance	**33,585,459**	**–**	**–**	**33,585,459**
Outside services	**29,508,790**	**–**	**–**	**29,508,790**
Provision for inventory write-down	**26,348,084**	**–**	**–**	**26,348,084**
Others	**156,277,934**	**27,246,721**	**12,111,845**	**195,636,500**
Financial expenses	**37,493,623**	**–**	**–**	**37,493,623**
Other expenses	**27,170,084**	**–**	**–**	**27,170,084**
Provision for (benefit from) income tax	**257,387,335**	**14,396,782**	**(3,490,239)**	**268,293,878**
Net income (loss)	**₱923,104,595**	**₱33,592,490**	**(₱8,271,449)**	**₱948,425,636**

	2018			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱1,778,318,735	₱–	₱–	₱1,778,318,735
Financial income	532,910,823	–	427,139	533,337,962
Rent income	–	155,360,031	–	155,360,031
Other income	109,478,318	–	2,703,883	112,182,201
Cost of real estate sales	864,322,375	–	–	864,322,375
Operating expenses				
Personnel	264,173,043	–	956,314	265,129,357
Taxes and licenses	62,762,336	29,150,761	775,094	92,688,191
Professional fees	47,304,053	–	68,297	47,372,350
Insurance	35,638,587	–	2,029	35,640,616
Depreciation	7,260,772	67,376,488	–	74,637,260
Others	135,502,061	18,670,865	7,048,875	161,221,801
Financial expenses	27,716,036	–	–	27,716,036
Other expenses	42,134,486	–	–	42,134,486
Provision for (benefit from) income tax	160,414,722	12,048,575	(3,490,985)	168,972,312
Net income (loss)	₱773,479,405	₱28,113,342	(₱2,228,602)	₱799,364,145

	2017			
	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Revenue:				
Sales of real estate	₱2,370,136,562	₱–	₱–	₱2,370,136,562
Financial income	457,491,751	–	281,313	457,773,064
Rent income	–	140,691,939	–	140,691,939
Other income	105,207,823	–	1,372,314	106,580,137
Cost of real estate sales	1,160,477,491	–	–	1,160,477,491
Operating expenses				
Personnel	285,997,622	–	889,721	286,887,343
Taxes and licenses	52,723,209	10,950,466	785,384	64,459,059
Professional fees	41,562,865	–	410,411	41,973,276
Insurance	25,812,200	–	1,014	25,813,214
Depreciation	6,828,832	40,181,427	–	47,010,259
Others	99,310,848	28,813,653	7,939,270	136,063,771
Financial expenses	20,122,440	–	–	20,122,440
Other expenses	44,361,268	–	–	44,361,268
Provision for (benefit from) income tax	271,773,514	18,223,918	(4,591,083)	285,406,349
Net income (loss)	₱923,865,847	₱42,522,475	(₱3,781,090)	₱962,607,232

Segment Assets and Liabilities

December 31, 2019:

	Sales of Real Estate Properties	**Lease of Real Estate Properties**	**Pension Plan Operations**	**Total**
Total assets	**₱11,668,605,534**	**₱3,572,679,728**	**₱131,968,990**	**₱15,373,254,252**
Total liabilities	**3,427,860,287**	**5,778,303**	**41,705,567**	**3,475,344,157**
Additions to:				
Real estate properties held for future development	**17,553,765**	**–**	**–**	**17,553,765**
Investment properties	**–**	**8,341,490**	**–**	**8,341,490**

December 31, 2018:

	Sales of Real Estate Properties	Lease of Real Estate Properties	Pension Plan Operations	Total
Total assets	₱10,863,751,292	₱3,645,735,097	₱139,159,240	₱14,648,645,629
Total liabilities	3,384,673,558	11,772,045	41,705,567	3,438,151,170
Additions to:				
Real estate properties held for future development	806,845,125	–	–	806,845,125
Investment properties	–	18,360,249	–	18,360,249

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 projects. Revenue from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the following New Developer of 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:		
North Residences	2014-111	September 1, 2014 - August 31, 2017
One Taft Residences	2014-112	January 1, 2016 - December 31, 2018

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, 2019 and 2018.

33. **Events After Reporting Period**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020.

On May 29, 2020, the President of the Philippines declared that Metro Manila will be under general community quarantine beginning June 1 until June 15, 2020.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The COVID-19 pandemic may result to a decline in the sales of real estate properties. Further, due to the implementation of the ECQ, the construction of the Group's ongoing projects was also affected causing the percentage of completion to slow down.

The Group considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. The Group has implemented measures to manage the potential risks on the business operations. Some of these measures include online selling of real estate properties and processing of transactions. Advertisements through the social media platforms and sales promos were activated to attract potential investors.

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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 COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Cityland, Inc.
3/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, Inc. and its subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Aileen L. Saringan

Aileen L. Saringan
Partner
CPA Certificate No. 72557
SEC Accreditation No. 0096-AR-5 (Group A),
July 25, 2019, valid until July 24, 2022
Tax Identification No. 102-089-397
BIR Accreditation No. 08-001998-58-2018
February 26, 2018, valid until February 25, 2021
PTR No. 8125297, January 7, 2020, Makati City

June 10, 2020

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Cityland, Inc.
3/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, Inc. and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated June 10, 2020. 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 the Revised Securities Regulation Code Rule 68 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

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Partner
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June 10, 2020

CITYLAND, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I: Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

Schedule II: 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 the 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 III: Schedule of gross and net proceeds of commercial papers issued

Schedule IV: Supplementary schedule of financial soundness indicators

Schedule V: Map of the relationships of the companies within the group

SCHEDULE I

CITYLAND, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

The table below presents the reconciliation of retained earnings available for dividend declaration as of December 31, 2019:

Retained earnings, beginning	₱1,996,634,498
Deferred income tax assets, beginning	(5,062,426)
Fair value adjustment arising from repossessed inventories, beginning	(15,750,377)
Deemed cost adjustment in properties, net of tax	(862,575,118)
Retained earnings, as adjusted to available for dividend declaration, beginning	1,113,246,577
Add: Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	318,923,187
Fair value adjustment arising from repossessed inventories, net of tax	7,443,183
Movement in deferred income tax assets	(9,352,316)
Realized deemed cost adjustment in properties	(10,525)
	317,003,529
Less:	
Cash dividends declared during the year	150,516,548
Total retained earnings available for dividend declaration, end	₱1,279,733,558

SCHEDULE II

CITYLAND, INC. 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 Statement of Financial Position Date	Income Received and Accrued
Cash and Cash Equivalents				
Cash on hand and in banks	~~₱~~ –	₱48,923,464	₱48,923,464	₱111,419
Cash equivalents				
Amalgamated Investment Bancorporation	–	64,500,000	64,500,000	6,458,037
China Bank Savings	–	615,700,000	615,700,000	13,840,496
Chinatrust Banking Corporation	–	–	–	11,373,966
Citysavings Banks	–	–	–	11,945,199
Eastwest Bank	–	–	–	3,648,951
First Metro Investment Corporation	–	54,500,000	54,500,000	19,120,749
Malayan Bank	–	140,000,000	140,000,000	4,784,344
Maybank	–	212,000,000	212,000,000	1,319,729
Metro Bank	–	–	–	10,095,917
ORIX	–	–	–	4,905,676
Philippine National Bank	–	58,000,000	58,000,000	10,756,156
PNB Savings Bank	–	111,800,000	111,800,000	19,125,407
Philippine Savings Bank	–	115,000,000	115,000,000	1,986,349
Philippine Trust Company	–	448,100,000	448,100,000	24,983,198
Philippine Veterans Bank	–	–	–	472
RCBC Savings Bank	–	–	–	695,890
Security Bank Trust Corporation	–	–	–	209,289
United Coconut Planters Bank	–	–	–	573,271
UCPB Savings Bank	–	547,300,000	547,300,000	36,631,272
	~~₱~~ –	**₱2,415,823,464**	**₱2,415,823,464**	**₱182,565,787**

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 Statement of Financial Position Date	Income Received and Accrued
Short-Term Investments				
China Bank Savings	~~₱~~–	~~₱~~13,000,000	~~₱~~13,000,000	~~₱~~37,200
First Metro Investment Corporation	–	295,000,000	295,000,000	2,127,594
Philippine Trust Company	–	45,000,000	45,000,000	266,250
PNB Savings Bank	–	2,000,000	2,000,000	10,850
UCPB Savings Bank	–	48,750,000	48,750,000	362,419
	~~₱~~–	**~~₱~~403,750,000**	**~~₱~~403,750,000**	**~~₱~~2,804,313**
Long-Term Investments				
First Metro Investment Corporation	**~~₱~~–**	**~~₱~~465,000,000**	**~~₱~~465,000,000**	**~~₱~~1,592,223**

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 Statement of Financial Position Date	Income Received and Accrued
Financial Assets at FVOCI				
A. Brown	₱6,720	₱4,771	₱4,771	₱–
Ayala Corp. B-Preferred	227	227	227	–
Ayala Land B -Common	112	5,096	5,096	–
Ayala Land B -Preferred	25,312	2,531	2,531	–
Cebu Holdings	13,125	86,625	86,625	–
Empire East	768,805	330,586	330,586	–
Filinvest	272,440	408,660	408,660	–
First Holding B	5,126	353,438	353,438	–
PLDT Common	84	82,992	47,424	–
Swift foods	150	18	18	–
Union Bank	787	45,410	45,410	–
	1,092,888	**1,320,354**	**1,284,786**	**–**
Investments in Trust Funds	**–**	**36,750,063**	**36,750,063**	**–**
Installment Contracts Receivable and Contract Assets	**–**	**3,173,344,436**	**3,173,344,436**	**494,226,342**
Notes Receivable	**–**	**457,150,000**	**457,150,000**	**16,540,036**
Other Receivables	**–**	**58,632,880**	**58,632,880**	**–**
	₱–	**₱7,011,771,197**	**₱7,011,735,629**	**₱697,728,701**

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
CDC (subsidiary)	₱1,589,277	₱ 10,363,758	₱9,757,218	₱–	₱2,195,817	₱–	₱2,195,817
CLDI (subsidiary)	213,020	768,497	380,188	–	601,329	–	601,329
CPI (subsidiary)	41,154	1,145,509	544,950	–	641,713	–	641,713
CLHI (subsidiary)	327,150,000	–	–	–	–	327,150,000	327,150,000
CAI (subsidiary)	–	9,000	9,000	–	–	–	–

The Group's transactions with CDC, CLDI, CPI, CLHI and CAI are eliminated in the consolidated statements of financial position.

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 statement of financial position	Amount shown under caption "Long-Term Debt" in related statement of financial position
	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
CAI (Subsidiary)	₱20,567	₱–
Key management personnel	25,428,867	48,079,977

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 – P10 par value	135,000,000	129,198,754		–	86,878,715	42,320,039

SCHEDULE III

CITYLAND, INC.

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED

As of December 31, 2019

SEC-MSRD Order No. 35, Series of 2018 dated December 7, 2018

A. As stated in the Final Prospectus (December 7, 2018 to December 7, 2019)

Gross Proceeds		**₱805,000,000**
Less: Expenses		
Documentary Stamps Tax	₱6,037,500	
Registration Fees	582,013	
Printing Costs	40,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	6,719,763
Net Proceeds		**798,280,237**
Use of Proceeds		
Project-related Costs		475,568,708
Payment of Maturing Notes		311,056,739
Interest Expense		11,654,790
Total		**₱798,280,237**

B. Use of Proceeds (December 7, 2018 to December 7, 2019)

Gross Proceeds as of September 30, 2019	**₱2,491,300,000**	
Add: Issued Notes (October 1 to December 7, 2019)	605,600,000	
Total Gross Proceeds as December 7, 2019		**₱3,096,900,000**
Less: Expenses		
Documentary Stamps Tax	4,693,905	
Registration Fees	582,013	
Printing Costs	51,450	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	5,387,368
Total Net Proceeds		**3,091,512,632**
Less: Use of Proceeds		
Payment of Maturing Notes	2,759,807,981	
Project-related Costs	326,710,089	
Interest Expense	4,994,562	3,091,512,632
Balance of Proceeds as of December 7, 2019		**₱–**

SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019

A. As stated in the Final Prospectus (December 12, 2019 to December 12, 2020)

Gross Proceeds		**₱815,000,000**
Less: Expenses		
Documentary Stamps Tax	₱6,112,500	
Registration Fees	584,538	
Printing Costs	40,750	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	6,797,788
Net Proceeds		**808,202,212**
Use of Proceeds		
Project-related Costs		453,400,000
Payment of Maturing Notes		322,202,212
Interest Expense		32,600,000
Total		**₱808,202,212**

B. Use of Proceeds (December 12, 2019 to December 31, 2019)

Gross Proceeds as of September 30, 2019		
Add: Issued Notes (December 12 to December 31, 2019)	₱85,850,000	
Total Gross Proceeds as December 31, 2019		**₱85,850,000**
Less: Expenses		
Registration Fees	584,538	
Documentary Stamps Tax	114,834	
Publication Fees	30,000	
Legal and Accounting Fees	30,000	
Printing Costs	1,400	760,772
Total Net Proceeds		**85,089,228**
Less: Use of Proceeds		
Project-related Costs	85,089,228	
Payment of Maturing Notes	–	
Interest Expense	–	85,089,228
Balance of Proceeds as of December 31, 2019		**₱–**

C. Outstanding Commercial Papers as of December 31, 2019

SEC-MSRD Order No. 35, Series of 2018 dated December 7, 2018	₱433,350,000
SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019	85,850,000
TOTAL	**₱519,200,000**

CITYLAND DEVELOPMENT CORPORATION

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED

AS OF DECEMBER 31, 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 November 6, 2019)

Gross Proceeds as of September 30, 2019	**₱4,560,850,000**	
Add: Issued Notes (October 1 to November 6, 2019)	374,550,000	
Total Gross Proceeds as of November 6, 2019		**₱4,935,400,000**
Less: Expenses		
Documentary Stamps Tax	6,967,101	
Registration Fees	732,250	
Printing Costs	70,700	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	7,830,051
Total Net Proceeds		**4,927,569,949**
Less: Use of Proceeds		
Payment of Maturing Notes	3,924,880,645	
Project-related Costs	1,002,644,278	
Interest Expense	45,026	4,927,569,949
Balance of Proceeds as of November 6, 2019		**₱–**

SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019

A. As stated in the Final Prospectus (October 23, 2019 to October 23, 2020)

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		850,800,000
Payment of Maturing Notes		481,977,750
Interest Expense		55,860,000
Total		**₱1,388,637,750**

B. Use of Proceeds (October 23, 2019 to October 23, 2020)

Gross Proceeds as of September 30, 2019		
Add: Issued Notes (October 23 to December 31, 2019)	₱978,500,000	
Total Gross Proceeds as of December 31, 2019		₱978,500,000
Less: Expenses		
Documentary Stamps Tax	1,517,310	
Registration Fees	732,250	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	
Printing Costs	13,500	2,323,060
Total Net Proceeds		976,176,940
Less: Use of Proceeds		
Payment of Maturing Notes	658,269,448	
Project-related Costs	317,907,492	
Interest Expense	–	976,176,940
Balance of Proceeds as of December 31, 2019		**₱–**

C. Outstanding Commercial Papers as of December 31, 2019

SEC-MSRD Order No. 31, Series of 2018 dated November 6, 2018	₱217,550,000
SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019	978,500,000
TOTAL	**₱1,196,050,000**

CITY & LAND DEVELOPERS, INCORPORATED

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED

AS OF DECEMBER 31, 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 November 6, 2019)

Gross Proceeds as of September 30, 2019	**₱898,050,000**	
Add: Issued Notes (October 1 to November 6, 2019)	–	
Total Gross Proceeds as of November 6, 2019		**₱898,050,000**
Less: Expenses		
Documentary Stamps Tax	1,310,837	
Registration Fees	328,250	
Publication Fees	30,000	
Legal and Accounting Fees	30,000	
Printing Costs	15,050	1,714,137
Net Proceeds		**896,335,863**
Less: Use of Proceeds		
Project-related Costs	458,605,244	
Payment of Maturing Notes	437,730,619	
Interest Expense	–	896,335,863
Balance of Proceeds as of November 6, 2019		**₱–**

C. Outstanding Commercial Papers as of November 6, 2019

-MSRD Order No. 32, Series of 2018 dated November 6, 2018	–

SCHEDULE IV

CITYLAND, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	December 31		
	2019	2018	2017
Basic/diluted earnings per share	**4.51**	3.81	5.39
Return on equity (%)	**7.68%**	6.88%	10.18%
Solvency	**0.29**	0.25	0.31
Interest rate coverage	**37.96**	41.81	72.91
Asset-to-liability	**4.42**	4.26	4.30
Asset-to-equity	**2.02**	2.04	2.02
Debt-to-equity	**0.23**	0.27	0.32
Current	**2.67**	2.39	2.08
Acid-test ratio	**1.44**	1.45	1.45

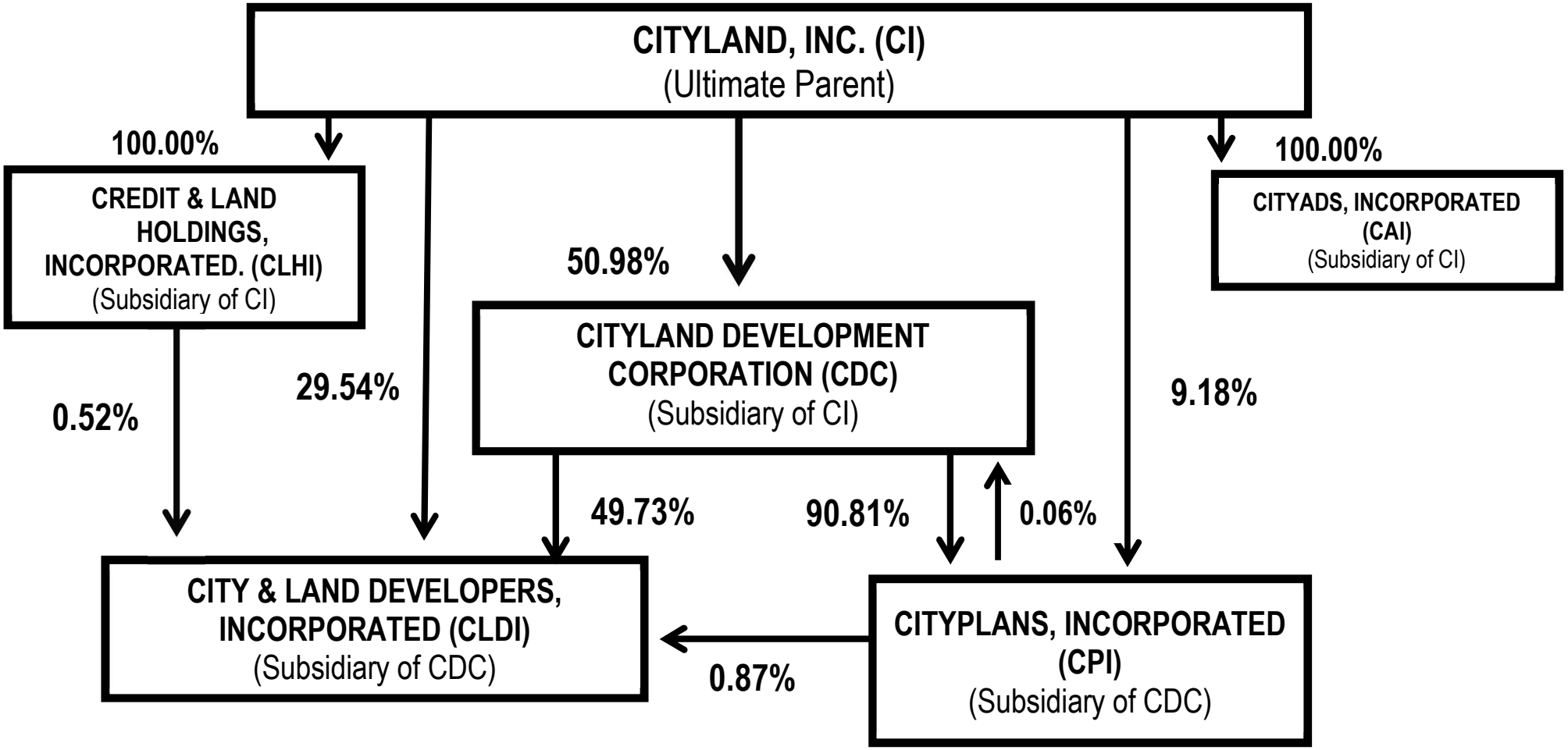
Manner of Calculation:

Basic/diluted earnings per share	=	Net income after Tax / Outstanding shares
Return on equity ratio	=	Net Income after Tax / Stockholder's Equity
Solvency ratio	=	Net Income after Tax + Depreciation Expense / Total Liabilities
Interest rate coverage ratio	=	Net Income Before 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 unrealized fair value changes on financial assets at fair value through FVOCI/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 unrealized fair value changes on financial assets at fair value through FVOCI/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 + Contract Assets, current + Notes Receivable, current + Other Receivables, current + Available-for-sale Financial Assets / Total Current Liabilities

SCHEDULE V

CITYLAND, INC.

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



CITYLAND e-MAIL

TAA FMSD <taa_fmsd@cityland.net>

Cityland, Inc._SEC Form 17Q_14August2020

3 messages

TAA FMSD <taa_fmsd@cityland.net> Fri, Aug 14, 2020 at 9:04 AM
To: ictdsubmission@sec.gov.ph, MSRD COVID19 <msrd_covid19@sec.gov.ph>
Cc: cgfd@sec.gov.ph, Officer Rudy Go <cdc_rg@cityland.net>
Bcc: Cityland FMSD <fmsd@cityland.net>

Dear Sir / Madam,

We are submitting herewith the SEC Form 17Q of Cityland, Inc. for the period ended June 30, 2020 with attached Notarized Certification. Due to the Modified Enhanced Community Quarantine implemented under Metro Manila and other nearby provinces, the Company cannot submit the notarized certification. Rest assured that such report shall be submitted to the SEC once the situation allows us to do so.

We hope that you will find everything in order. Also, we hope to receive your confirmation on the submission made by the Company.

Thank you very much.

Very truly yours,
Therese Aquino-Anoos
Cityland, Inc.

2 attachments

Cityland, Inc._Signed Certification_14August2020.pdf
57K

Cityland, Inc._SEC Form 17-Q_14August2020.pdf
6510K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> Fri, Aug 14, 2020 at 9:04 AM
To: taa_fmsd@cityland.net

Dear Customer,

SUCCESSFULLY ACCEPTED
(subject to verification and review of the quality of the attached document)

Thank you.

SEC ICTD.

MSRD COVID19 <msrd_covid19@sec.gov.ph> Fri, Aug 14, 2020 at 10:31 AM
To: TAA FMSD <taa_fmsd@cityland.net>
Cc: Officer Rudy Go <cdc_rg@cityland.net>, "LOURVIC D. PACIS" <ldpacis@sec.gov.ph>, "CATHERINE E. GALIZA" <cegaliza@sec.gov.ph>

Sir/Madam,

We acknowledge receipt of your email below and the attached documents thereto.

Thank you.

Regards,

MARKETS AND SECURITIES REGULATION DEPARTMENT
PHILIPPINE SECURITIES AND EXCHANGE COMMISSION

[Quoted text hidden]

COVER SHEET

SEC Registration Number

8	6	1	8	8						

COMPANY NAME

CITYLAND, INC. AND SUBSIDIARIES

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

3/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
17-Q	MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
fmsd@cityland.net	8-893-6060	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27 (As of June 30, 2020)	3rd 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	8-893-6060	N/A

CONTACT PERSON'S ADDRESS

3/F 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 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, 2020**

2. SEC Identification Number **86188** 3. BIR Tax Identification No. **000-662-829**

4. **CITYLAND, INC.**
   Exact name of issuer as specified in its charter

5. **Makati City, Philippines** 6. [ ] (SEC Use Only)
   Province, country or other jurisdiction of incorporation — Industry Classification Code

7. **3/F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City** — **1226**
   Address of Principal Office — Postal Code

8. **(632)-8-893-6060**
   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	**129,198,754** **(net of 587,123 treasury shares)**

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

    Yes [ ] No [**x**]

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 to the financial statements of Cityland, Inc. and Subsidiaries (the Group) are filed as part of this form (pages 13 to 82).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Based on the report released by the Philippine Statistics Authority last August 6, 2020, the gross domestic product (GDP) growth rate dropped by 16.50% in the second quarter of 2020, the lowest recorded quarterly growth starting 1981 series mainly due to the effect of the Covid-19 pandemic. In order to contain the outbreak, Metro Manila and some provinces were under community quarantine since mid-March 2020. Further, on August 2, 2020, President Rodrigo Duterte announced that Metro Manila, Laguna, Cavite, Rizal and Bulacan will be under modified enhanced community quarantine (MECQ) from August 4 to August 18, 2020. With the help of the government and the private sector, economic recovery is anticipated in 2021 assuming that the COVID-19 infections in the country are curbed within the year. The government's economic recovery programs are geared to cushion the impact of the pandemic. The "Build, Build, Build" infrastructure development program is projected to boost private consumption and drive economic growth. This program is expected to enhance regional connectivity and mobility which will pave the way for the real estate sector to flourish.

The COVID-19 pandemic has caused an impact on the real estate industry but the Group is optimistic that the industry will recover in due time. The Information Technology-Business Process Management (IT-BPM) has been a significant demand driver for office spaces, while the residential property market was driven by the young professionals, overseas workers and foreigners. Demand for office and residential units is expected to temporarily slowdown due to the COVID-19 pandemic. Due to the physical distancing which is required to be implemented in the workplaces, companies may need bigger spaces for their employees. With this, the Group is hopeful that rental income will increase in the subsequent periods. There may also be a demand for BPO sector as a result of global companies to outsource their businesses while their countries battle the effects of the pandemic. Moreover, lockdowns and quarantines had reduced people's mobility increasing online consumer activities. E-commerce activity is expected to thrive and will drive up the need for warehouse space for online retailers. Due to the new trends and opportunities, the real estate sector is well positioned to gradually recover from the impact of the COVID-19 pandemic.

1. Brief Company History

Cityland, Inc. (the Parent Company or CI) is a domestic corporation which is duly organized and existing under and by virtue of the laws of the Philippines since May 15, 1979 with the primary purpose of engaging in real estate development.

2. Subsidiaries

The Parent Company has a majority-owned subsidiary, Cityland Development Corporation (CDC), a publicly listed company, and two wholly-owned subsidiaries, Credit & Land Holdings, Inc. (CLHI) and Cityads Incorporated (CAI).

CDC has two majority-owned subsidiaries, City & Land Developers, Incorporated (CLDI), another publicly listed company, and Cityplans, Incorporated (CPI). The primary purpose of CI and its subsidiaries (the Group), which are all domiciled in the Philippines, 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, except for CPI which is engage in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing, and selling pension plans. The Group's registered office and principal place of business is at 2nd and 3rd Floors, Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Makati City.

CAI was incorporated on February 20, 1980 for the purpose of engaging in general advertising business. Its registered office and principal place of business is at 2F Cityland Condominium 10 Tower I, 156 H.V. Dela Costa Street, Salcedo Village, Makati City.

CLHI was incorporated on July 16, 1980 for the purpose of purchasing, selling or disposing of real and personal property of any kind including shares of stocks and securities. Its registered office and principal place of business is at 2F Cityland Condominium 10 Tower I, 156 H. V. Dela Costa Street, Salcedo Village, Makati City.

The Parent Company, CDC and CLDI are selling the following projects as of June 30, 2020:

CI

One Premier

One Premier is a 27-storey commercial and residential condominium project located in one of the upmarket addresses in the South - Alabang Premier, Km. 21 Alabang-Zapote Road, Brgy. Almanza Uno, Las Piñas City. It was designed in the style and function of metropolitan living with amenities like swimming pool, gym, playground, multi-purpose function room, viewing deck and 24-hour association security will ensure convenient living.

Estimated Date of Completion: June 2022

The Manila Residences II

The Manila Residences II is a 39-storey office, commercial and residential condominium located along Taft Avenue, Manila. Amenities include swimming pool, mini-gym, and sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

Tagaytay Prime Residences

Tagaytay Prime Residences is a 21-storey commercial and residential condominium located at Tagaytay Prime Rotunda, Brgy. San Jose, Tagaytay City. Amenities include common viewing balcony for residential floors, swimming pool, multi-purpose area, viewing deck with jogging path and a 24-hour association security.

The Manila Residences I

The Manila Residences I is a 39-storey office, commercial and residential condominium located along Taft Avenue. Amenities include swimming pool, mini-gym, sauna for men and women, function room, viewing deck, children's playground and 24-hour association security.

Tagaytay Country Homes 2-B

Tagaytay Country Homes 2-B is a residential subdivision located at Barangay Neogan, Tagaytay City. Features include multi-purpose hall, swimming pool and 24-hour association security.

CDC

Pioneer Heights 1

Pioneer Heights 1 is a 24-storey residential and commercial condominium to be located in Pioneer St., 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 residential and commercial condominium to be 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

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, Star Mall, Robinson's Place Pioneer, SM Megamall, The Podium, Metrowalk and schools like Lourdes School of Mandaluyong, St. Paul College and University of Asia and the Pacific. This project was completed in May 2019.

Pines Peak Tower I

Pines Peak Tower I is a 27-storey residential condominium located at Union corner Pines St., Barangka, Mandaluyong City. 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.

CDC is also leasing out the following buildings:

- *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.

CLDI

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 accessible 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

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. The project was turned over in March 2018.

Pacific Regency

Pacific Regency is a 38-storey commercial, office and residential condominium located at Pablo Ocampo Sr. Ave. (formerly Vito Cruz Street) in front of Rizal Memorial Sports Complex in Manila. Amenities and facilities include swimming pool, gymnasium, separate sauna for male and female, function room, children's playground, 24-hour association security, viewing area and jogging areas at the roof deck.

Future Projects

The following are the future projects of the Group:

CI

Two Premier

Two Premier is a commercial and residential condominium project to be located at Alabang Zapote Road, Barangay Almanza Uno, Las Piñas City. This project is to be located beside One Premier.

CDC

Pioneer Heights 2

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

CLDI

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 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.

The Parent Company and its subsidiaries (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 come from sales of condominium units and real estate projects, collection of installment contracts receivable, contract assets and rental income from leased properties, maturing short-term and long-term investments and notes receivable and other sources such as interest income and dividend income. External sources come from SEC-registered commercial papers.

The estimated development cost of ₱123.55 million as of June 30, 2020 representing the cost to complete the development of real estate projects sold and the contract payable amounting to approximately ₱1.00 million representing the liabilities from the contracts to purchase land held to future development will be sourced through:

a. Sales of condominium units and real estate projects
b. Collection of installment contracts receivables and contract assets
c. Maturing short-term and long-term investments and notes receivable
d. Issuance of SEC-registered commercial papers

Financial Condition (June 30, 2020 vs. December 31, 2019)

The Group's balance sheet as of June 30, 2020 remained solid with total assets of ₱15.53 billion, slightly higher by 1.01% as compared to the balance as of December 31, 2019 of ₱15.37 billion. The increase was substantially attributed to the increase in cash and cash equivalents, short term cash investments, installment contracts receivable, real estate properties for sale, real estate properties held for future development and property and equipment. Sales of real estate properties, collection of

installment contracts receivable, contract assets and other receivables increased cash and cash equivalents and short-term investments. Due to the COVID-19 pandemic, collections of receivables were deferred to comply with the Bayanihan to Heal as One Act resulting to the increase in installment contracts receivable by ₱54.75 million. The Group also purchased an office equipment amounting to ₱6.79 million which increased the property and equipment account. 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 0.69% to 2.44% as of June 30, 2020 and 1.19% to 4.25% as of December 31, 2019.

Majority of funds were used for operations, payment of liabilities and to finance the Group's on-going condominium projects, Pioneer Heights 1, 101 Xavierville, One Premier and One Taft Residences. Excess funds were invested in both short-term and long-term investments to increase interest earnings and maintain liquidity. The financial position remained stable as cash and cash equivalents and short-term investments stood at ₱2,618.99 million and ₱706.09 million, respectively as of June 30, 2020.

On the liabilities side, total liabilities decreased by 4.21% from ₱3.48 billion as of December 31, 2019 to ₱3.33 billion as of June 30, 2020. The decline was primarily due to the partial payment of accounts payable, accrued expenses and notes payable.

Total equity as of June 30, 2020 stood at ₱12.20 billion from ₱11.90 billion as of December 31, 2019, slightly higher by 2.54%, due to comprehensive income of ₱301.68 million.

As a result of the foregoing, the Group registered a current and acid test ratio of 3.01:1 and 1.68:1, respectively as of June 30, 2020, as compared to 2.67:1 and 1.44:1, respectively as of December 31, 2019. Asset-to-liability and debt-to-equity remained stable at 4.66:1 and 0.20:1, respectively, as of June 30, 2020, as compared to 4.42:1 and 0.23:1, respectively as of December 31, 2019.

Results of Operation (June 30, 2020 vs. June 30, 2019)

Sales of real estate properties reached ₱432.58 million, or 60.68% lower as compared to the same period last year of ₱1,100.18 million. The decrease in sales of some projects was partially due to the high sell-out rates last year. In addition, the quarantine measures imposed since mid-March 2020 due to the COVID-19 pandemic has also affected the Group's sales.

As of June 30, 2020, CI contributed 25.81% of total Group's sales amounting to ₱111.67 million from ₱247.94 million of the same period last year. Sales were substantially generated from One Premier which contributed ₱56.94 million and reached a completion rate of 51.31% as of June 30, 2020, while The Manila Residences II generated sales of ₱33.77 million. Additional sales were also generated from the remaining inventory of The Manila Residences Towers I and II and Tagaytay Prime Residences.

Total sales of the Group was substantially generated from CDC reaching ₱237.96 million which is equivalent to 55.01% of the total Group's sales. Sales substantially came from Pioneer Heights I, Pines Peak Tower II and 101 Xavierville. Construction of these three projects were in full swing prior to the lockdown in Luzon in mid-March 2020 which consequently increased the percentage of completion. Pines Peak Tower II was completed in May 2019 while Pioneer Heights 1 and 101 Xavierville reached a percentage of completion of 27.97% and 39.98%, respectively as of June 30, 2020. In addition, the Group also sold the remaining units of Grand Central Residences and Pines Peak Tower I.

Further, the subsidiaries, CLDI and CPI contributed 18.51% and 0.67%, respectively of the total sales. Sales of CLDI reached ₱80.06 million as of June 30, 2020 as compared to the same period last year of ₱236.55 million. Sales for the quarter was driven by One Taft Residences and North Residences. Aside from the effects of the COVID-19 pandemic, the 66.15% decrease in sales was due to lower sales generated from North Residences since this project was already sold at 89.55% as of

December 31, 2019. One Taft Residences was in full blast construction prior to the lockdown resulting to a percentage of completion of 62.18% as of June 30, 2020 from 42.73% as 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, cash and cash equivalents, short-term and long-term investments and notes receivables contributed 31.98% of total revenues. Likewise, rent income grew by 41.07% from ₱79.61 million as of June 30, 2019 to ₱112.31 million as of June 30, 2020. Rent income significantly came from the new lease contracts entered by the Group from July 2019 to June 2020 and income generated from lease operations of CityNet Central, CityNet1 and other properties which were held for lease. Other revenue, on the other hand, were primarily due to adjustment of market value of repossessed units, penalties charged to clients, and other miscellaneous income. Revenue contribution of this account decreased by 11.34%, amounting to ₱74.80 million as of June 30, 2020 from ₱84.36 million for the quarter ended June 30, 2019.

On the cost side, cost of real estate sales decreased due to lower sales. On the other hand, operating expenses decreased due to lower personnel expenses, taxes and licenses, depreciation, professional fees, light, power and water, outside services, brokers' commission, insurance expense, advertising and promotions, rent expense, donations and contributions and stationery and office supplies. As for the financial expenses, the partial settlement of notes payable and decrease in interest rates significantly eased interest expense from ₱25.64 million as of June 30, 2019 to ₱6.64 million as of June 30, 2020. Provision for income tax decreased by 33.57% due to lower taxable income, deferred income tax and final tax on interest income.

As a result of the foregoing, the Group ended with a net income of ₱303.48 million as of June 30, 2020, lower by 37.60% as compared to the same period last year of ₱486.33 million. This translated to annualized earnings per share and return on equity of ₱2.98 and 4.94% as compared to the same period last year of ₱4.67 and 8.07%, respectively.

Financial Ratios

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	June 30, 2019 (Unaudited)
Basic/Diluted Earnings per share*	**₱2.98**	₱4.51	₱4.67
Return on equity (%)*	**4.94%**	7.68%	8.07%
Solvency*	**0.20**	0.29	0.32
Interest rate coverage	**69.36**	37.96	27.74
Asset-to-liability	**4.66**	4.42	4.54
Asset-to-equity	**1.99**	2.02	1.98
Debt-to-equity	**0.20**	0.23	0.24
Current	**3.01**	2.67	2.64
Acid-test ratio	**1.68**	1.44	1.70

**Annualized for the period of June 30, 2020 and June 30, 2019.*

Manner of Calculations:

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

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

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

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

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 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 equity instruments designated at fair value through other comprehensive income 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 cash investments + Current portion of installment contracts receivable + Current portion of contract assets +Current portion of notes receivable + Current portion of other receivables / Total current liabilities

1. Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)

The COVID-19 pandemic has not significantly affected the Group's liquidity position as of June 30, 2020.

2. Internal and External Sources of Liquidity

Internal sources come from sales of condominiums and real estate projects, collection of installment contracts receivable and contract assets, maturing short-term and long-term investments and notes receivable, and other sources such as rental income, interest income and dividend income. External sources come from issuance of commercial papers.

3. Any Material Commitments for Capital Expenditures and Expected Sources of Funds of such Expenditures

The estimated development cost of ₱123.55 million as of June 30, 2020 representing the cost to complete the development of real estate projects sold and the contract payable amounting to approximately ₱1.00 million representing the liabilities from the contracts to purchase land held to future development will be sourced through:

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

4. Any Known Trend or Events or Uncertainties (Material Impact on Net Sales or Revenues or Income)

On March 16, 2020, Philippine President Rodrigo Duterte declared the entire Luzon area under "enhanced community quarantine" restricting movement of the population in response to the growing pandemic of the Coronavirus disease 2019 (COVID-19) in the country. This has been extended in the National Capital Region and in some other affected areas until May 31, 2020. On June 1, 2020, the Philippine government eased the quarantine restrictions in Metro Manila and other provinces. On August 2, 2020, Metro Manila, Laguna, Cavite, Rizal and Bulacan were placed under MECQ from August 4 to 18, 2020. These quarantine measures have disrupted economic activities in the first semester of 2020 and had an impact on the actual sales of the Group.

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

There were no significant elements of income or loss that did not arise from continuing operations.

6. Any Event that Will Trigger Direct or Contingent Financial Obligation that is Material to Company

There were no events that triggered direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

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

FINANCIAL CONDITION (June 30, 2020 vs December 31, 2019)

a. Increase in Cash and Cash Equivalents was substantially due to collections from sales and lease of real estate properties, collection of receivables and contract assets and maturity of notes receivable.
b. Increase in Short-term Investments was due to sales of real estate properties and collection of receivables and contract assets.
c. Net increase in Installment Contract Receivables was due to sale of condominium units held for lease by CPI and increase in past due accounts brought about by the government's implementation of the deferment of collection of monthly amortizations in line with the Bayanihan to Heal as One Act.
d. Decrease in Contract Asset was due to collections received as of June 30, 2020 and lower sales.
e. Increase in Other Receivables was substantially due to higher rent receivable and retention.
f. Increase in Real Estate Properties for Sale was primarily due to additional development cost incurred, capitalized borrowing costs, forfeitures of real estate properties and transfer of properties from investment properties.
g. Increase in Investments in Trust Fund was due to additional contribution to the fund.
h. Net increase in Cost to Obtain Contract was due to recognition of prepaid commission in relation to the sale of ongoing projects.
i. Decrease in Long-term Investments was due to maturity of placements.
j. Decrease in Notes Receivable was due to maturity of placements.
k. Increase in Real Estate Properties Held for Future Development was due to additional costs incurred.
l. Decrease in Investment Properties was due to depreciation recognized on the buildings for lease and transfer of properties to real estate properties for sale.
m. Increase in Property and Equipment was due to recognition of right-of-use assets as a result of long-term lease contracts entered into by the Group and purchase of office equipment.
n. Increase in Deferred Income Tax Assets was due to increase in realized gain on sale of real estate transactions and accrued expenses of CLDI.
o. Net decrease in Other Assets was substantially due to utilization of input VAT and prepaid asset.
p. Net decrease in Accounts Payable and Accrued Expenses was substantially due to partial settlement of trade payables, payment of accrued development cost, sick leave, interest payable and withholding tax.
q. Decrease in Notes and Contracts Payable was due to partial settlement of matured notes payable.
r. Net increase in Contract Liabilities was due to higher actual collections as compared to collections based on the percentage of completion of ongoing project.
s. Decrease in Income Tax Payable was due to payment.
t. Decrease in Pre-need and Other Reserves was due to maturities and termination of pension plan.
u. Increase in Deferred Income Tax Liabilities - net was primarily due to higher deferred income tax liabilities from capitalized borrowing costs, unrealized gain on real estate transactions, cost to obtain contract and rent receivables.

v. Increase in Retained Earnings was due to net income recognized as of June 30, 2020.
w. Decrease in Unrealized Fair Value Changes on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) was due to decrease in market value of financial assets at FVOCI.
x. Increase in Non-Controlling Interest was due to net income of subsidiaries.

RESULTS OF OPERATION (June 30, 2020 vs June 30, 2019)

a. Decrease in Sales of Real Estate Properties was primarily due to lower sales generated from Pines Peak Tower II, Grand Central Residences and North Residences since the majority of inventories were sold last year. In addition, sales of the Group were also affected by quarantine measures and economic impact brought about by the COVID-19 pandemic.
b. Decrease in Financial Income was due to lower interest income from installment contracts receivables, contract assets, cash equivalents and short-term and long-term investments.
c. Increase in Rental Income was due to rentals earned from the buildings for lease, CityNet 1 and CityNet Central, and additional long-term lease contracts entered by the Group.
d. Decrease in Other Income was due to the decrease in miscellaneous and other income.
e. Decrease in Cost of Real Estate Sales was due to decrease in sales as this moves in tandem with the sales of real estate properties.
f. Decrease in Operating Expenses was due to lower personnel expenses, taxes and licenses, depreciation, professional fees, outside services, brokers' commission, insurance expense, advertising and promotions, postage, telephone and telegraph, rent expense, donations and contributions and stationery and office supplies.
g. Decrease in Financial Expenses was substantially due to lower interest rates of commercial papers and partial settlement of notes payable.
h. Increase in Other Expenses was due to higher forfeiture/cancellation of prior years' sales.
i. Decrease in Provision for Income Tax was due to lower taxable income, lower deferred income tax and lower provision for final tax on interest income.
j. Decrease in Net Income was due to decline in revenues.

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

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

9. Items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents

There are no unusual items affecting assets, liabilities, equity, net income or cash flows.

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

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

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

The Parent Company and CDC issued commercial papers during the period with total outstanding balance of ₱1.58 billion as of June 30, 2020.

12. 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.

13. Effect 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 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.

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

The Company'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, 2020 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, 2019. There are no any events or transactions that are material to an understanding of the current interim period.

PART II – OTHER INFORMATION

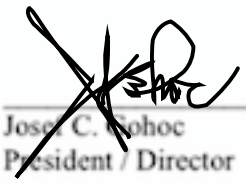
Disclosures not made under SEC Form 17 – C

There are no reports that were not made under SEC Form 17 – C.

SIGNATURES

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, INC.**



Date: August 13, 2020

Jose C. Gohoc
President / Director

Date: August 13, 2020

Rudy Go
Senior Vice President / Compliance Officer

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of	
	UNAUDITED	AUDITED
	June 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,618,985,942**	₱2,415,823,464
Short-term investments (Note 4)	**706,089,550**	403,750,000
Current portion of:		
Installment contracts receivable (Note 6)	**69,155,512**	9,117,908
Contract assets (Note 6)	**434,782,177**	465,248,496
Cost to obtain contracts (Note 6)	**23,678,675**	18,029,596
Notes receivable (Note 7)	**20,000,000**	200,000,000
Other receivables (Note 8)	**68,591,973**	56,687,176
Investments in trust funds (Note 5)	**7,230,888**	5,987,496
Real estate properties for sale (Note 9)	**3,021,041,348**	2,949,320,773
Other current assets (Note 13)	**44,914,827**	51,862,821
Total Current Assets	**7,014,470,892**	6,575,827,730
Noncurrent Assets		
Long-term investments (Note 4)	**435,000,000**	465,000,000
Installment contracts receivable - net of current portion (Note 6)	**28,487,714**	33,779,791
Contract assets - net of current portion (Note 6)	**2,431,257,467**	2,665,198,241
Cost to obtain contracts - net of current portion (Note 6)	**25,506,282**	29,127,025
Notes receivable - net of current portion (Note 7)	**257,150,000**	257,150,000
Other receivables - net of current portion (Note 8)	**2,020,409**	1,945,704
Investments in trust funds - net of current portion (Note 5)	**31,903,455**	30,762,567
Real estate properties held for future development (Note 10)	**1,585,896,091**	1,583,401,899
Investment properties (Note 11)	**3,541,791,491**	3,572,679,728
Property and equipment (Note 12)	**73,543,867**	64,747,057
Net retirement plan assets (Note 24)	**11,323,185**	11,323,185
Deferred income tax assets - net (Note 25)	**11,423,154**	8,192,586
Other noncurrent assets (Note 13)	**78,771,052**	74,118,739
	8,514,074,167	8,797,426,522
TOTAL ASSETS	**₱15,528,545,059**	₱15,373,254,252
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱336,227,127**	₱427,481,345
Contract liabilities (Note 6)	**395,081,200**	272,482,960
Notes and contracts payable (Note 15)	**1,584,396,191**	1,716,246,191
Income tax payable	**12,151,576**	48,535,922
Current portion of pre-need and other reserves (Note 5)	**2,133,952**	2,133,952
Total Current Liabilities	**2,329,990,046**	2,466,880,370
Noncurrent Liabilities		
Accounts payable and accrued expenses - net of current portion (Note 14)	**197,485,902**	188,691,188
Contract liabilities - net of current portion (Note 6)	**334,629,673**	355,084,995
Pre-need and other reserves - net of current portion (Note 5)	**36,323,871**	38,416,302
Net retirement benefits liability (Note 24)	**15,410,620**	15,410,620
Deferred income tax liabilities - net (Note 25)	**415,116,064**	410,860,682
Total Noncurrent Liabilities	**998,966,130**	1,008,463,787
Total Liabilities	**3,328,956,176**	3,475,344,157

(Forward)

	As of	
	UNAUDITED	AUDITED
	June 30, 2020	December 31, 2019
Equity		
Attributable to Equity Holders of the Parent Company		
Capital stock - ₱10 par value (Note 16)		
Authorized - 135,000,000 shares		
Issued – 129,198,754 shares (net of 587,123 treasury shares) held by 27 equity holders as of June 30, 2020 and December 31, 2019	**₱1,297,858,770**	₱1,297,858,770
Other equity reserves	**72,536,291**	72,536,291
Unrealized fair value changes on financial assets at FVOCI (Note 13)	**503,432**	1,580,331
Accumulated re-measurement loss on defined benefit plan - net of deferred income tax effect (Note 24)	**(32,799,442)**	(32,799,442)
Retained earnings	**6,446,270,638**	6,253,958,807
	7,784,369,689	7,593,134,757
Non-controlling interests	**4,415,219,194**	4,304,775,338
Total Equity	**12,199,588,883**	11,897,910,095
TOTAL LIABILITIES AND EQUITY	**₱15,528,545,059**	₱15,373,254,252

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	UNAUDITED			
	2nd Qtr 2020	2nd Qtr 2019	**For the 6-months ending June 30, 2020**	For the 6-months ending June 30, 2019
REVENUE				
Sales of real estate properties (Note 6)	₱62,788,480	₱553,408,904	**₱432,584,309**	₱1,100,184,794
Financial income (Note 21)	130,486,939	181,276,479	**291,330,762**	361,240,515
Rent income (Note 11)	59,676,239	37,892,033	**112,313,436**	79,613,557
Other income (Note 23)	25,760,385	34,861,935	**74,797,293**	84,361,571
	278,712,043	807,439,351	**911,025,800**	1,625,400,437
COST AND EXPENSES				
Cost of real estate sales (Note 9)	40,964,023	312,923,232	**226,653,756**	606,746,258
Operating expenses (Note 18)	89,325,414	177,451,604	**270,039,001**	362,481,479
Financial expenses (Note 22)	2,671,929	12,500,892	**6,637,817**	25,638,787
Other expenses (Note 23)	2,227,254	7,012,435	**21,254,366**	19,318,834
	135,188,620	509,888,163	**524,584,940**	1,014,185,358
INCOME BEFORE INCOME TAX	143,523,423	297,551,188	**386,440,860**	611,215,079
PROVISION FOR INCOME TAX (Note 25)	30,934,414	67,205,746	**82,962,491**	124,884,568
NET INCOME	₱112,589,009	₱230,345,442	**₱303,478,369**	₱486,330,511
Attributable to:				
Equity holders of the parent			**₱192,310,280**	₱301,423,068
Non-controlling interests			**111,168,089**	184,907,443
			₱303,478,369	₱486,330,511
BASIC/DILUTED EARNINGS PER SHARE (Note 28)			**₱1.49**	₱2.33

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	UNAUDITED			
	2nd Qtr 2020	2nd Qtr 2019	**For the 6-months ending June 30, 2020**	For the 6-months ending June 30, 2019
NET INCOME	₱112,589,009	₱230,345,442	**₱303,478,369**	₱486,330,511
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of financial assets at FVOCI (Note 13)	(85,443)	142,670	**(1,802,624)**	409,196
	(85,443)	142,670	**(1,802,624)**	409,196
TOTAL COMPREHENSIVE INCOME	₱112,503,566	₱230,488,112	**₱301,675,745**	₱486,739,707
Attributable to:				
Equity holders of the parent			**₱191,233,381**	₱301,716,656
Non-controlling interests			**110,442,364**	185,023,051
			₱301,675,745	₱486,739,707
BASIC/DILUTED EARNINGS PER SHARE			**₱1.48**	₱2.34

See accompanying Notes to Consolidated Financial Statements.

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Other Equity Reserves	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	Subtotal	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2020	**₱1,297,858,770**	**₱72,536,291**	**₱1,580,331**	**(₱32,799,442)**	**₱6,253,958,807**	**₱7,593,134,757**	**₱4,304,775,338**	**₱11,897,910,095**
Net income	–	–	–	–	**192,310,280**	**192,310,280**	**111,168,089**	**303,478,369**
Other comprehensive loss	–	–	**(1,076,899)**	–	–	**(1,076,899)**	**(725,725)**	**(1,802,624)**
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	**1,551**	**1,551**	**1,492**	**3,043**
BALANCES AT JUNE 30, 2020	**₱1,297,858,770**	**₱72,536,291**	**₱503,432**	**(₱32,799,442)**	**₱6,446,270,638**	**₱7,784,369,689**	**₱4,415,219,194**	**₱12,199,588,883**

	Capital Stock (Note 16)	Other Equity Reserves	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	Subtotal	Non-controlling Interests	Total
BALANCES AT JANUARY 1, 2019	**₱1,297,858,770**	**₱72,536,291**	**₱945,268**	**(₱24,799,453)**	**₱5,818,846,950**	**₱7,165,387,826**	**₱4,045,106,633**	**₱11,210,494,459**
Net income	–	–	–	–	301,423,068	301,423,068	184,907,443	486,330,511
Other comprehensive loss	–	–	293,588	–	–	293,558	115,608	409,196
Cash dividends declared by subsidiaries							(103,406,419)	(103,406,419)
Transfer of deferred income tax liability on deemed cost adjustment of property and equipment absorbed through depreciation	–	–	–	–	38,635	38,635	37,150	75,785
Transfer of deferred tax liability on deemed cost adjustment of properties realized through sale	–	–	–	–	2,395,614	2,395,614	2,303,511	4,699,125
BALANCES AT JUNE 30, 2019	**₱1,297,858,770**	**₱72,536,291**	**₱1,238,856**	**(₱24,799,453)**	**₱6,122,704,267**	**₱7,469,538,731**	**₱4,129,063,926**	**₱11,598,602,657**

CITYLAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

			UNAUDITED	
	2nd Qtr 2020	2nd Qtr 2019	**As of June 30, 2020**	As of June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱143,523,423	₱297,551,188	**₱386,440,860**	₱611,215,079
Adjustments for:				
Interest income (Note 21)	(130,483,620)	(181,250,169)	**(291,327,443)**	(361,208,402)
Depreciation (Notes 18 and 20)	16,765,182	16,505,300	**33,264,464**	34,015,731
Interest expense - net of amounts capitalized (Note 22)	2,493,538	11,437,298	**5,829,640**	23,829,393
Interest expense - lease liabilities (Note 22)	157,591	144,090	**310,277**	296,594
Trust fund income (Note 23)	(234,766)	(479,160)	**(758,191)**	(906,452)
Gain on sale of shares of stocks (Note 13)	–	–	**(32,660)**	–
Dividend income (Note 21)	(3,319)	(26,310)	**(3,319)**	(32,113)
Operating income before working capital changes	32,218,029	143,882,237	**133,723,628**	307,209,830
Decrease (increase) in:				
Installment contracts receivable (Note 6)	(35,319,861)	(3,816,034)	**(54,745,527)**	(7,116,087)
Contract assets (Note 6)	183,505,663	(14,115,959)	**264,407,093**	95,136,060
Other receivables (Note 8)	(17,183,893)	(113,048)	**(15,139,500)**	10,536,449
Real estate properties for sale (Note 9)	(54,487,030)	(103,911,569)	**(63,801,622)**	(208,784,925)
Real estate properties held for future development (Note 10)	348,191	(18,752,665)	**(2,494,192)**	(49,139,561)
Cost to obtain contracts (Note 6)	(502,238)	(3,317,445)	**(2,028,336)**	(5,707,426)
Other assets (Note 13)	(7,478,136)	806,363	**2,201,977**	19,560,385
Increase (decrease) in:				
Accounts payable and accrued expenses (Note 14)	7,702,093	76,244,314	**(84,800,122)**	86,068,766
Contract liabilities (Note 6)	32,688,893	(4,509,719)	**102,142,918**	(106,987,989)
Pre-need and other reserves (Note 5)	(856,189)	(869,540)	**(2,092,431)**	(1,179,830)
Net cash generated from operations	140,635,522	71,526,935	**277,373,886**	139,595,672
Interest received	129,877,921	182,879,200	**294,487,441**	366,231,054
Income taxes paid, including creditable and final withholding taxes	(78,709,614)	(78,821,708)	**(118,318,980)**	(124,209,893)
Net cash flows from operating activities	191,803,829	175,584,427	**453,542,347**	381,616,833
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from matured (purchase of) investments (Note 4)	(129,890,483)	(309,960,000)	**(272,339,550)**	898,940,000
Maturity of notes receivable (Note 7)	180,000,000	599,000,000	**180,000,000**	686,500,000
Additions to:				
Investment properties (Note 11)	(142,857)	(1,632,069)	**(6,930,185)**	(2,179,694)
Property and equipment (Note 12)	–	–	**(6,785,714)**	–
Contributions to investments in trust funds (Note 5)	(3,350,993)	(3,419,654)	**(3,350,993)**	(3,419,654)
Proceeds from sale of shares of stock	–	–	**48,644**	–
Dividends received	3,319	26,310	**3,319**	32,113
Withdrawals from trust funds	–	230,191	–	230,191
Net cash flows from (used in) investing activities	46,618,986	284,244,778	**(109,354,479)**	1,580,102,956

(Forward)

	UNAUDITED			
	2nd Qtr 2020	2nd Qtr 2019	**As of June 30, 2020**	As of June 30, 2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of notes payable (Note 15)	₱1,130,350,000	₱2,100,900,000	**₱3,062,750,000**	₱4,430,900,000
Payments of notes payable (Note 15)	(1,216,450,000)	(2,149,100,000)	**(3,194,600,000)**	(4,543,650,000)
Interest paid, net of capitalized borrowing costs (Notes 14 and 15)	(3,650,023)	(12,255,244)	**(7,024,578)**	(25,164,909)
Payment of principal portion of lease liabilities	(1,161,798)	(645,942)	**(2,150,812)**	(1,279,383)
Dividends paid (Note 14)	–	(93,470,920)	–	(93,534,177)
Net cash flows used in financing activities	(90,911,821)	(154,572,106)	**(141,025,390)**	(232,728,469)
NET INCREASE IN CASH AND CASH EQUIVALENTS	147,510,994	305,257,099	**203,162,478**	1,728,991,320
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,471,474,948	2,257,453,787	**2,415,823,464**	833,719,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱2,618,985,942	₱2,562,710,886	**₱2,618,985,942**	₱2,562,710,886

CITYLAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cityland, Inc. (the Parent Company) was incorporated in the Philippines on May 15, 1979. The Parent Company has a majority owned subsidiary, namely, Cityland Development Corporation (CDC), a publicly listed company, and two wholly owned subsidiaries, namely, Credit & Land Holding, Inc. (CLHI) and Cityads, Incorporated (CAI). CDC has two majority owned subsidiaries, namely, City & Land Developers, Incorporated (CLDI), another publicly listed company, and Cityplans, Incorporated (CPI). The primary purpose of the Parent Company and its subsidiaries (the Group), which are all incorporated and domiciled in the Philippines, 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. In addition, CPI is engaged in the business of establishing, organizing, developing, maintaining, conducting, operating, marketing and selling pension plans.

The Group's registered office and principal place of business is 2/F and 3/F, Cityland Condominium 10 Tower I, 156 H.V. de la 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 profit or loss, financial assets measured at fair value through other comprehensive income (FVOCI) and investment properties included in the investments in trust funds account. 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 Changes 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 Company has adopted the following new accounting pronouncements starting 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. There were no business combinations made as of June 30, 2020.

- 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.

  The amendments have no significant impact to the Group's consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase
Assets	
Property and equipment	₱8,879,228
Liabilities	
Lease liabilities	8,879,228

  The Group has lease contracts for various items of plant assets. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

  Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it**:**

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the preceding page, as at January 1, 2019:

- Property and equipment was recognized amounting to ₱8.88 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱8.88 million were recognized.

The lease liabilities at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Lease term of 53 months	
Operating lease commitments as at December 31, 2018	₱8,282,650
Weighted average incremental borrowing rate at January 1, 2019	7.03%
Discounted operating lease commitments at January 1, 2019	7,027,943
Lease term of 23 months	
Operating lease commitments as at December 31, 2018	1,981,384
Weighted average incremental borrowing rate at January 1, 2019	6.88%
Discounted operating lease commitments at January 1, 2019	1,851,285
Lease liabilities recognized at January 1, 2019	**₱8,879,228**

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liabilities.

- 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*. It 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 is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty.

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, 2020 and December 31, 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's consolidated financial statements.

- 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 had no impact on the consolidated financial statements of Group as it did not have any plan amendments, curtailments, or settlements during the period.

- 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*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

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.

  Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, Borrowing Cost) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities. On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

  This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate properties for sale, deferred income tax liability and opening balance of retained earnings.

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.

These subsidiaries, and the percentage of ownership of the Parent Company as of June 30, 2020 and December 31, 2019 are as follows:

	Percentage of Ownership	Nature of Activity
Direct:		
CAI	100.00	Advertising
CLHI	100.00	Holding
CDC	50.98	Real estate
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%):		
CLDI	54.89	Real Estate
CPI	55.47	Pre-need pension plans

A subsidiary is an entity that is controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the 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 Parent Company 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 Parent Company 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 the 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 and Long-term Investments
Short-term investments are investments with maturities of more than three months but not exceeding one year from dates of acquisition. Long-term investments pertain to bond investments that have maturities of more than one year from the dates of acquisition.

Fair Value Measurement
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 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 input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level 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

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 contracts receivable 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 and cash equivalents, short-term and long-term investments, installment contracts receivable, contract assets, notes receivables, other receivables and deposits under "Other noncurrent assets".

Financial assets at FVOCI (debt instruments)
The Group measures debt instruments at FVOCI 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) 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 statement of profit or loss 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, 2020 and December 31, 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 financial assets 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 profit or loss 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. Financial assets at FVOCI 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, 2020 and December 31, 2019.

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 Group's 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 contracts receivable 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 contract 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 consolidated statement of income 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 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, 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.

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 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
Office premises:	
Building	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 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)
Revenue, 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 CPI.
    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 CPI in the last three years.

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

- Based on CPI'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 2019 and 2018, CPI 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 CPI 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, 2020 and December 31, 2019, CPI's actual trust fund balance is lower than the resulting PNR (see Note 5).

Other reserves
CPI 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, CPI 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 Group 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 Group, 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 shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Revenue Recognition

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,

electricity, air-conditioning and common use service area 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
The Group derives 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 Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. For CPI, 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.

In measuring the progress of its performance obligation over time, the Group uses 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 Group 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 is recorded either as installment contracts receivable (unconditional) or contract asset (conditional) while the excess of collection over progress of work is recorded as contract liability.

Any excess of collections over the total of recognized installment contracts receivable is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Sales of real estate properties (CPI)
CPI 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
The Group recognizes 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 Group recognizes 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)
CPI 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 Group 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 Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers 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 Group performs its obligation based on the contract.

The contract liabilities also include payments received by the Group 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
The Group 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.

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.

Interest income
Interest income from cash in banks, cash equivalents and cash 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 *(effective January 1, 2019)*
The Group assesses at contract inception whether a contract is, or contains, a lease. It constitutes that the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Group recognizes lease liabilities to make lease payments a right-of-use assets representing the right to use the underlying assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office space and transportation equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. The Group does not have any lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (applicable until December 31, 2018 prior to the adoption of PFRS 16)
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 arising from the difference between the outstanding balance of receivables and the original cost of the inventories.

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 an 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 provisions 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 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. 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.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in subsidiaries and affiliates.

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 PFRS. Other comprehensive income of the Group includes gains and losses on fair value changes of financial assets at FVOCI, 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 by the weighted average number of ordinary shares issued and outstanding after considering the retrospective effect, if any, of stock dividends declared during the year.

Diluted earnings per share is calculated by dividing the net income for the year 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 in 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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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 Group's 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 FRSC 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 periods presented. Actual results could differ from such estimates.

Judgments

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

Revenue recognition
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 buyer 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 buyer 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 buyer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer'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 buyers' 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 buyer 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 buyer 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 buyer.

- *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.

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 use 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 ₱3.54 billion and ₱3.57 billion as of June 30, 2020 and December 31, 2019, respectively (see Note 11). Property and equipment amounted to ₱73.54 million and ₱64.75 million as of June 30, 2020 and December 31, 2019, 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 ₱3.02 billion and ₱2.95 billion as of June 30, 2020 and December 31, 2019, 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 ₱3.54 billion and ₱3.57 billion as of June 30, 2020 and December 31, 2019, 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 ₱3.02 billion and ₱2.95 billion as of June 30, 2020 and December 31, 2019, respectively (see Note 9). Real estate properties held for future development amounted to ₱1.59 billion and ₱1.58 billion as of June 30, 2020 and December 31, 2019, 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:

Leases - Estimating the incremental borrowing rate (effective January 1, 2019)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱10.35 million and ₱6.82 million as of June 30, 2020 and December 31, 2019, respectively (see Note 14).

Revenue recognition - 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.

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 ₱432.58 million and ₱1,100.18 million as of June 30, 2020 and June 30, 2019, respectively (see Note 6). Cost of real estate sales amounted to ₱226.65 million and ₱606.75 million as of June 30, 2020 and June 30, 2019, respectively (see Note 9).

Provision for expected credit losses of installment contract receivables and contract assets

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 and 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 contract receivables and contract assets is disclosed in Note 27. As of June 30, 2020 and December 31, 2019, installment contracts receivable, contract assets, notes receivables and other receivables aggregated to ₱3.31 billion and ₱3.69 billion, respectively. There was no provision for expected credit loss on receivables in June 30, 2020 and December 31, 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 and held for future development 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, 2020 and December 31, 2019 amounted to ₱3.02 billion and ₱2.95 billion, respectively (see Note 9). On the other hand, the Group's real estate held for future development as of June 30, 2020 and December 31, 2019 amounted to ₱1.59 billion and ₱1.58 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 amounted to ₱1.05 billion and ₱1.09 billion as of June 30, 2020 and December 31, 2019, respectively (see Note 11). On the other hand, the net book value of property and equipment, which are all depreciable, amounted to ₱27.02 million and ₱18.22 million as of June 30, 2020 and December 31, 2019, respectively (see Note 12).

Impairment of financial assets at FVOCI
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 FVOCI 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 determine fair value as of December 31, 2019. The Group's investment properties consist of land, building and machinery and equipment 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, 2020 and December 31, 2019. Net book value of investment properties as of June 30, 2020 and December 31, 2019 amounted to ₱3.54 billion and ₱3.57 billion, respectively (see Note 11). On the other hand, the net book value of property and equipment amounted to ₱73.54 million and ₱64.75 million as of June 30, 2020 and December 31, 2019, 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 pre-need 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 deferred income tax assets to be utilized.

As of June 30, 2020 and December 31, 2019, deferred income tax assets amounted to ₱96.10 million and ₱90.99 million, respectively (see Note 25).

4. Cash and Cash Equivalents and Short-term and Long-term Investments

Cash and cash equivalents consist of:

	June 30, 2020	December 31, 2019
Cash on hand and in banks	**₱59,304,370**	₱48,923,464
Cash equivalents	**2,559,681,572**	2,366,900,000
	₱2,618,985,942	₱2,415,823,464

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective cash investment rates.

Short-term investments amounting to ₱706.09 million and ₱403.75 million as of June 30, 2020 and December 31, 2019, respectively, have maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing market interest rates.

Short-term investments consist of:

	June 30, 2020	December 31, 2019
Short-term cash investments	**₱374,390,483**	₱108,750,000
Short-term bond investments	**331,699,067**	295,000,000
	₱706,089,550	₱403,750,000

Long-term investments pertain to bond investments amounting to ₱435.00 million and ₱465.00 million as of June 30, 2020 and December 31, 2019, respectively.

Interest income earned from cash in banks, cash equivalents, and short-term investments amounted to ₱68.04 million and ₱102.77 million in June 30, 2020 and June 30, 2019, 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 ₱39.13 million and ₱36.75 million as of June 30, 2020 and December 31, 2019, respectively, which are recorded under "Investments in trust funds" account in the consolidated statements of financial position.

The details of investments in trust funds are as follows:

	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	**₱10,135,872**	₱5,879,735
Debt and listed equity securities	**24,605,593**	27,579,272
Investment properties	**3,999,490**	3,999,490
Investment in mutual fund	**1,103,497**	–
Others	**270,089**	268,257
	40,114,541	37,726,754
Liabilities	**(980,198)**	(976,691)
	39,134,343	36,750,063
Less noncurrent portion	**31,903,455**	30,762,567
	₱7,230,888	₱5,987,496

Pre-need and other reserves

Details of pre-need and other reserves are as follows:

	June 30, 2020	December 31, 2019
Transitory pre-need reserves	**₱31,194,149**	₱33,260,782
Reserve for trust fund deficiency	**6,701,986**	6,701,986
Pension bonus reserve	**459,455**	485,253
Insurance premium reserve	**102,233**	102,233
	38,457,823	40,550,254
Less noncurrent portion	**36,323,871**	38,416,302
	₱2,133,952	₱2,133,952

6. Revenue from Contracts with Customers

a. Disaggregated Revenue Information

The Group derives revenue from 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	**June 30, 2020**	June 30, 2019
High-rise condominium units	**₱412,667,658**	₱1,068,273,047
Parking slots	**19,916,651**	31,911,747
Total	**₱432,584,309**	₱1,100,184,794

Geographical Location	**June 30, 2020**	June 30, 2019
Metro Manila	**₱432,584,309**	₱1,071,656,264
Tagaytay	**–**	28,528,530
Total	**₱432,584,309**	₱1,100,184,794

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, 2020 and June 30, 2019, 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, 2020	December 31, 2019
Installment contracts receivable	**₱97,643,226**	₱42,897,699
Contract asset		
Current	**434,782,177**	465,248,496
Noncurrent	**2,431,257,467**	2,665,198,241
Contract liabilities		
Current	**395,081,200**	272,482,960
Noncurrent	**334,629,673**	355,084,995

Installment contracts receivable are as follows:

	June 30, 2020	December 31, 2019
Installment contracts receivable	**₱97,643,226**	₱42,897,699
Less: noncurrent portion	**28,487,714**	33,779,791
Current portion	**₱69,155,512**	₱9,117,908

Installment contracts receivable arises from sale of real estate properties and is collectible in monthly installments for periods ranging from one to 10 years which bear monthly interest rates of 0.67% to 2.00% as of June 30, 2020 and December 31, 2019 computed on the diminishing balance.

Interest income earned from installment contracts receivable and contract assets amounted to ₱217.42 million and ₱250.64 million as of June 30, 2020 and June 30, 2019, respectively. (see Note 21).

The Group entered into contract of guaranty under Retail Guaranty Line with Home Guaranty Corporation (HGC). The amount of installment contracts receivable enrolled and renewed by these companies amounted to ₱1.99 billion and ₱2.83 billion as of June 30, 2020 and December 31, 2019, respectively. These companies paid a guarantee premium of 1.00% based on the outstanding principal balance of the receivables enrolled as of June 30, 2020 and December 31, 2019 (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. CPI's sales of real estate properties are recorded as part of installment contracts receivable since all of its projects are already completed.

Contract liabilities amounting to ₱729.71 million and ₱627.57 million as of June 30, 2020 and December 31, 2019, respectively, 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.

Movement in contract liability was recognized as income based on the percentage of completion of the ongoing projects. The remaining balance of contract liability will be recognized as income based on the subsequent increase on the percentage of completion of the ongoing projects in the following years.

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; and 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) are as follows:

	June 30, 2020	December 31, 2019
Within one year	**₱849,603,626**	₱684,317,875
More than one year	**899,310,083**	1,093,776,100
	₱1,748,913,709	₱1,778,093,975

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 condominium units are generally completed within three years to five years from start of construction.

Rental agreements
The Group entered into lease agreements for its building for lease with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity (c) provision of air conditioning and CUSA services and (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 checks 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 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 June 30, 2020 and December 31, 2019 as presented in the consolidated statement of financial position:

	June 30, 2020	December 31, 2019
Balance at the beginning of the year	**₱47,156,621**	₱37,470,039
Additions	**9,033,597**	54,029,123
Amortization	**(7,005,261)**	(44,342,541)
Balance at the end of year	**49,184,957**	47,156,621
Less: noncurrent portion	**25,506,282**	29,127,025
Current portion	**₱23,678,675**	₱18,029,596

7. Notes Receivable

Notes receivable pertains to short-term and long-term investments placed by the Group with different financial institutions which earn interest at the prevailing market interest rates ranging from 3.20% to 3.60%.

	June 30, 2020	December 31, 2019
Notes receivable	**₱277,150,000**	₱457,150,000
Less noncurrent portion	**257,150,000**	257,150,000
Current portion	**₱20,000,000**	₱200,000,000

There were no properties offered as collaterals for the notes receivable. Details of notes receivable as of June 30, 2020 is as follows:

Date of Placement	Amount	Maturity Date
May 2018	₱257,150,000	November 2023
August 2016	20,000,000	August 2020
	₱277,150,000	

The notes receivable with a placement date of April 2017, amounting to ₱180.00 million matured last April 2020.

Interest income earned from notes receivable amounted to ₱5.87 million and ₱7.80 million in June 30, 2020 and June 30, 2019, respectively (see Note 21).

8. Other Receivables

Other receivables consist of:

	June 30, 2020	December 31, 2019
Rent receivable	**₱36,217,817**	₱19,266,387
Advances to customers	**15,158,994**	19,256,441
Accrued interest	**12,354,020**	15,514,018
Retention	**3,567,644**	3,287,645
Advances to condominium corporations	**1,168,816**	917,049
Others	**2,145,091**	391,340
	70,612,382	58,632,880
Less noncurrent portion	**2,020,409**	1,945,704
Current portion	**₱68,591,973**	₱56,687,176

Rent receivable arose from the investment properties rented-out under non-cancellable long-term operating lease contracts (see Note 11). 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 but not yet received by the Group. Retention pertains to the amount held on cash sale of real estate properties. Advances to condominium corporations pertain to disbursements which are collectible from condominium corporations. Other receivables include employees' advances and receivables from customers for expenses initially paid by Group and other receivables from outside services.

9. Real Estate Properties for Sale

Real estate properties for sale consist of costs incurred in the development of condominium units and residential lots and housing units for sale. Real estate properties for sale includes deemed cost adjustment amounting to ₱4.59 million and ₱5.86 million as of June 30, 2020 and December 31, 2019, 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, 2020	December 31, 2019
Balances at beginning of year	**₱2,949,320,773**	₱2,174,705,874
Construction/development costs incurred	**234,352,444**	1,845,611,806
Cost of real estate sales	**(226,653,756)**	(1,192,449,021)
Transfer from investment properties (Note 11)	**7,918,953**	11,000,749
Transfer from real estate properties held for future development (Note 10)	**–**	50,292,025
Borrowing costs capitalized (Note 22)	**12,473,661**	33,774,108
Other adjustments – net	**43,629,273**	26,385,232
Balances at end of year	**₱3,021,041,348**	₱2,949,320,773

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 rates used to determine the amount of borrowing costs eligible for capitalization were 2.04% and 3.61% as of June 30, 2020 and December 31, 2019, respectively.

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, 2020	December 31, 2019
Balances at beginning of the year	**₱1,583,401,899**	₱1,641,310,492
Additions	**2,494,192**	17,553,765
Transfer from investment properties (Note 11)	**–**	8,675,743
Transfer to real estate properties for sale (Note 9)	**–**	(50,292,025)
Cost adjustment (Note 15)	**–**	(7,497,992)
	1,585,896,091	1,609,749,983
Less allowance for inventory-write down	**–**	(26,348,084)
	₱1,585,896,091	₱1,583,401,899

In 2019, the Parent Company recognized provision for inventory write-down in its real estate properties held for future development relating to the land improvements in Naic Country Homes amounting to ₱26.35 million. No provision for inventory write-down was recognized as of June 30, 2020.

11. Investment Properties

Investment properties consist of:

	June 30, 2020	December 31, 2019
Real estate properties for lease	**₱2,427,088,803**	₱2,457,977,040
Real estate properties held for capital appreciation	**1,114,702,688**	1,114,702,688
	₱3,541,791,491	₱3,572,679,728

Movements in investment properties are as follows:

	June 30, 2020			
	Land	**Building**	**Machinery and Equipment**	**Total**
Cost				
Balances at beginning of period	**₱2,480,392,267**	**₱1,170,680,831**	**₱213,530,186**	**₱3,864,603,284**
Additions	**6,707,399**	**–**	**222,786**	**6,930,185**
Transfer to real estate properties for sale (Note 9)	**–**	**(15,957,344)**	**–**	**(15,957,344)**
Balances at end of period	**2,487,099,666**	**1,154,723,487**	**213,752,972**	**3,855,576,125**
Accumulated Depreciation				
Balances at beginning of period	**–**	**229,508,659**	**62,414,897**	**291,923,556**
Depreciation for the period (Notes 18 and 20)	**–**	**23,343,184**	**6,556,285**	**29,899,469**
Transfer to real estate properties for sale (Note 9)	**–**	**(8,038,391)**	**–**	**(8,038,391)**
Balances at end of period	**–**	**244,813,452**	**68,971,182**	**313,784,634**
Net Book Value	**₱2,487,099,666**	**₱909,910,035**	**₱144,781,790**	**₱3,541,791,491**

	December 31, 2019			
	Land	Building	Machinery and Equipment	Total
Cost				
Balances at beginning of year	₱2,481,590,841	₱1,191,149,114	₱212,665,865	₱3,885,405,820
Additions	7,477,169	–	864,321	8,341,490
Transfer to real estate properties for sale (Note 9)	–	(20,468,283)	–	(20,468,283)
Transfer to real estate properties held for future development (Note 10)	(8,675,743)	–	–	(8,675,743)
Balances at end of year	2,480,392,267	1,170,680,831	213,530,186	3,864,603,284
Accumulated Depreciation				
Balances at beginning of year	–	190,714,876	48,955,847	239,670,723
Depreciation for the year	–	48,261,317	13,459,050	61,720,367
Transfer to real estate properties for sale (Note 9)	–	(9,467,534)	–	(9,467,534)
Balances at end of year	–	229,508,659	62,414,897	291,923,556
Net Book Value	₱2,480,392,267	₱941,172,172	₱151,115,289	₱3,572,679,728

Investment properties as of June 30, 2020 and December 31, 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 net book values of land and building include net deemed cost adjustment amounting to ₱1.39 billion as of June 30, 2020 and December 31, 2019. 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 2019 appraised value of these investment properties amounted to ₱8.48 billion as of the dates of appraisal as of December 31, 2019 (see Note 27).

The following are the non-cancellable operating lease contracts entered by the Parent Company as of June 30, 2020:

Commencement of lease term	Lessee (Third Parties)	Term
2019	Domestic Corporation	3 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	3 years
2018	Coffee Shop	3 years
2018	Domestic Corporation	3 years
2018	Shopping Center	12 years
2015	Bank	5 years
2014	Domestic Corporation	10 years

CDC and CLDI also entered the following non-cancellable operating lease contracts with various third parties as of June 30, 2020:

Commencement of lease term	Lessee (Third Parties)	Term
2020	Domestic Corporation	5 years
2020	Domestic Corporation	3 years
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2020	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	3 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
2019	Domestic Corporation	5 years
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	BPO	5 years
2018	Domestic Corporation	3 years
2018	Convenience Store	5 years
2018	Domestic Corporation	3 years
2018	Domestic Corporation	3 years
2017	Convenience Store	5 years
2017	Fast Food	10 years
2017	Domestic Corporation	5 years
2011	Fast Food	10 years

The lease contracts include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. There were two lease contracts terminated during 2019 and five lease contracts as of the first semester of 2020.

The future minimum lease payments for these lease agreements are as follows:

	June 30, 2020	December 31, 2019
Not later than one year	**₱170,873,914**	₱134,351,406
Later than one year and not later than five years	**487,904,044**	437,868,797
Later than five years	**50,218,149**	60,070,967
	₱708,996,107	₱632,291,170

Rent income from investment properties amounted to ₱112.31 million and ₱79.61 million in June 30, 2020 and June 30, 2019, respectively. Rent income from investment property is recognize on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the rental income is also spread over the term of the lease.

Other lease agreements with third parties are generally for a one-year term renewable every year.

12. Property and Equipment

Property and equipment consist of:

	June 30, 2020						
	Land	**Building**	**Office Premises**	**Furniture, Fixtures and Office Equipment**	**Transportation and Other Equipment**	**Right-of-use Asset (Notes 14 and 25)**	**Total**
At Cost							
Balances at beginning of period	**₱46,526,324**	**₱8,649,376**	**₱–**	**₱29,708,294**	**₱5,051,760**	**₱8,879,228**	**₱98,814,982**
Additions	**–**	**–**	**–**	**6,785,714**	**–**	**5,376,091**	**12,161,805**
Balances at end of period	**46,526,324**	**8,649,376**	**–**	**36,494,008**	**5,051,760**	**14,255,319**	**110,976,787**
Accumulated Depreciation							
Balances at beginning of period	**–**	**374,806**	**–**	**26,276,732**	**4,872,143**	**2,557,120**	**34,080,801**
Depreciation for the period (Notes 18 and 20)	**–**	**172,988**	**–**	**1,066,345**	**87,679**	**2,025,239**	**3,352,251**
Balances at end of period	**–**	**547,794**	**–**	**27,343,077**	**4,959,822**	**4,582,359**	**37,433,052**
Net Book Value	**46,526,324**	**8,101,582**	**–**	**9,150,931**	**91,938**	**9,672,960**	**73,543,735**
At Deemed Cost	**–**	**–**	**253,365,628**	**–**	**–**	**–**	**253,365,628**
Accumulated Depreciation							
Balances at beginning of period	**–**	**–**	**253,352,752**	**–**	**–**	**–**	**253,352,752**
Depreciation for the period (Notes 18 and 20)	**–**	**–**	**12,744**	**–**	**–**	**–**	**12,744**
Balances at end of period	**–**	**–**	**253,365,496**	**–**	**–**	**–**	**253,365,496**
Net Deemed Cost	**–**	**–**	**132**	**–**	**–**	**–**	**132**
Total	**₱46,526,324**	**₱8,101,582**	**₱132**	**₱9,150,931**	**₱91,938**	**₱9,672,960**	**₱73,543,867**

	December 31, 2019						
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Right-of-use Asset (Notes 14 and 25)	Total
At Cost							
Balances at beginning of year	₱46,526,324	₱8,649,376	₱–	₱29,708,294	₱5,051,760	₱–	₱89,935,754
Additions	–	–	–	–	–	8,879,228	8,879,228
Balances at end of year	46,526,324	8,649,376	–	29,708,294	5,051,760	8,879,228	98,814,982
Accumulated Depreciation							
Balances at beginning of year	–	28,831	–	24,783,926	4,686,265	–	29,499,022
Depreciation for the year	–	345,975	–	1,492,806	185,878	2,557,120	4,581,779
Balances at end of year	–	374,806	–	26,276,732	4,872,143	2,557,120	34,080,801
Net Book Value	46,526,324	8,274,570	–	3,431,562	179,617	6,322,108	64,734,181
At Deemed Cost	**–**	**–**	253,365,628	–	–	–	253,365,628

(Forward)

	December 31, 2019						
	Land	Building	Office Premises	Furniture, Fixtures and Office Equipment	Transportation and Other Equipment	Right-of-use Asset (Notes 14 and 25)	Total
Accumulated Depreciation							
Balances at beginning of year	₱–	₱–	₱252,956,315	₱–	₱–	₱–	₱252,956,315
Depreciation for the year (Notes 18 and 20)	–	–	396,437	–	–	–	396,437
Balances at end of year	–	–	253,352,752	–	–	–	253,352,752
Net Deemed Cost	–	–	12,876	–	–	–	12,876
Total	₱46,526,324	₱8,274,570	₱12,876	₱3,431,562	₱179,617	₱6,322,108	₱64,747,057

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 PFRS. The balances of pre-PFRS cost of the office premises are as follows:

	June 30, 2020	December 31, 2019
Office premises	**₱55,775,746**	₱55,775,746
Less accumulated depreciation	**55,775,612**	55,773,015
	₱134	₱2,731

Difference between the net deemed cost and the net pre-PFRSs cost amounting to nil and ₱0.01 million as of June 30, 2020 and December 31, 2019, respectively, represents the remaining balance of the deemed cost adjustment.

The Group adopted PFRS 16, 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 spaces for the period of 2 to 5 years. At the initial recognition, the right-of-use assets were recognized at cost amounting to ₱8.88 million (see Note 2). Subsequently, this is being amortized based on the remaining lease term. The Group recorded as part of "Property and equipment" the right-of-use assets amounting to ₱9.67 million and ₱6.32 million as of June 30, 2020 and December 31, 2019, respectively. Depreciation expense related to right-of-use assets amounted to ₱2.03 million and ₱1.28 million as of June 30, 2020 and June 30, 2019, respectively (see Note 20). During the first quarter of 2020, CDC entered into lease contracts for a period of 3 years whereby CDC is the lessee.

Other lease contracts entered by the Group pertain to short-term leases of office space and transportation equipment with rent expense amounting to ₱1.10 million and ₱2.23 million incurred as of June 30, 2020 and June 30, 2019, respectively. 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.

The cost of fully depreciated property and equipment still used in operations amounted to ₱28.03 million as of June 30, 2020 and December 31, 2019.

13. **Other Assets**

Other current assets amounted to ₱44.91 million and ₱51.86 million as of June 30, 2020 and December 31, 2019, respectively, consist of input VAT, advances to contractors and prepaid real estate taxes.

Other noncurrent assets consist of:

	June 30, 2020	December 31, 2019
Unused input VAT	**₱33,656,979**	₱32,948,298
Refundable deposits	**33,251,275**	34,779,451
Advances to contractors	**9,084,754**	3,432,260
Financial assets at FVOCI	**1,139,667**	1,320,354
Others	**1,638,377**	1,638,376
	₱78,771,052	₱74,118,739

The unused input VAT arose from the purchase of parcels of land in previous years recorded as part of "Real estate properties held for future development" and "Investment properties" accounts as of June 30, 2020 and December 31, 2019, respectively (see Notes 10 and 11).

Financial assets at FVOCI consist of investments in listed equity securities. The fair values of these financial assets were determined based on published prices in an active market.

The Group sold shares of stock with listed corporations resulting to a gain on sale amounting to ₱32,660 and nil as of June 30, 2020 and June 30, 2019, respectively.

The movement in fair value reserve of financial assets at FVOCI presented in the equity section of the consolidated statements of financial position, is as follows:

	June 30, 2020	December 31, 2019
Balances at beginning of year	**₱1,580,331**	₱945,268
Mark-to-market gain (loss) attributable to equity holders of the Parent Company	**(1,076,899)**	635,063
Balances at end of the period / year	**₱503,432**	₱1,580,331

Mark-to-market gain (loss) on financial assets at FVOCI pertaining to the non-controlling interests amounted to (₱0.73) million and ₱0.56 million as of June 30, 2020 and December 31, 2019, respectively.

Dividend income from financial assets at FVOCI amounted to ₱3,319 and ₱32,113 as of June 30, 2020 and June 30, 2019, respectively (see Note 21).

Advances to contractors are advances made by the Group for the contractors' supply requirements. Refundable deposits represent payments made by the Group to various utility companies for the installation of electric and water meters for unsold condominium units. Other noncurrent assets pertain to insurance premium fund and other prepayments made by the Group.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	June 30, 2020	December 31, 2019
Trade payables	**₱111,427,063**	₱115,339,562
Customers' deposits	**76,343,934**	75,727,745
Accrued expenses:		
Development costs	**123,546,934**	236,267,601
Directors' fee (Note 26)	**58,777,739**	48,079,977
Sick leave (Note 24)	**54,828,512**	55,460,073
Taxes, premiums and others	**12,687,319**	865,514
Interest	**3,037,776**	4,232,714
Deferred rent income	**46,988,708**	37,842,332
Dividends payable	**13,110,342**	12,735,740
Lease liabilities (Note 25)	**10,350,906**	6,815,350
Withholding taxes payable	**8,060,662**	11,694,753
Others	**14,553,134**	11,111,172
	533,713,029	616,172,533
Less noncurrent portion	**197,485,902**	188,691,188
Current portion	**₱336,227,127**	₱427,481,345

Trade payables consist of payables to suppliers, contractors and other counterparties. Deposits consist of rental deposit and collected deposits for water and electric meters of the sold units. Accrued development costs represent the corresponding accrued expenses for the completed and sold condominium units of the Group. Deferred rent income pertains to rent received from long-term operating lease. Other payables consist substantially of commission payable, unclaimed checks of pension holders and payables due to government agencies.

Lease liabilities 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 liabilities amounted to ₱0.31 million and ₱0.30 million as of June 30, 2020 and June 30, 2019, respectively (see Note 22). There were no expenses relating to variable lease payments that were not included in the measurement of lease liabilities.

Group as a lessee
The Group has lease contracts for various items of plant assets used in its operations. Leases of plant assets generally have lease terms between 2 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The following are the amounts recognized in the consolidated statement of income are as follows:

	June 30, 2020	June 30, 2019
Depreciation expense of right-of-use assets included in property and equipment (Note 12)	**₱2,025,239**	₱1,278,560
Interest expense on lease liabilities (Note 22)	**310,277**	296,594
Total amount recognized in consolidated statement of income	**₱2,335,516**	₱1,575,154

The rollforward analysis of lease liabilities are as follows:

	June 30, 2020	December 31, 2019
Beginning of the period / year	**₱6,815,350**	₱8,879,228
Additions	**5,376,091**	–
Interest expense (Note 22)	**310,277**	557,387
Payment	**(2,150,812)**	(2,621,265)
Ending of the period / year	**₱10,350,906**	₱6,815,350

Shown below is the maturity analysis of the undiscounted lease payments:

	June 30, 2020	December 31, 2019
1 year	**₱3,028,767**	₱2,621,265
More than 1 year to 2 years	**4,169,289**	2,693,868
More than 2 years to 3 years	**3,866,813**	1,920,875
More than 3 years to 4 years	**3,126,387**	2,112,963
More than 5 years	–	915,063

The movements in dividends payable and accrued interest are as follows:

			Payments		
	January 1, 2020	**Additions**	**Expensed**	**Capitalized**	**June 30, 2020**
Dividends payable (Note 16)	**₱12,735,740**	**₱374,602***	**₱–**	**₱–**	**₱13,110,342**
Accrued interest (Note 15)	**4,232,714**	**18,303,301**	**(7,024,578)**	**(12,473,661)**	**3,037,776**
	₱16,968,454	**₱18,677,903**	**(₱7,024,578)**	**(₱12,473,661)**	**₱16,148,118**

**Pertains to dividends declared to stockholders whose checks already staled.*

			Payments		
	January 1, 2019	Additions	Expensed	Capitalized	December 31, 2019
Dividends payable (Note 16)	₱11,902,025	₱253,922,968	(₱253,089,253)	₱–	₱12,735,740
Accrued interest (Note 15)	8,448,428	67,938,794	(38,380,400)	(33,774,108)	4,232,714
	₱20,350,453	₱321,861,762	(₱291,469,653)	(₱33,774,108)	₱16,968,454

15. Notes and Contracts Payable

The details of notes and contracts payable are as follows:

	June 30, 2020	December 31, 2019
Notes payable	**₱1,583,400,000**	₱1,715,250,000
Contracts payable	**996,191**	996,191
	₱1,584,396,191	₱1,716,246,191

The notes payable pertains to commercial papers with varying maturities ranging from 30 to 365 days and annual interest rates ranging from 0.69% to 2.44% and 1.19% to 4.25% as of June 30, 2020 and December 31, 2019, respectively.

On various dates in 2019 the SEC authorized the Parent Company and CDC to issue the total aggregated amount of ₱2.22 billion worth of commercial papers registered with the SEC. On the other hand, CLDI

no longer applied for a new Certificate of Permit to Offer Securities for Sale for the year 2019. All outstanding commercial papers issued were paid to the investors on or before November 6, 2019.

Outstanding commercial papers issued by the Parent Company, CDC and CLDI as of June 30, 2020 and December 31, 2019 aggregated to ₱1.58 billion and ₱1.72 billion, respectively.

The movements in notes payable are as follows:

	June 30, 2020	December 31, 2019
Beginning balance	**₱1,715,250,000**	₱1,906,900,000
Availments	**3,062,750,000**	9,095,550,000
Payment	**(3,194,600,000)**	(9,287,200,000)
Ending balance	**₱1,583,400,000**	₱1,715,250,000

Interest expense related to notes payable amounted to ₱17.62 million and ₱40.19 million as of June 30, 2020 and June 30, 2019, respectively. Capitalized borrowing costs amounted to ₱12.47 million and ₱16.94 million in June 30, 2020 and June 30, 2019, respectively (see Notes 9 and 22). Total interest paid amounted to ₱19.50 million and ₱42.11 million in June 30, 2020 and June 30, 2019, respectively.

The Parent Company, CDC, CLDI and CPI (the Cityland Group) have credit lines with financial institutions aggregating to about ₱2.50 billion as of June 30, 2020 and December 31, 2019 which are available for drawing by any of the companies in the Cityland Group. No loans were availed by Cityland Group from the credit line as of June 30, 2020 and December 31, 2019.

As of June 30, 2020 and December 31, 2019, the Parent Company has no specific credit lines, while the credit line of CDC amounted to ₱500.00 million.

The carrying values of CDC's investment properties and real estate properties for sale that will be used as collaterals that will be used for the Group's credit lines as of June 30, 2020 and December 31, 2019 are as follows:

Investment properties	**₱146,666,172**
Real estate properties for sale	**50,476,720**
Total	**₱197,142,892**

Contracts payable amounting approximately to ₱1.00 million of June 30, 2020 and December 31, 2019 represent liability arising from contracts entered into by the Group to purchase parcels of land for future development (see Note 10).

In January 2018, CLDI also entered into a contract to purchase a parcel of land for future development. The remaining balance amounting to ₱7.50 million was settled through adjustment of the cost of property in 2019 (see Note 10).

The movements in contracts payable are as follows:

	June 30, 2020	December 31, 2019
Beginning balance	**₱996,191**	₱59,222,173
Payment	–	(51,256,655)
Cost adjustment (Note 10)	–	(7,497,992)
Availments	–	528,665
Ending balance	**₱996,191**	₱996,191

16. **Equity**

a. The Parent Company has 27 equity holders owning 129,198,754 (net of 587,123 treasury shares) as of June 30, 2020 and December 31, 2019.

The following table summarizes the reconciliation of the issued and outstanding shares of capital stock for each of the following:

	Shares		Amount	
	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019
Authorized - ₱10 par value				
Balance at beginning and end of year/period	**135,000,000**	135,000,000	**₱1,350,000,000**	₱1,350,000,000
Issued at beginning and end of year/period	**129,785,877**	129,785,877	**₱1,297,858,770**	₱1,297,858,770
Less: treasury shares	**(587,123)**	(587,123)	**(5,871,230)**	(5,871,230)
Issued and outstanding - net of treasury shares	**129,198,754**	129,198,754	**₱1,291,987,540**	₱1,291,987,540

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

Dividends	BOD Approval Date	Stockholders' Approval Date	Per Share	Stockholders of Record Date	Date Issued/Paid
Cash	October 16, 2019	-	₱1.165	October 28, 2019	November 7, 2019
	June 18, 2018	-	₱1.539	July 12, 2018	August 10, 2018
Stock	October 21, 2019	November 19, 2019	10%	*To be fixed*	*To be fixed*
	May 18, 2018	June 19, 2018	10%	July 19, 2018	August 14, 2018

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

In the special meetings of the Board of Directors held last May 6, 2019 and September 13, 2019, the Board of Directors resolved to postpone the Annual Stockholders' Meeting (ASM) which was held last November 19, 2019.

In a special meeting held on October 21, 2019, the Board of Directors unanimously approved the following matters:

a) Declaration of 10% stock dividends from the unappropriated retained earnings as of December 31, 2018 which will come from an increase in authorized capital stock. Record date of the stock dividends shall be fixed by the Securities and Exchange Commission after clearance and approval;

b) To increase its authorized capital stock from 135,000,000 shares to 185,000,000 shares with par value of ₱10.00 per share; and

c) To cause the amendment of the Articles of Incorporation to increase the authorized capital stock to 185,000,000 shares with par value of ₱10.00 per share.

The ratifications of the above matters were taken up during the Annual Stockholders' Meeting last November 19, 2019 and the necessary notices were sent for the purpose of presenting to the stockholders the aforesaid matters which secured their required approval. The record date of the said meeting was on October 21, 2019.

As of June 30, 2020, the Parent Company's application for increase in authorized capital stock is still being reviewed and assessed by SEC.

c. In a special meeting held on April 7, 2020, the Board of Directors of Cityland, Inc. resolved to postpone the 2020 Annual Stockholders' Meeting which is originally scheduled on June 16, 2020 in order to safeguard the health and safety of the stockholders due to COVID-19 and enable the Company to prepare all reports and matters to be submitted for the approval of the stockholders. The Company will submit a SEC Form 17-C once a new date of the meeting has been determined.

d. As of June 30, 2020 and December 31, 2019, the unappropriated retained earnings attributable to equity holders of the Parent Company and the non-controlling interest include the remaining balance of net deemed cost adjustment which arose when the Group transitioned to PFRSs in 2005.

17. Material Partly-owned Subsidiary

Proportion of equity interest held by non-controlling interests as of June 30, 2020 and December 31, 2019:

Direct:	
CDC	49.02%
Indirect through CDC (including direct ownership of the Parent Company in CLDI of 29.54% and CPI of 9.18%):	
CLDI	45.11%
CPI	44.53%

18. Operating Expenses

Operating expenses consist of:

	June 30, 2020	June 30, 2019
Personnel (Note 19)	**₱97,613,987**	₱138,662,768
Taxes and licenses	**69,578,672**	72,279,137
Depreciation (Note 20)	**33,264,464**	34,015,731
Professional fees	**17,227,861**	35,795,688
Light, power and water	**12,851,777**	15,859,092
Outside services	**7,910,753**	15,441,542
Brokers' commission	**6,832,235**	7,933,712
Repairs and maintenance	**6,359,625**	5,296,687
Insurance expense (Note 6)	**4,880,886**	10,277,107
Association dues	**4,122,077**	4,204,125
Advertising and promotions	**1,525,053**	2,995,598
Postage, telephone and telegraph	**1,302,254**	1,714,803
Rent expense	**1,095,616**	2,233,648
Donations and contributions	**750,000**	3,600,000
Stationery and office supplies	**449,226**	1,073,521
Transportation and travel	**310,130**	614,682
Others	**3,964,385**	10,483,638
	₱270,039,001	₱362,481,479

Rent expense pertains to the lease payments on the short-term lease transactions entered into by the Group. Others include representation expense, pre-need expense and plan benefits.

19. Personnel Expenses

Personnel expenses consist of:

	June 30, 2020	June 30, 2019
Salaries and wages	**₱55,597,606**	₱66,161,973
Commission	**9,725,226**	24,611,201
Other benefits	**32,291,155**	47,889,594
	₱97,613,987	₱138,662,768

20. Depreciation

Depreciation consists of:

	June 30, 2020	June 30, 2019
Investment properties (Note 11)	**₱29,899,469**	₱31,267,170
Property and equipment (Note 12)	**3,364,995**	2,748,561
	₱33,264,464	₱34,015,731

Depreciation expense of property and equipment includes ₱2.03 million as of June 30, 2020 and ₱1.28 million as of June 30, 2019 pertaining to the right-of-use asset as an effect of adoption of PFRS 16 on January 1, 2019.

21. Financial Income

Financial income consists of:

	June 30, 2020	June 30, 2019
Interest income from:		
Installment contracts receivable and contract assets (Note 6)	**₱217,416,095**	₱250,640,190
Cash equivalents and short-term and long-term investments (Note 4)	**67,863,391**	102,718,336
Notes receivable (Note 7)	**5,872,986**	7,797,163
Cash in banks (Note 4)	**174,971**	52,713
Dividend income (Note 13)	**3,319**	32,113
	₱291,330,762	₱361,240,515

22. Financial Expenses

Financial expenses consist of:

	June 30, 2020	June 30, 2019
Interest expense on:		
Notes payable (Note 15)	**₱17,622,322**	₱40,192,412
Less capitalized borrowing costs (Notes 9, 11 and 15)	**(12,473,661)**	(16,940,946)
	5,148,661	23,251,466
Interest expense on security deposits	**680,979**	577,927
Finance charges	**497,900**	1,512,800
Interest expense on lease liabilities (Note 14)	**310,277**	296,594
	₱6,637,817	₱25,638,787

23. Other Income/Expenses

Other Income
Other income amounting to ₱74.80 million and ₱84.36 million in June 30, 2020 and June 30, 2019, respectively, pertains to trust fund income, penalties for customers' late payments, sale of scraps, gain on sale of shares of stock and forfeiture of reservations/downpayments received which were not consummated.

Other Expenses
Other expenses amounting to ₱21.25 million and ₱19.32 million in June 30, 2020 and June 30, 2019, respectively, pertains to loss due to forfeiture/cancellation of sales.

24. Employee Benefits

Under the existing regulatory framework, Republic Act 7641, *The Philippine Retirement 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 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 ₱54.83 million and ₱55.46 million as of June 30, 2020 and December 31, 2019, respectively (see Note 14).

25. Income Taxes

a. Provision for (benefit from) income tax consists of:

	June 30, 2020	June 30, 2019
Current	**₱67,699,939**	₱90,506,751
Deferred	**1,027,857**	12,976,462
	68,727,796	103,483,213
Final tax on interest income	**14,234,695**	21,401,355
	₱82,962,491	₱124,884,568

b. The components of the net deferred income tax liabilities are as follows:

	June 30, 2020	December 31, 2019
Deferred income taxes recognized in profit or loss:		
Deferred income tax assets on:		
Accrued expenses and others	**₱36,250,319**	₱33,271,490
Difference between tax basis and book basis of accounting for real estate transactions	**25,095,743**	21,532,513
Re-measurement loss on defined benefit plan	**19,825,151**	19,825,151
Unearned rent revenue	**6,817,281**	8,307,426
Inventory write-down (Note 10)	**7,904,425**	7,904,425
Lease liabilities (Notes 12 and 14)	**203,384**	147,973
	96,096,303	90,988,978
Deferred income tax liabilities on:		
Deemed cost adjustment in properties (Note 16)	**(418,157,231)**	(419,039,861)
Capitalized borrowing costs	**(23,352,534)**	(20,147,741)
Unrealized gain on real estate transactions	**(18,610,579)**	(16,907,280)
Retirement plan assets	**(18,598,911)**	(18,598,911)
Cost to obtain contract (Notes 2 and 5)	**(14,755,487)**	(14,146,987)
Rent receivable, net of unearned rent revenue	**(6,314,471)**	(4,816,294)
	(499,789,213)	(493,657,074)
Net deferred income tax liabilities	**(₱403,692,910)**	(₱402,668,096)

The breakdown of net deferred income tax liabilities per entity are as follows:

	June 30, 2020	December 31, 2019
Deferred income tax assets - net:		
CLDI	**₱11,423,154**	₱8,192,586
Deferred income tax liabilities - net:		
Parent Company	**(374,644,887)**	(371,898,242)
CDC	**(37,057,350)**	(35,065,780)
CPI	**(3,413,827)**	(3,896,660)
	(415,116,064)	(410,860,682)
	(₱403,692,910)	(₱402,668,096)

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 balance				
			Receivable (Note 8)		Payable (Note 14)		
	June 30, 2020	December 31, 2019	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019	Terms and Conditions
Subsidiaries							
(CDC, CLDI, CPI and CAI)							
Sharing of expenses charged by (to) the Company (Note 26c)*	**₱5,829,058**	₱1,615,974	**₱9,553,907**	₱3,438,858	**₱285,991**	₱–	30-day, unsecured, non-interest bearing; to be settled in cash
(CAI and CLHI)							
Dividends receivable (Note 26c)	–	600,000	–	600,000	–	–	Settled in cash
(CDC and CLHI)							
Guaranty deposit (Note 26e)	–	–	**327,150,000**	327,150,000	–	–	3 to 5-year guaranty deposit
Interest on guaranty deposit (Note 26e)	**7,481,018**	15,102,925	**1,706,757**	1,715,643	–	–	Settled in cash
Key management personnel							
Salaries and other compensation			–	–	**58,777,739**	48,079,977	Settled in cash
			₱338,410,664	₱332,904,501	**₱59,063,730**	₱48,079,977	

**Outstanding balance is included under "Accounts payable and accrued expenses" account in the parent company statements of financial position.*

The transactions of the Parent Company with CDC, CLDI, CPI, CAI and CLHI are eliminated in the consolidated statements of financial position and consolidated statements of income.

The transactions of the Parent Company with CDC, CLDI, CPI, CAI and CLHI are eliminated in the consolidated statement of financial position and consolidated statements of income.

a. The Parent Company has an existing management contract with CDC, wherein the Parent Company provides management services to CDC. 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 of CDC as mutually agreed upon by both parties. The management fees as of June 30, 2020, 2019 and 2018 were waived by the Parent Company. There are no conditions attached to the waiver of these management fees.

b. In 2019, the Parent Company entered into a Memorandum of Agreement with CDC whereby the CDC shall assign its parcel of land to the Parent Company in exchange of certain number of condominium units on One Premier, a project that is currently being constructed by the Parent Company. The said land is recorded under "Real Estate Properties Held for Future Development" account.

c. The Parent Company has various shared expenses with other affiliates pertaining to general and administrative expenses such as salaries, transportation, association dues, professional fees and rent. The Parent Company has dividend receivable pertaining to cash dividend declared by CAI and CLHI.

d. Shares of stock of the Parent Company held by members of the BOD aggregated to about 86,878,715 shares equivalent to ₱868.79 million as of June 30, 2020 and December 31, 2019.

e. The Parent Company and CDC, through CLHI, issued a cash bond aggregating to ₱327.15 million in favor of HLURB in relation to the construction and development of its ongoing projects which was recorded as part of "Notes receivable" and "Long-term investments" in the consolidated statement of financial position. The said amount was placed by CLHI to financial institutions with a maturity of three (3) to five (5) years. Interest income earned amounted to ₱7.48 million as of June 30, 2020 and June 30, 2019.

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 and notes 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 and financial assets at FVOCI, which are held for investing purposes and investment in trust funds to cover pre-need reserves obligation. The Group has various other financial instruments such as installment contracts receivable, contract assets, notes 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 risks (i.e., cash flow interest rate and equity price risks), 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, 2020	**+/-2 bps**	**+/-₱3,290,304**
December 31, 2019	+/-21 bps	+/-₱36,970,499

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 value 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 included under "Other noncurrent assets" account in the consolidated statement of financial position. The Group employs the service of a third-party stockbroker 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, 2020	**+/-0.19**	**+/-₱209,848**
December 31, 2019	+/-0.14	+/-₱173,575

Credit risk

Credit risk arises when the Group will incur a loss because its customers, clients or counterparties failed 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 statement of financial position. The exposure as of June 30, 2020 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, 2020:

	Gross maximum exposure	Fair value of collaterals/credit enhancements	Net exposure	Financial effect of collaterals/credit enhancement
Financial assets				
Investments in trust funds	**₱39,134,343**	**₱–**	**₱39,134,343**	**₱–**
Cash and cash equivalents, excluding cash on hand*	**2,618,772,442**	**–**	**2,618,772,442**	**–**
Short-term investments	**706,089,550**	**–**	**706,089,550**	**–**
Long-term investments	**435,000,000**	**–**	**435,000,000**	**–**
Installment contracts receivable	**97,643,226**	**2,091,084,323**	**–**	**97,643,226**
Refundable deposits	**33,251,275**	**–**	**33,251,275**	**–**
Notes receivable	**277,150,000**	**–**	**277,150,000**	**–**
Other receivables:				
Rent receivable	**36,217,817**	**–**	**36,217,817**	**–**
Advances to customers	**15,158,994**	**–**	**15,158,994**	**–**
Accrued interest	**12,354,020**	**–**	**12,354,020**	**–**
Retention	**3,567,644**	**–**	**3,567,644**	**–**
Advances to condominium corporations	**1,168,816**	**–**	**1,168,816**	**–**
Others	**2,145,091**	**–**	**2,145,091**	**–**
Contract assets	**2,866,039,644**	**5,212,819,075**	**–**	**2,866,039,644**
Total credit risk exposure	**₱7,143,692,862**	**₱7,303,903,398**	**₱4,180,009,992**	**₱2,963,682,870**

**Excluding cash on hand amounting to ₱213,500.*

The following tables summarize the aging analysis of receivables and contract assets on which expected credit loss rate was applied:

June 30, 2020:

			Days past due				
	Contract asset	Current	Less than 30 days	30-60 days	61-90 days	Over 90 Days	Total
Installment contracts receivable	**₱–**	**₱32,070,917**	**₱30,298,631**	**₱4,186,038**	**₱31,087,640**	**₱–**	**₱97,643,226**
Contract assets	**2,866,039,644**	**–**	**–**	**–**	**–**	**–**	**2,866,039,644**
Notes receivable	**–**	**277,150,000**	**–**	**–**	**–**	**–**	**277,150,000**
Refundable deposits	**–**	**33,251,275**	**–**	**–**	**–**	**–**	**33,251,275**
Other receivables:							
Rent receivable	–	**36,217,817**	**–**	**–**	**–**	**–**	**36,217,817**
Advances to customers	–	**12,284,387**	**–**	**505,064**	**798,789**	**1,570,754**	**15,158,994**
Accrued interest	–	**12,354,020**	**–**	**–**	**–**	**–**	**12,354,020**
Retention	–	**3,567,644**	**–**	**–**	**–**	**–**	**3,567,644**
Advances to condominium corporations	–	**1,168,816**	**–**	**–**	**–**	**–**	**1,168,816**
Others	–	**2,145,091**	**–**	**–**	**–**	**–**	**2,145,091**
	₱2,866,039,644	**₱410,209,967**	**₱30,298,631**	**₱4,691,102**	**₱31,886,429**	**₱1,570,754**	**₱3,344,696,527**

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, 2020:

	High Grade*	Medium Grade**	Total
Financial assets			
Investments in trust funds	**₱39,134,343**	**₱–**	**₱39,134,343**
Cash and cash equivalents, excluding cash on hand***	**2,618,772,442**	**–**	**2,618,772,442**
Short-term investments	**706,089,550**	**–**	**706,089,550**
Long-term investments	**435,000,000**	**–**	**435,000,000**
Refundable deposits	**–**	**33,251,275**	**33,251,275**
Installment contracts receivable	**–**	**97,643,226**	**97,643,226**
Notes receivable	**–**	**277,150,000**	**277,150,000**
Other receivables:			
Rent receivable	**–**	**36,217,817**	**36,217,817**
Advances to customers	**–**	**15,158,994**	**15,158,994**
Accrued interest	**–**	**12,354,020**	**12,354,020**
Retention	**–**	**3,567,644**	**3,567,644**
Advances to condominium corporations	**–**	**1,168,816**	**1,168,816**
Others	**–**	**2,145,091**	**2,145,091**
Contract assets	**–**	**2,866,039,644**	**2,866,039,644**
Total	**₱3,798,996,335**	**₱3,344,696,527**	**₱7,143,692,862**

**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.*
****Excluding cash on hand amounting to ₱213,500.*

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 Group's financial assets held for managing liquidity and financial liabilities based on contractual undiscounted payments:

June 30, 2020:

	Up to One Year	Above One Year	Total
Accounts payable and accrued expenses *	**₱324,486,432**	**₱190,815,029**	**₱515,301,461**
Notes payable**	**1,615,672,859**	**–**	**1,615,672,859**
Lease liabilities	**3,680,033**	**6,670,873**	**10,350,906**
Contracts payable	**996,191**	**–**	**996,191**
	₱1,944,835,515	**₱197,485,902**	**₱2,142,321,417**

** Excludes statutory liabilities amounting to ₱8,060,662.*
*** Includes interest expense amounting to ₱32,272,859.*

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:

As of June 30, 2020:

	Fair value		
	Level 1	**Level 2**	**Level 3**
Assets measured at fair value			
Investment in trust fund			
Financial assets at FVOCI			
Debt securities	**₱2,177,271**	**₱–**	**₱–**
Equity securities – listed	**716,126**	**–**	**–**
Investment properties	**–**	**–**	**3,999,490**
Financial assets at FVOCI	**1,139,667**	**–**	**–**
Assets for which fair values are disclosed			
Investment properties*	**–**	**–**	**8,475,751,280**

**Last valuation date is December 31, 2019.*

The following method and assumptions were used to estimate the fair value of each class of financial instruments, repossessed real estate properties for sale and investment properties, for which it is practicable to estimate such value.

Cash and cash equivalents, short-term and long-term investments, notes receivable, installment contracts receivable, other receivables, accounts payable and accrued expense, notes and contracts payable.

Due to the short-term nature of the transactions, the fair values of cash and cash equivalents, short-term and long-term investments, other receivables, accounts payable and accrued expenses, notes and contracts payable approximate their carrying amounts. The fair values of long-term investments, notes receivable, installment contracts receivable and contract assets approximate their carrying amounts as they carry interest rates that approximate the interest rates for comparable instruments in the market.

Financial assets at FVPL and financial assets at FVOCI

Financial assets at FVPL and financial asset at FVOCI 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 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.

The fair values of the investment properties as of December 31, 2019 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, 2020	June 30, 2019
Net income attributable to equity holders of the parent	**₱192,310,280**	₱301,423,068
Weighted average number of outstanding shares	**129,198,754**	129,198,754
Basic/diluted earnings per share	**₱1.49**	₱2.33

The Group has no potential dilutive common shares as of June 30, 2020 and June 30, 2019. 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, 2020		June 30, 2019	
Sales of real estate properties*	**₱650,000,404**	**71.35%**	₱1,350,824,984	83.11%
Rental income	**112,313,436**	**12.33%**	79,613,557	4.90%
Others	**148,711,960**	**16.32%**	194,961,896	11.99%
	₱911,025,800	**100.00%**	₱1,625,400,437	100.00%

**Includes interest income from installment contracts receivable and contract assets amounting to ₱217.42 million and ₱250.64 million as of June 30, 2020 and June 30, 2019, respectively (see Note 21).*

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 projects. Revenue from units with selling price exceeding ₱3.00 million shall not be covered by the ITH.

The Group has registered the 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

The Group was able to avail the benefits from ITH entitlement in the whole year of 2018 until May 31, 2019.

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, 2020 and December 31, 2019.

32. Events after Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. After which, modified ECQ was implemented in Metro Manila until May 31, 2020.

On May 29, 2020, the President of the Philippines declared that Metro Manila will be under general community quarantine beginning June 1 until June 15, 2020 and further extended to August 15, 2020. However, on August 2, 2020, the President announced that Metro Manila, Laguna, Cavite, Rizal and Bulacan shall be under modified ECQ from August 4 to August 18, 2020.

These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The COVID-19 pandemic may result to a decline in the sales of real estate properties. Further, due to the implementation of the ECQ, the construction of the Group's ongoing projects was also affected causing the percentage of completion to slow down.

The COVID-19 pandemic has a material impact on the 2020 financial results and even periods thereafter. The impact includes lower revenue for the year 2020 as compared to the Group's result of operations in 2019. The Group has implemented measures to manage the potential risks on the business operations. Some of these measures include online selling of real estate properties and processing of transactions. Advertisements through the social media platforms and sales promos were activated to attract potential investors.

CITYLAND, INC.

SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of June 30, 2020

SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019

A. As stated in the Final Prospectus (December 12, 2019 to December 12, 2020)

Gross Proceeds		**₱815,000,000**
Less: Expenses		
Documentary Stamps Tax	₱6,112,500	
Registration Fees	584,538	
Printing Costs	40,750	
Legal and Accounting Fees	30,000	
Publication Fees	30,000	6,797,788
Net Proceeds		**₱808,202,212**
Use of Proceeds		
Project-related Costs		₱453,400,000
Payment of Maturing Notes		322,202,212
Interest Expense		32,600,000
Total		**₱808,202,212**

B. Use of Proceeds (December 12, 2019 to June 30, 2020)

Gross Proceeds as of March 31, 2020	₱850,350,000	
Add: Issued Notes (April 1 to June 30, 2020)	424,500,000	
Total Gross Proceeds as June 30, 2020		₱1,274,850,000
Less: Expenses		
Documentary Stamps Tax	₱1,797,518	
Registration Fees	584,538	
Publication Fees	30,000	
Legal and Accounting Fees	30,000	
Printing Costs	25,700	2,467,756
Total Net Proceeds		1,272,382,244
Less: Use of Proceeds		
Payment of Maturing Notes	₱1,115,400,000	
Project-related Costs	140,799,168	
Interest Expense	5,418,714	1,261,617,882
Balance of Proceeds as of June 30, 2020		**₱10,764,362**

C. Outstanding Commercial Papers as of June 30, 2020

SEC-MSRD Order No. 44, Series of 2019 dated December 12, 2019	**₱592,800,000**

CITYLAND DEVELOPMENT CORPORATION
SCHEDULE OF GROSS AND NET PROCEEDS OF COMMERCIAL PAPERS ISSUED
As of June 30, 2020

SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019

A. As stated in the Final Prospectus (October 23, 2019 to October 23, 2020)

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		₱850,800,000
Payment of Maturing Notes		481,977,750
Interest Expense		55,860,000
Total		**₱1,388,637,750**

B. Use of Proceeds (October 23, 2019 to June 30, 2020)

Gross Proceeds as of March 31, 2020	₱2,146,400,000	
Add: Issued Notes (April 1 to June 30, 2020)	705,850,000	
Total Gross Proceeds as of June 30, 2020		₱2,852,250,000
Less: Expenses		
Documentary Stamps Tax	₱4,181,131	
Registration Fees	732,250	
Printing Costs	37,500	
Publication Fees	30,000	
Legal and Accounting Fees	30,000	5,010,881
Total Net Proceeds		₱2,847,239,119
Less: Use of Proceeds		
Payment of Maturing Notes	₱2,315,657,583	
Project-related Costs	526,502,190	
Interest Expense	5,079,346	2,847,239,119
Balance of Proceeds as of June 30, 2020		**-**

C. Outstanding Commercial Papers as of June 30, 2020

SEC-MSRD Order No. 39, Series of 2019 dated October 23, 2019	**₱990,600,000**

CITYLAND, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

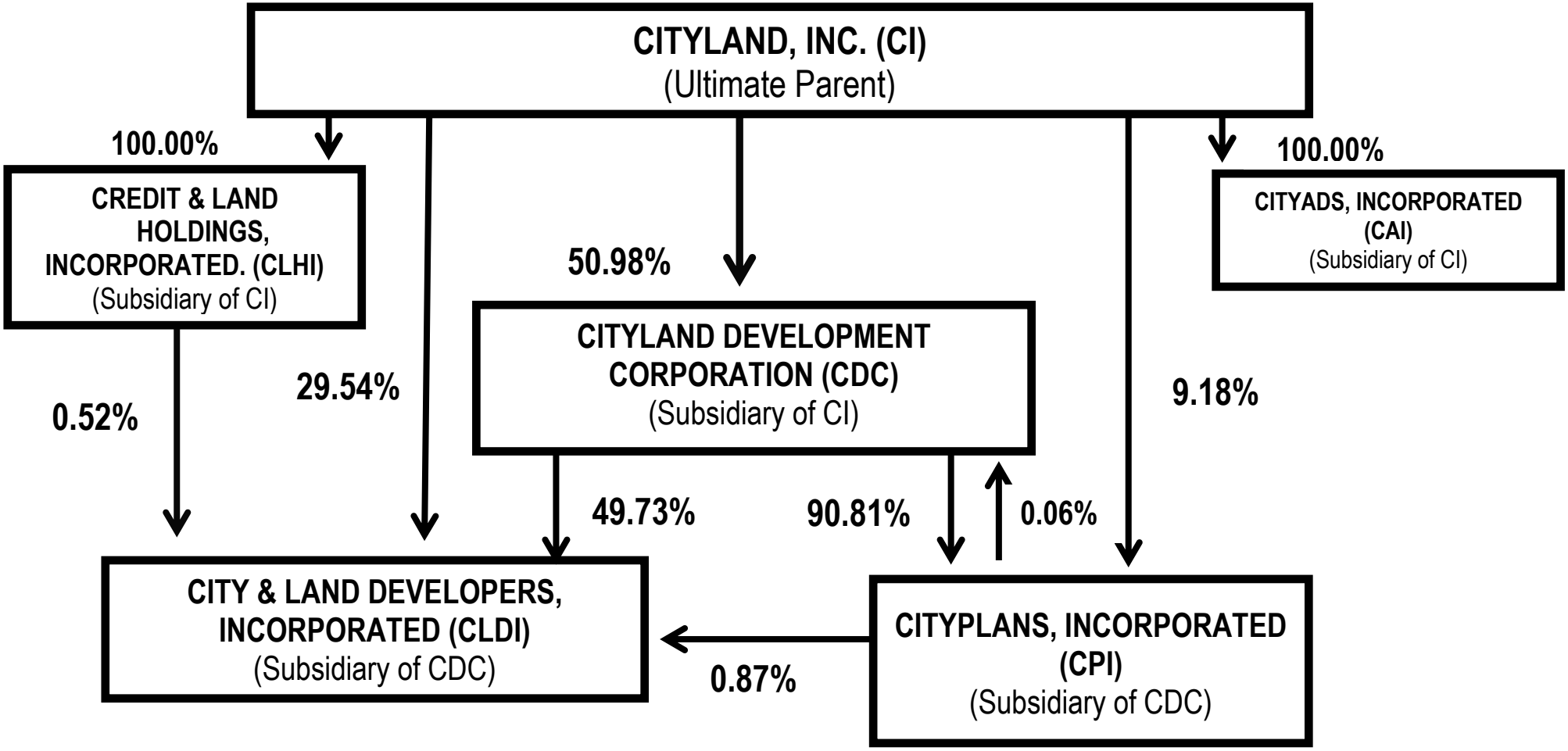
Financial Ratios

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	June 30, 2019 (Unaudited)
Basic/Diluted Earnings per share*	**₱2.98**	₱4.51	₱4.67
Return on equity (%)*	**4.94%**	7.68%	8.07%
Solvency*	**0.20**	0.29	0.32
Interest rate coverage	**69.36**	37.96	27.74
Asset-to-liability	**4.66**	4.42	4.54
Asset-to-equity	**1.99**	2.02	1.98
Debt-to-equity	**0.20**	0.23	0.24
Current	**3.01**	2.67	2.64
Acid-test ratio	**1.68**	1.44	1.70

**Annualized for the period of June 30, 2020 and June 30, 2019.*

Manner of Calculation:

Basic/Diluted Earnings per share	=	Net income after Tax / Outstanding shares
Return on equity ratio	=	Net Income after Tax / Stockholder's Equity
Solvency ratio	=	Net Income after Tax + Depreciation Expense / Total Liabilities
Interest rate coverage ratio	=	Net Income Before 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 unrealized fair value changes on financial assets at fair value through FVOCI and accumulated re-measurement on defined benefit plan)
Debt-to-equity ratio	=	Notes and Contracts Payable / Total equity (net of unrealized fair value changes on financial assets at fair value through FVOCI 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 + Contract Assets, current + Notes Receivable, current + Other Receivables, current / Total Current Liabilities

CITYLAND, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP